

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

31 December 2021

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	3.13	2.98	18.08	18.08	15.29	11.31	10.60
S&P/ASX 300 Accumulation Index	2.65	2.21	17.54	17.54	13.96	9.94	9.04
Outperformance (Gross of Fees)	0.48	0.78	0.54	0.54	1.33	1.37	1.55
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	3.13	2.98	18.09	18.09	-	-	7.98
S&P/ASX 300 Accumulation Index	2.65	2.21	17.54	17.54	-	-	7.45
Outperformance (Gross of Fees)	0.48	0.78	0.55	0.55	-	-	0.53
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	3.11	2.91	17.75	17.75	-	-	7.67
S&P/ASX 300 Accumulation Index	2.65	2.21	17.54	17.54	-	-	7.45
Outperformance (Net of Fees)	0.46	0.70	0.21	0.21	-	-	0.22
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	3.09	2.87	17.58	17.58	14.77	10.66	9.63
S&P/ASX 300 Accumulation Index	2.65	2.21	17.54	17.54	13.96	9.94	8.94
Outperformance (Net of Fees)	0.44	0.66	0.04	0.04	0.81	0.72	0.68

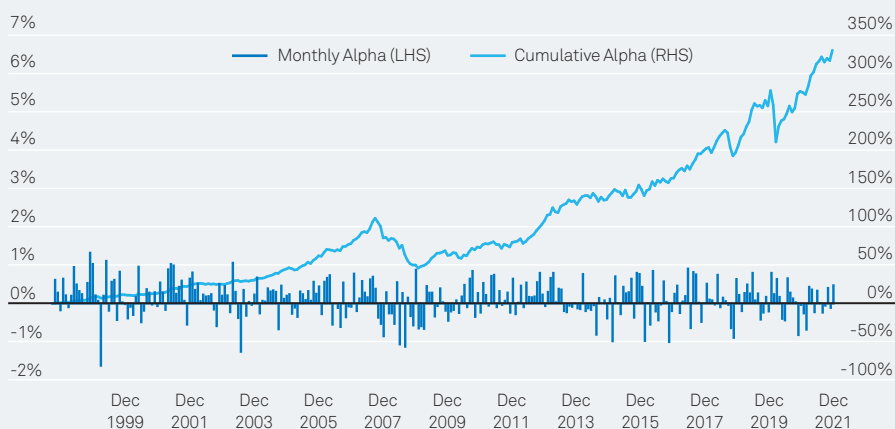
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 31 December 2021



## Performance Summary – December 2021

### Fund v Market

The S&P/ASX300 Accumulation Index finished the quarter +2.2% higher, helped by strong December performance. Over 2021 the Index gained +17.5%, bouncing back after registering only a modest gain for 2020. After starting the quarter with two months of choppy performance, markets started to absorb better than expected economic data, improved outlooks and easing concerns of the impact of the omicron variant of COVID-19. Iron ore prices stabilised on the back of improving Chinese demand, and oil recovered from a mid-November slump triggered in part by the omicron outbreak. Higher levels of vaccination in Australia saw an end to widespread lockdowns, increased mobility within the states, and domestic and international travel starting up again.

Economic prints continued to beat expectations. Even though the September quarter GDP was -1.9% lower, this was still better than expectation given the extent of lockdowns in the Australian economy. Over the year the economy still managed to grow +3.9%. Unemployment also surprised on the upside, with an unemployment rate of just 4.6%, even as participation rates increased to 66.1%, with 366k jobs added. Both the RBA and the Federal Government, in its Mid-Year Economic and Fiscal Outlook (MYEFO), expected the unemployment rate to be sustained below 5% putting positive pressure on wages growth. Even as inflation came in at +0.8%, or +3.0% for the previous 12 months, the RBA announced they would maintain rates at 0.10% and continue buying bonds until there was evidence of sustained inflation. Over the quarter the Australian dollar posted a small gain against the US dollar, finishing at US0.73c, though at the same time last year the exchange rate stood at US0.77c (Dec 2020).

The Materials sector (+12.7%) was the top performing sector, driven by miners and stronger prices for metals. Utilities (+11.6%), helped by takeover activity, and Real Estate (+9.3%) also posted strong gains. Detraction came from the Energy sector (-7.3%) with the price of oil impacted by concerns of the new COVID-19 variant, and a cooling of very strong coal prices. Information Technology (-4.6%) performed poorly, particularly payment companies, as investors were concerned about generally high multiples in the space, against a backdrop of potentially rising interest rates.

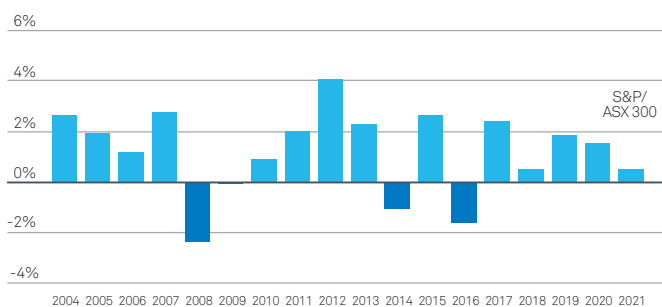
The strategy finished the year strongly and posted a positive quarter, as well as another positive calendar year, in terms of both market returns and active returns. A number of sectors contributed including Financials, through favourable positioning in Banks and Insurers, and Health Care (overweight service providers). The main source of detraction came from underweight positions in Materials, mainly miners helped by rising commodity prices and recent positive sentiment around materials for batteries and the electrification thematic. Positive signal performance was again led by sentiment; Market and Earnings Direction, along with Timing insights, whilst Company Fundamentals lagged; Relative Valuation and Earnings Quality.

