

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

31 August 2021

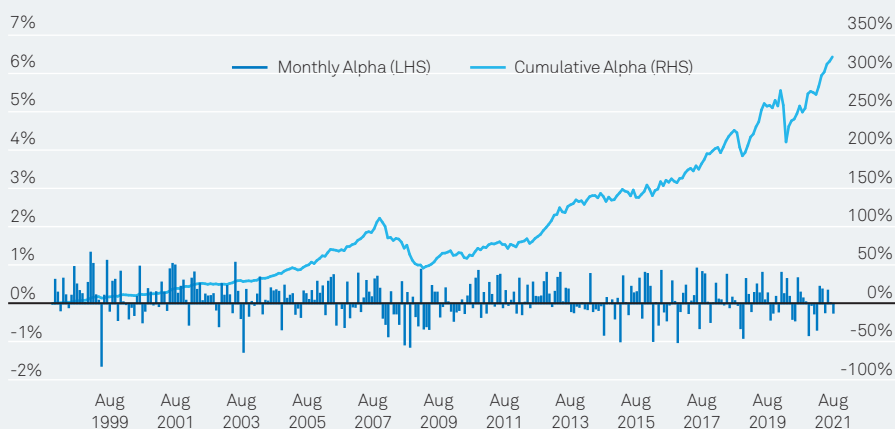
Investment Performance (%)

| | 1 Mth | 3 Mths | YTD | 1 Yr | 3 Yrs | 5 Yrs | Since Incep |
|--|-------|--------|-------|-------|-------|-------|-------------|
| BlackRock Australian Alpha Tilts Fund* (Gross of Fees) | 2.37 | 6.22 | 16.94 | 27.50 | 10.79 | 12.16 | 10.71 |
| S&P/ASX 300 Accumulation Index | 2.61 | 6.08 | 17.21 | 28.58 | 10.13 | 11.05 | 9.16 |
| Outperformance (Gross of Fees) | -0.24 | 0.14 | -0.28 | -1.08 | 0.66 | 1.10 | 1.54 |
| BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees) | 2.37 | 6.22 | 16.95 | 27.52 | - | - | 9.12 |
| S&P/ASX 300 Accumulation Index | 2.61 | 6.08 | 17.21 | 28.58 | - | - | 8.96 |
| Outperformance (Gross of Fees) | -0.23 | 0.14 | -0.27 | -1.06 | - | - | 0.16 |
| BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees) | 2.35 | 6.14 | 16.72 | 27.16 | - | - | 8.80 |
| S&P/ASX 300 Accumulation Index | 2.61 | 6.08 | 17.21 | 28.58 | - | - | 8.96 |
| Outperformance (Net of Fees) | -0.26 | 0.06 | -0.49 | -1.43 | - | - | -0.15 |
| Blackrock Advantage Australian Equity Fund^ (Net of Fees) | 2.34 | 6.10 | 16.62 | 26.97 | 10.25 | 11.48 | 9.73 |
| S&P/ASX 300 Accumulation Index | 2.61 | 6.08 | 17.21 | 28.58 | 10.13 | 11.05 | 9.06 |
| Outperformance (Net of Fees) | -0.27 | 0.02 | -0.60 | -1.61 | 0.12 | 0.43 | 0.67 |

*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 31 August 2021



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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary – July 2021

Fund v Market

The S&P/ASX300 Accumulation Index gained +2.6% for August, the 11th consecutive months of positive return for the local index, which has also been up 16 of the 17 months since the start of the pandemic. August coincided with earnings season when most Australian companies report their results for the full year. Overall, most companies reported well with more positive surprises than misses, however investors turned their focus on the forward guidance. The market saw some share price reaction reflecting the outlook rather than the results. Despite the progress in the vaccine roll out, uncertainty continues to weigh on the economy and an increasing number of companies have provided limited or no guidance – something we had also observed in the March reporting season.

The Reserve Bank of Australia left the cash rate unchanged and confirmed that it would start tapering in September. Retail sales printed lower than expected at -2.7% for July as the Delta variant continued to see most strict lockdowns in parts of the country. Unemployment decreased to 4.6% however the underemployment rate increased, impacted by lockdowns across the country. The Australian dollar fell against the US dollar ending the month at US 0.73c.

The Information Technology sector (+16.2%) was the best performing sector for the month mainly thanks to the strong results of a software company and a successful takeover bid for AfterPay. Consumer Staples (+6.8%) also benefitted from the latest lockdowns across the country. Although the Health Care sector (+6.6%) saw mixed results, however, it outperformed helped by the strong earnings result of a biotechnology company. Materials (-6.9%) was the worst performing sector this month as commodity prices weakened, especially iron ore after China announced that it would limit its steel mill production.

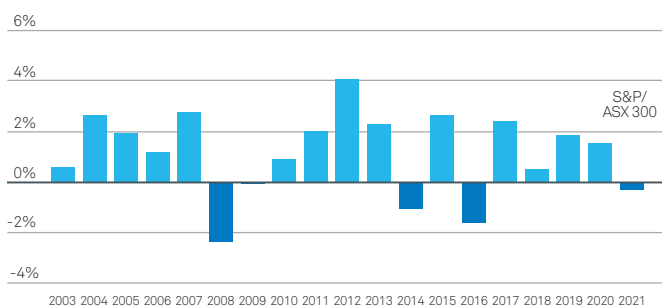
The strategy gained during the month however, it underperformed its benchmark. Through a sector lens, Communications Services was the sector detracting the most due to a large overweight position in interactive media and services and underweights diversified telecommunication services. Consumer Discretionary struggled through overweights distributors and specialty retailers while underweights, notably in capital markets and insurance names hurt Financials. Underweights metals and mining companies as well as a large overweight in the construction material industry added to Materials, the best contributing sector this month. Amongst insights, the main source of underperformance came from Earnings Quality followed by Relative Valuation while Earnings Direction contributed.

