

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

30 September 2021

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	-1.95	1.51	14.66	29.48	10.52	11.47	10.58
S&P/ASX 300 Accumulation Index	-1.89	1.79	15.00	30.86	9.87	10.52	9.04
Outperformance (Gross of Fees)	-0.06	-0.28	-0.35	-1.38	0.65	0.96	1.53
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	-1.95	1.51	14.67	29.50	-	-	7.29
S&P/ASX 300 Accumulation Index	-1.89	1.79	15.00	30.86	-	-	7.19
Outperformance (Gross of Fees)	-0.06	-0.28	-0.34	-1.36	-	-	0.10
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	-1.97	1.44	14.42	29.13	-	-	6.98
S&P/ASX 300 Accumulation Index	-1.89	1.79	15.00	30.86	-	-	7.19
Outperformance (Net of Fees)	-0.09	-0.35	-0.58	-1.73	-	-	-0.20
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	-1.99	1.40	14.30	28.94	9.99	10.81	9.61
S&P/ASX 300 Accumulation Index	-1.89	1.79	15.00	30.86	9.87	10.52	8.94
Outperformance (Net of Fees)	-0.10	-0.39	-0.70	-1.92	0.12	0.29	0.66

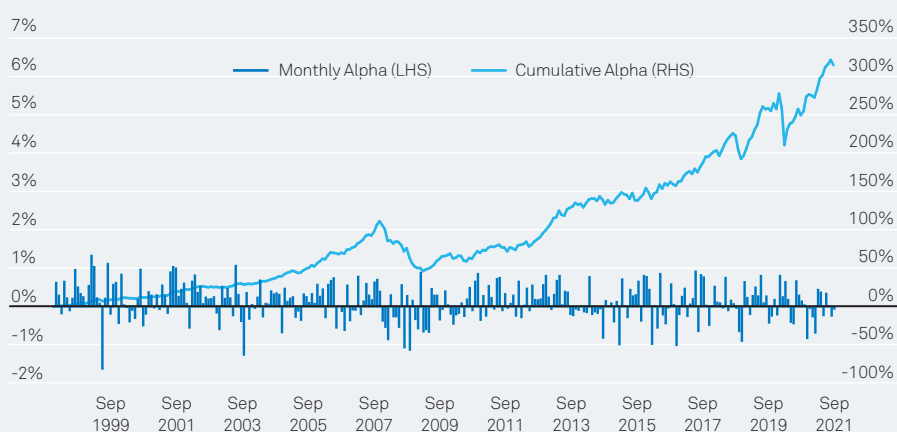
*Fund inception: 31/10/1997. **Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

Past performance is not a reliable indicator of future performance. Gross returns are calculated before fees and taxes and assume reinvestment of distributions. 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. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees, performance fees and expenses.

Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Fund Performance (Gross of Fees) to 30 September 2021



Performance Summary – September 2021

Fund v Market

The S&P/ASX300 Accumulation Index gained +1.8% in the September quarter. Strong commodity prices helped the index find new highs in July despite the spread of the delta variant. The roll out of new restrictions and lockdowns across the country did not cause too much concern for equities which continued to trend higher through August in what was overall a positive reporting season for Australian companies. The market closed the quarter with its first monthly loss in a year as investors became worried over Evergrande in China while the decline in iron ore prices further weighed on the index.

The Australian economy continued its recovery in the June quarter and saw GDP growth of +0.7% thanks to limited impact from lockdowns. Domestic demand continues to be a key driver of this recovery. While below pre-pandemic levels, consumer spending increased by +1.1% in the June quarter, notably in services, reflecting the strong domestic tourism activity. The latest inflation footprint took the annual CPI to 3.8%, however, the RBA does not anticipate inflation to remain sustainably within its 2-3% target until 2024. As such, it maintained the cash rate unchanged at 10 basis points. The Australian dollar weakened against the US dollar and finished the quarter at US0.72c.

