

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

30 June 2023

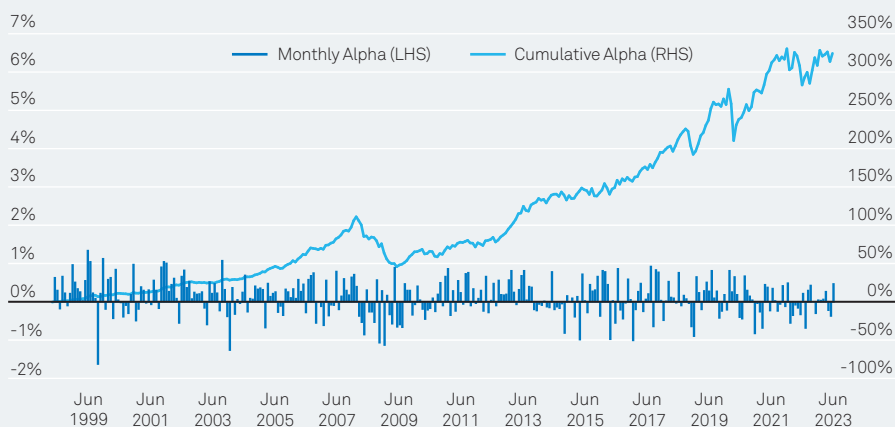
### Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	2.19	0.84	4.57	14.45	10.91	7.44	10.00
S&P/ASX 300 Accumulation Index	1.73	0.99	4.36	14.40	11.07	7.12	8.60
Outperformance (Gross of Fees)	0.46	-0.14	0.21	0.06	-0.17	0.32	1.40
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	2.20	0.85	4.57	14.46	10.91	-	4.72
S&P/ASX 300 Accumulation Index	1.73	0.99	4.36	14.40	11.07	-	4.82
Outperformance (Gross of Fees)	0.47	-0.14	0.21	0.06	-0.16	-	-0.10
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	2.17	0.78	4.42	14.14	10.60	-	4.42
S&P/ASX 300 Accumulation Index	1.73	0.99	4.36	14.40	11.07	-	4.82
Outperformance (Net of Fees)	0.44	-0.21	0.07	-0.26	-0.47	-	-0.40
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	2.16	0.73	4.34	13.96	10.43	6.93	9.09
S&P/ASX 300 Accumulation Index	1.73	0.99	4.36	14.40	11.07	7.12	8.52
Outperformance (Net of Fees)	0.43	-0.25	-0.02	-0.44	-0.64	-0.20	0.57

\*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.

### Fund Performance (Gross of Fees) to 30 June 2023



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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

# Performance Summary – June 2023

## Fund v Market

The S&P/ASX300 Accumulation Index registered a second positive quarter (+0.99%). April started with a pause in the RBA hiking cycle, which facilitated a strong start. This was soon followed with a surprise resumption of rate rises in May driving markets down, before encouraging inflation data in June saw some cautious optimism return.

The end of the quarter saw inflation continuing to decline (+5.6% Y/Y vs +7% Y/Y at the end of March) – giving the market hope that the RBA was winning its fight – although this was tempered somewhat by the observation that the reduction was largely due to volatile items. While unemployment still hovers around low levels (3.6%) there are clear signs the economy is slowing – GDP data came in lower than expected (+0.2% Q/Q), and the latest NAB Business Confidence Survey registered a negative reading (-4 index points). Some retailers have warned of lower volumes and footfall, which has shown somewhat in the monthly retail spending data, except for the May numbers, which surprised to the upside (+0.7% M/M), however this is thought to be because of end-of-financial-year sales and discounts. Despite the signs of a slowdown, the RBA has raised concerns over low productivity and wage increases, as well as the rise in house prices, that may put upward pressure on inflation.

Information Technology (+18.4%) led all sectors for the second quarter – driven by two companies: Wisetech Global (+22.5%) and Xero (+33.0%). Xero has been a star performer this year after announcing a cost restructure and delivering a solid update earlier in the quarter. Financials (+3.2%) also contributed significantly to performance. Banks (+1.8%) lost ground in May due to concerns around the effect of increasing funding costs on their net interest margins, however, optimism in June around the inflation outlook saw this clawed back. Insurance (+10.7%) also performed well in the quarter with promising outlooks for inflation and pricing power. Health Care (-3.1%) and Materials (-2.6%) were the worst performers of the month. Health Care was dragged lower by index heavyweight CSL, which gave an update toward the end of the quarter highlighting a slower-than-expected return to pre-covid margins, while Materials was dragged lower by Metals and Mining, which had a disappointing quarter off the back of an underwhelming Chinese recovery.

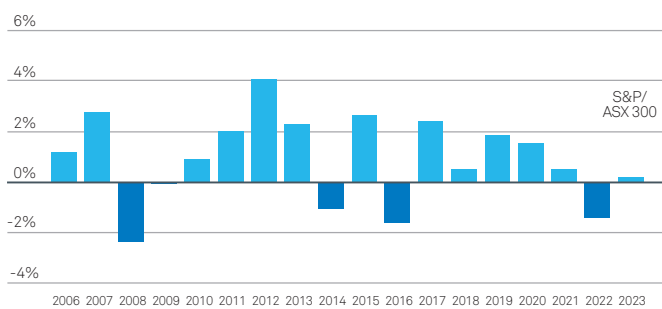
The strategy underperformed in the June quarter, though still posted a small positive active return over the financial year. After a positive start to the year the strategy pulled back over April and May, before a strong June. Overweights in Utilities added the most, with contribution from underweights in Consumer Staples (beverages) and Health Care (hospitals and biotechnology). However, this was not enough to overcome modest underperformance across a number of sectors; overweights in Consumer Discretionary (specialty retail), and Industrials (airlines), along with underweights in Energy (oil and gas) and Real Estate (industrial and diversified). The main source of detraction was Earnings Quality, notwithstanding the signal group drove the positive June performance, whilst Market insights and Relative Valuation added.

