

# BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

**BLACKROCK®**

FUND UPDATE

31 May 2023

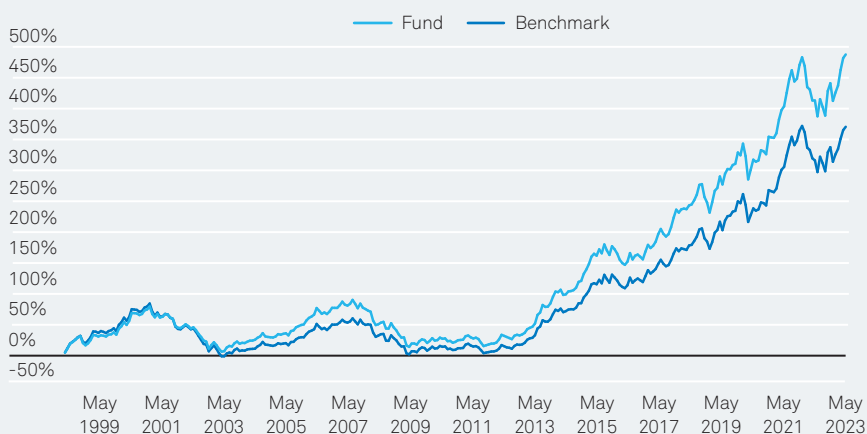
## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund <sup>1</sup> (Net of Fees)	0.98	9.41	14.69	14.24	11.77	10.85	6.37
MSCI World ex Australia Index (unhedged in AUD)	1.18	8.43	13.97	13.37	11.90	11.29	6.27
Outperformance (Net of Fees)	-0.20	0.98	0.71	0.87	-0.13	-0.44	0.10
BlackRock Advantage Hedged International Equity Fund <sup>2</sup> (Net of Fees)	-0.44	4.84	9.24	2.18	10.07	6.62	9.37
MSCI World ex Australia Index (hedged in AUD)	-0.15	4.05	8.73	1.55	10.32	7.21	9.80
Outperformance (Net of Fees)	-0.29	0.79	0.51	0.63	-0.25	-0.59	-0.43

<sup>1</sup> Fund inception: 31/12/1997. <sup>2</sup> Fund inception: 04/04/2003.

Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees and expenses. Gross returns are provided for products offered to wholesale clients only who may be subject to differential fees. Please refer to the Fund's product disclosure statement for more information.

## Fund Performance (Gross Unhedged) to 31 May 2023



## Performance Summary

### Market Commentary

The MSCI World Ex Australia Index gained 1.2% in unhedged AUD terms and declined 0.2% in fully hedged to AUD terms in May 2023.

Most major asset classes declined in May as US debt ceiling negotiations dominated headlines. Global equities, as measured by the MSCI World Ex Australia Index (hedged), were down 0.2%, while the unhedged index finished the month up 1.2% as currency moves offset the decline in international share prices. Technology stocks were a positive outlier in May buoyed by upbeat sentiment around generative artificial intelligence, which prevented the broader equity index from falling further. Developed Markets outperformed their Emerging Market counterparts, with divergences observed across geographies and sectors. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), also closed the month down 0.5%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index increased by 0.4% in May (in local currency terms), with the equity rally highly concentrated among a handful of mega-cap tech companies, notably Nvidia. Debt ceiling negotiations remained in focus throughout the month, with a deal agreed on the final weekend of May to suspend the country's debt limit until 2025 and cap non-defense spending. The US economy also remains resilient, with the unemployment rate falling to 3.4% in April – reflecting a 50-year low. This has led to rising investor expectations of another interest rate hike by the US Federal Reserve (Fed), which increased its policy rate by 25 basis points over the month. Earlier in the month, First Republic Bank was acquired by J.P. Morgan and US regional banks remain under scrutiny.

European equities, as represented through the Euro Stoxx 50 Index, fell by 2.2% across the period (in local currency terms), with luxury goods producers reversing the previous month's gains. Across the period, the Eurozone's largest economy, Germany, officially entered a recession following a downward revision to Q1 economic data. Persistent higher prices have weighed on household spending and consumer confidence, with German headline inflation at 7.6% over April. Despite the growing economic damage, the European Central Bank (ECB) increased its benchmark interest rate by 25 basis points at the beginning of May.

In the UK, the FTSE 100 Index declined by 4.9% in May (in local currency terms). British core inflation fell by less than expected in April, with headline CPI printing at 8.7% year-on-year, which leaves the UK with the second highest rate of inflation across Western Europe. As a result, British government bonds sold-off sharply with UK yields jumping close to levels previously reached during last year's budget fallout. Amid stubborn inflation and stagnating growth, the Bank of England (BoE) hiked rates by another 25 basis points. Investors are now pricing that the BoE will raise their policy rate close to 5.5%, representing as many as four more possible future rate hikes.