Most sectors gained during the period, led by Energy (+8.6%) which was the top performing sector thanks to the surge in the price of oil in September. Industrials (+6.1%) benefited from an unsolicited takeover bid for Sydney Airports. Performance was also generally strong across Communications Services (+5.3%) while Utilities (+5.1%) outperformed mostly due to M&A activity. Financials (+5.1%) also added despite mixed performance amongst the major banks. Materials (-9.6%) was the only sector to detract the period reflecting the drop in commodity prices, especially iron ore.

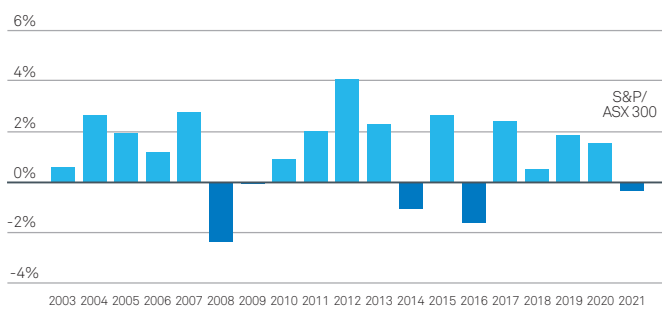
The strategy gained in absolute terms, however it underperformed over the period. After a positive start to the quarter, August and September proved more challenging. Communications Services was the top detracting sector during the quarter due to overweights interactive media and services and underweights diversified telecommunication services. Utilities also detracted through M&A activity and some of our underweight positions becoming takeover targets. Underweights hotels, restaurants and leisure weighed on the Consumer Discretionary sector while overweights oil, gas and consumable fuels hurt the Energy sector. Underweights commercial services and supplies as well as transportation names were a drag on Industrials. On a positive note, Information Technology contributed the most thanks to large overweight positions in software names. Favourable positioning in real estate management & development and overweights added to the Real Estate sector. Most signals detracted during the quarter, especially Earnings Quality, followed by Relative Valuation and Timing.

Investment Insights

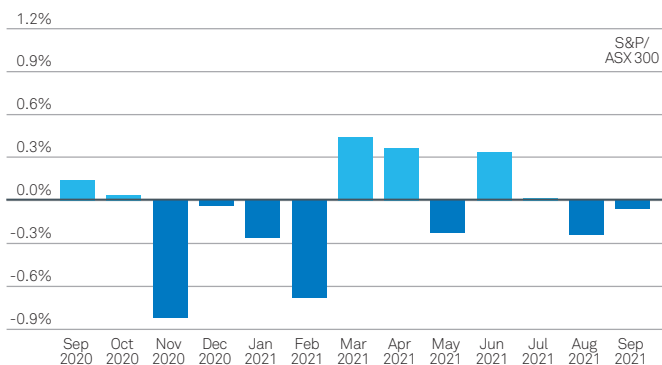
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

- ▶ Relative Valuation signals were negative,
- ▶ Market signals were positive,
- ▶ Earnings Direction signals were negative,
- ▶ Earnings Quality signals were the most negative,
- ▶ Timing signals were negative.

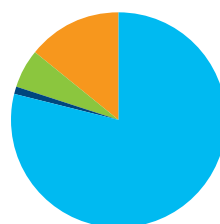
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)

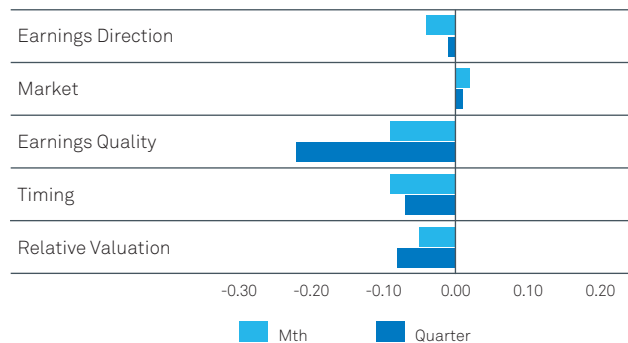


Risk Contributions (%)



Active Risk: 1.15%
Portfolio Beta: 0.99

Insight Performance (%)



Past performance is not an indicator of future performance
Source: BlackRock.