## Investment Insights

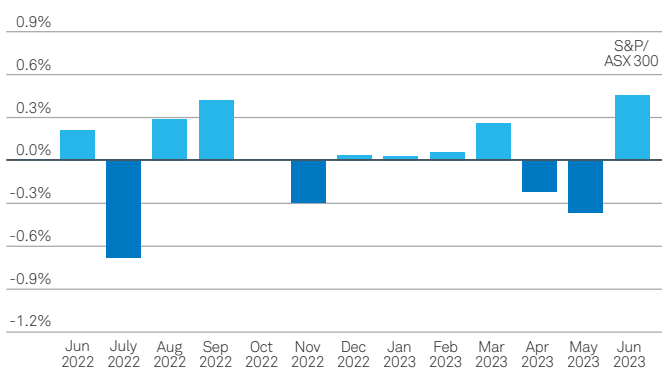
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

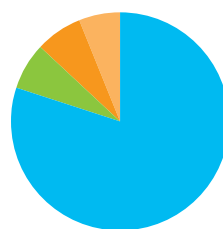
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)

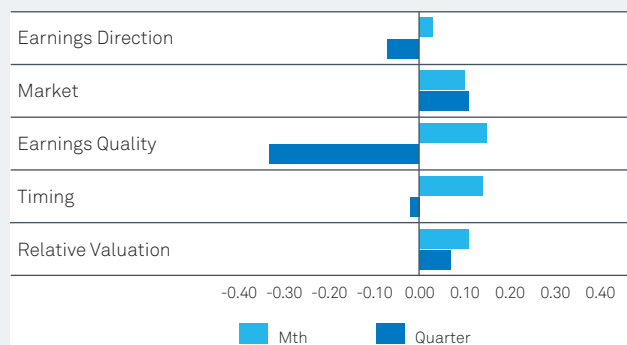


Risk Contributions (%)



Active Risk: 1.19%  
Portfolio Beta: 0.98

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
ENERGY	5.22
MATERIALS	24.61
INDUSTRIALS	6.68
CONSUMER DISCRETIONARY	5.79
CONSUMER STAPLES	5.86
HEALTHCARE	10.46
FINANCIALS EX A-REIT	26.78
A-REIT	6.48
INFORMATION TECHNOLOGY	2.46
COMMUNICATIONS SERVICES	3.29
UTILITIES	1.93

## Top Contributors / Detractors

Contributors	Detractors
CSL LTD	QANTAS AIRWAYS LTD
MAGELLAN FINANCIAL GROUP LTD	COCHLEAR LTD
PRO MEDICUS LTD	INSURANCE AUSTRALIA GROUP LTD
TRANSURBAN GROUP	LOVISA HOLDINGS LTD
NORTHERN STAR RESOURCES LTD	WHITEHAVEN COAL LTD

## Top 10 Holdings

Stock
BHP GROUP LTD
COMMONWEALTH BANK OF AUSTRALIA
CSL LTD
ANZ GROUP HOLDINGS LTD
NATIONAL AUSTRALIA BANK LTD
WOODSIDE ENERGY GROUP LTD
WESTPAC BANKING CORPORATION CORP
TELSTRA GROUP LTD
WOOLWORTHS GROUP LTD
ARISTOCRAT LEISURE LTD

## Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were overweight positions in Xero (XRO) and CSR (CSR). Amongst the largest detractors were overweight positions in Lovisa Holdings (LOV) and Perseus Mining (PRU).

### Top Contributors

**XRO** – The overweight position in online accounting software provider Xero was a result of favourable Earnings Direction, Timing and Earnings Quality insights. The company reported revenue growth and increasing subscriber numbers along with a more disciplined growth outlook taking into account the current economic conditions.

**CSR** – The overweight position in building materials supplier CSR came about as most insight groups were positive, led by Market and Earnings Quality. Though their aluminium division was impacted by higher raw material costs, the strength of the building products division resulted in higher profits and an increased dividend.

### Top Detractors

**LOV** – The overweight position in fast fashion jewellery retailer Lovisa was led by favourable Earnings Quality insights. Overall market sentiment around retailers, particularly specialty retailers, was negative with investors sensitive to potential impacts of rising cost-of-living expenses, and potentially higher award wages.

**PRU** – The overweight position in gold miner Perseus Mining was mainly from positive Earnings Direction with Market and Earnings Quality view adding. The firm reported a soft quarterly production, particularly compared to last year, though costs were lower than the December quarter.

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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	111 mil
Buy/Sell Spread	0.15%/0.15%
Management Fee	0.45%p.a.

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	625 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	134
Number of Stocks in Benchmark	299
Tracking Error	1.26%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	222 mil
Buy/Sell Spread	0.15% / 0.15%