Asian equity markets were mixed over the period. China's CSI 300 Index fell by 5.6% in May (in local currency terms), as the country's economic recovery appears to be losing steam. China's official manufacturing PMI measure fell below economist forecasts to 48.8 in May, while household consumption hasn't rebounded in a similar manner to developed markets post Covid lockdowns – hampered by high youth unemployment and weak consumer confidence. The Chinese property market is also showing signs of fragility, with both new home and secondary-home sales volumes ending April on a downbeat.

Japanese equities, as represented by the Nikkei 225 Index, rose by 7.0% in May (in local currency terms), with markets climbing to 30-year highs on the back of a stronger economic outlook and optimism for corporate reform. The recent rally has seen Japanese stocks materially outperform their developed market peers in 2023, underpinned by the Tokyo Stock Exchange's push for more shareholder-friendly reforms and a pick-up in foreign investor inflows. Meanwhile, inflation remains above the Bank of Japan's (BoJ) target with nationwide core CPI rising to 3.4% year-on-year for April while the service sector grew at the second fastest pace on record over May.

### Top Active Holdings

Overweight	Underweight
AMETEK INC	JPMORGAN CHASE & CO
S&P GLOBAL INC	TESLA INC
SIEMENS N AG	ELI LILLY
WALMART INC	BROADCOM INC
COSTCO WHOLESALE CORP	MERCK & CO INC

### Top Holdings

Holding	Weight %
APPLE INC	5.50
MICROSOFT CORP	5.35
AMAZON COM INC	2.84
NVIDIA CORP	2.48
ALPHABET INC CLASS A	1.83
PROCTER & GAMBLE	1.59
CHEVRON CORP	1.46
WALMART INC	1.41
COSTCO WHOLESALE CORP	1.39
META PLATFORMS INC CLASS A	1.34

### Country Exposure

Country	Weight %
Austria	0.38
Belgium	0.79
Canada	3.10
Denmark	1.24
Finland	0.00
France	3.44
Germany	3.24
Greece	0.00
Hong Kong	1.12
Ireland	0.02
Israel	0.00
Italy	0.35
Japan	6.55
Netherlands	1.08
New Zealand	0.00
Norway	0.00
Portugal	0.05
Singapore	0.27
Spain	1.71
Sweden	0.25
Switzerland	1.71
United Kingdom	1.83
US	72.85

## Strategy Commentary

The strategy portfolio underperformed in May, with most insight groups negative.

Sentiment led the underperformance for the month, specifically the machine learned complex. Online sales, web traffic and brand sentiment contributed positively but not enough to offset losses elsewhere.

Within Value, signals that were the top performers over 2022 such as long-term reversal and anti-growth struggled the most. Within the Quality suite, contrarian quality signals led the underperformance of the fundamentals complex.

Across Macro, positioning in energy, pharma, and food producers where the portfolios are overweight were amongst the top contributors to negative performance over the month. All of these are pro-inflation/defensive themes which were winners over 2022 and drove positive fund performance last year. Another area that was problematic over the month was positioning within the semiconductor industry.

## About the Fund

### Investment Objective

The Fund aims to outperform the MSCI World ex Australia Index (unhedged/hedged in Australian dollars with net dividends reinvested) before fees over rolling three-year periods, while maintaining a similar level of risk as its benchmark.

### Fund Strategy

The strategy seeks to add value from stock and industry selection, by using our scientific process that uses local and global investment insights or themes to look for mispriced stocks and industries.

The investment themes used as part of our stock-selection process are grouped under: analyst expectations which anticipate changes in investor expectations about earnings; relative value which looks at multiple measures of underlying fundamental value; earnings quality which assesses the quality and sustainability of earnings; and market information which focuses on sentiment factors and information revealed by management decisions. Our industry-selection models alter exposure to industries using insights that focus on fundamental, economic and technical conditions.

### Should be considered by investors who ...

- ▶ Seek broad exposure to international shares.
- ▶ Seek a fund that blends well with most other active managers because its risk-controlled strategy of taking small active tilts across a large number of stocks tends to produce smaller, but steadier, excess returns on a greater number of stocks.
- ▶ Have a long term investment horizon.
- ▶ For the hedged version, seek to reduce the impact on A\$ returns on those investments that result from currency exposure.

### Fund Details

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	279 mil
Number of Stocks in Fund	365
Number of Stocks in Benchmark	1458
Tracking Error (3 Years p.a.)	1.43%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	90 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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