Sector Exposure (%)

Sector	Weight
ENERGY	3.28
MATERIALS	16.80
INDUSTRIALS	7.17
CONSUMER DISCRETIONARY	8.78
CONSUMER STAPLES	4.96
HEALTHCARE	10.38
FINANCIALS EX A-REIT	29.69
A-REIT	7.02
INFORMATION TECHNOLOGY	5.28
COMMUNICATIONS SERVICES	3.54
UTILITIES	1.22

Top Contributors / Detractors

Contributors	Detractors
Macquarie Group Ltd Def	Bhp Group Ltd
Rio Tinto Ltd	Idp Education Pty Ltdinary
Steadfast Group Ltd	Qantas Airways Ltd
Technology One Ltd	Rea Group Ltd
Wisetechglobal Pty Ltd	Sydney Airport Stapled Units

Top 10 Holdings

Stock
Csl Ltd
Commonwealth Bank Of Australia
Bhp Billiton (Gb)
Australia And New Zealand Banking
Westpac Banking Corporation Corp
Macquarie Group Ltd Def
National Australia Bank Ltd
Wesfarmers Ltd
James Hardie Industries Cdi
Sonic Healthcare Ltd

Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were overweight positions in TechnologyOne (TNE) and Wisetech Global (WTC). Amongst the largest detractors were an underweight position in Sydney Airport Holdings (SYD) and an overweight position in BHP Group (BHP).

Top Contributors

TNE – The overweight position in software company TechnologyOne was a result of favourable views across all insights especially Market, Relative Valuation and Timing. The share price hit record high in September after management announced an acquisition in the UK, which was well received by investors.

WTC – The overweight position in software firm Wisetech Global came from positive views across Earnings Direction, Market and Earnings Quality insights. The share price surged during the quarter following its latest FY21 results, which highlighted strong revenues growth and a +141% increase to its final dividend, well ahead of market consensus.

Top Detractors

BHP – The overweight position in mining giant BHP was led by positive views across most insights, especially Relative Valuation Market and Earnings Quality. Despite reporting a positive set of results, the share price fell on news that the company will merge its gas and oil business with another player to form a new entity.

SYD – The underweight position in transportation infrastructure Sydney Airport was a result of negative views across most insights, in particular Earnings Direction, Market and Timing. The share price benefited from the M&A activity during the period after the company received a takeover offer.

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About the Fund

Investment Objective

The Fund aims to outperform the S&P/ASX 300 Accumulation Index before fees over rolling three-year periods, while maintaining a similar level of risk as its benchmark.

Fund Strategy

The highly risk-controlled strategy employs a scientific process to identify mis-priced stocks using a range of fundamental investment insights. These insights are the result of ongoing research by BlackRock's global team of investment professionals. The insights are broadly categorised as:

- ▶ Earnings Direction – anticipate changes in future earnings direction, which affects stock prices;
- ▶ Relative Valuation – analyse multiple measures of underlying fundamental value;
- ▶ Earnings Quality – assess the quality and sustainability of earnings;
- ▶ Market – focus on market and management behaviour that can influence stock prices; and
- ▶ Timing – consider theme and sector timing.

Should be considered by investors who ...

- ▶ Seek broad exposure to the Australian equity market.
- ▶ Seek a fund that uses a proven, risk-controlled scientific process, to maximise its potential to deliver competitive returns to investors.
- ▶ Have a long term investment horizon.

Fund Details

Blackrock Advantage Australian Equity Fund	
APIR Code	BAR0814AU
Fund Size	143 mil
Buy/Sell Spread	0.15%/0.15%
Management Fee	0.45%p.a.

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	642 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	185
Number of Stocks in Benchmark	301
Tracking Error	1.53%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	208 mil
Buy/Sell Spread	0.15% / 0.15%