Investment Insights

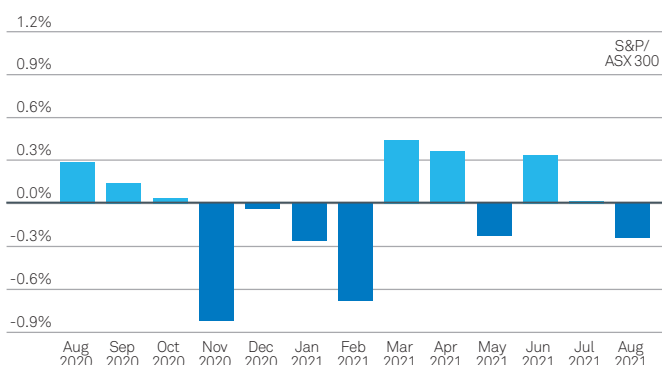
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

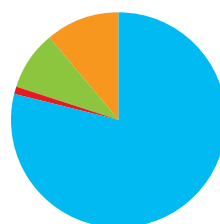
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)

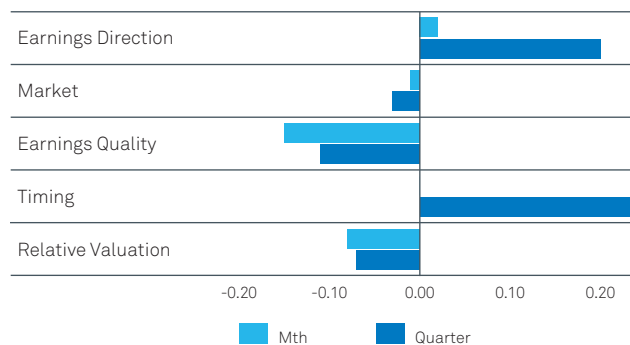


Risk Contributions (%)



Active Risk: 1.20%
Portfolio Beta: 0.99

Insight Performance (%)



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

Sector Exposure (%)

| Sector | Weight |
|-------------------------|--------|
| ENERGY | 3.09 |
| MATERIALS | 19.00 |
| INDUSTRIALS | 6.54 |
| CONSUMER DISCRETIONARY | 8.94 |
| CONSUMER STAPLES | 5.02 |
| HEALTHCARE | 10.02 |
| FINANCIALS EX A-REIT | 28.78 |
| A-REIT | 6.73 |
| INFORMATION TECHNOLOGY | 5.05 |
| COMMUNICATIONS SERVICES | 3.35 |
| UTILITIES | 1.28 |

Top Contributors / Detractors

| Contributors | Detractors |
|---------------------------------|----------------------------------|
| Dominos Pizza Enterprises Ltd | Afterpay Ltd |
| James Hardie Industries Cdi Plc | Bhp Group Ltd |
| Rio Tinto Ltd | Suncorp Group Ltd |
| Steadfast Group Ltd | Westpac Banking Corporation Corp |
| Wisetechglobal Pty Ltd | Asx Ltd |

Top 10 Holdings

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

Stock Selection

On a market adjusted basis, amongst the top contributors for the month were overweight positions in Wisetech Global (WTC) and James Hardie Industries (JHX). Amongst the largest detractors were overweight positions in BHP Group (BHP) and Rea Group (DOW).

Top Contributors

WTC – The overweight position in software company Wisetech Global came from positive views across Earnings Direction, Market, and Earnings Quality. The share price surged after the company reported impressive FY21 results highlighting revenues up +18% and a +141% increase to its final dividend, well above market expectations.

JHX – The overweight position in building materials firm James Hardie Industries was a result of positive views across all insights. The company posted strong results for the first quarter driven by an increase in sales in its North American and APAC divisions.

Top Detractors

BHP – The overweight position in resources giant BHP was through favourable views across Earnings Quality, Relative Valuation and Timing. Despite strong profit growth posted during the month, merger plan of its oil and gas business with another player as well as the drop in the price of iron ore weighted on the share price.

REA – The overweight position in global online real estate advertising company REA Group was a result of positive Earnings Direction, Market and Relative Valuation. Despite posting strong results, the share price dropped as investors became concerned on the potential impact of the recent lockdowns on property listings.

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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 | 148 mil |
| Buy/Sell Spread | 0.15%/0.15% |
| Management Fee | 0.45%p.a. |

| BlackRock Australian Alpha Tilts Fund | |
|---------------------------------------|-------------|
| APIR | BGL0006AU |
| Fund Size | 653 mil |
| Buy/Sell Spread | 0.15%/0.15% |
| Number of Stocks in Fund | 151 |
| Number of Stocks in Benchmark | 296 |
| Tracking Error | 1.53% |

| BlackRock Australian Alpha Tilts Fund – Class S | |
|---|---------------|
| APIR | BLK6723AU |
| Fund Size | 211 mil |
| Buy/Sell Spread | 0.15% / 0.15% |