### Investment Insights

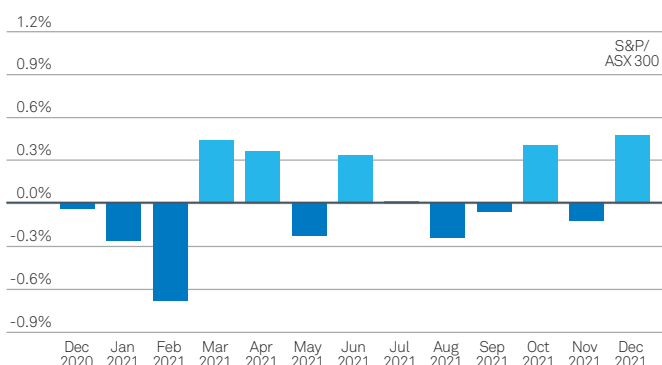
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

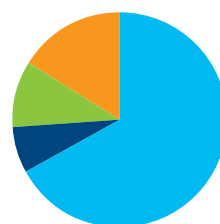
### Yearly Alpha, Gross of Fees (%)



### Monthly Alpha, Gross of Fees (%)

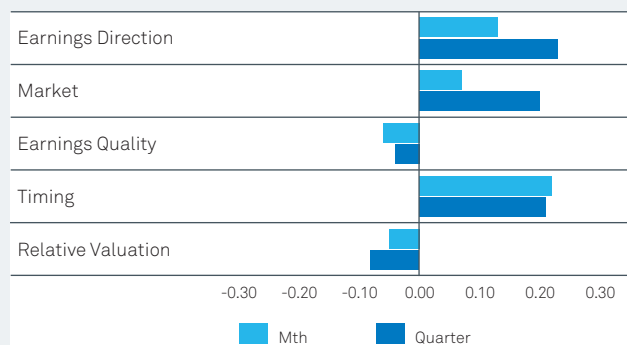


### Risk Contributions (%)



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	3.11
MATERIALS	19.03
INDUSTRIALS	7.09
CONSUMER DISCRETIONARY	8.82
CONSUMER STAPLES	4.94
HEALTHCARE	10.47
FINANCIALS EX A-REIT	28.58
A-REIT	7.35
INFORMATION TECHNOLOGY	3.89
COMMUNICATIONS SERVICES	4.32
UTILITIES	1.37

## Top Contributors / Detractors

Contributors	Detractors
CHARTER HALL GROUP STAPLED UNITS	APA GROUP UNITS
MACQUARIE GROUP LTD DEF	FORTESCUE METALS GROUP LTD
SONIC HEALTHCARE LTD	MINERAL RESOURCES LTD
TECHNOLOGY ONE LTD	REECE LTD
WESTPAC BANKING CORPORATION CORP	WESFARMERS LTD

## Top 10 Holdings

Stock
CSL LTD
COMMONWEALTH BANK OF AUSTRALIA
BHP BILLITON (GB)
MACQUARIE GROUP LTD DEF
AUSTRALIA AND NEW ZEALAND BANKING
NATIONAL AUSTRALIA BANK LTD
WESTPAC BANKING CORPORATION CORP
GOODMAN GROUP UNITS
WESFARMERS LTD
ARISTOCRAT LEISURE LTD

## Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were overweight positions in Sonic Healthcare (SHL) and BHP Group (BHP). Amongst the largest detractors were underweight positions in Mineral Resource (MIN) and Wesfarmers (WES).

### Top Contributors

**SHL** – The overweight position in health care service provider Sonic Healthcare was driven by very strong Timing and Market insights, along with favourable Earnings Direction and Relative Valuation insights. A trading update showed the company continuing to benefit from higher levels of COVID-19 in the community, with increased numbers of tests processed through its laboratories.

**BHP** – The overweight position in mining giant BHP Group was a result of favourable views across Earnings Direction, Relative Valuation and Earnings Quality. Helped by improving commodity prices, the company continued to execute on their plans; to divest their petroleum division to Woodside Petroleum, and to unify their listings.

### Top Detractors

**MIN** – The underweight position in iron ore and lithium miner Mineral Resources was caused by unfavourable Market and Timing insights. The company had a number of positive announcements through the quarter; partnerships, joint ventures and a mine reopening. It was also helped by higher commodity prices.

**WES** – The underweight position in diversified conglomerate Wesfarmers was led by poor Relative Valuation and Timing insights.

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The company continued to pursue the acquisition of pharmacy name Australian Pharmaceutical Industries, and noted at its AGM that it was well placed for the upcoming key Christmas trading period.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	791 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	172
Number of Stocks in Benchmark	298
Tracking Error	1.37%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	236 mil
Buy/Sell Spread	0.15% / 0.15%