

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

31 January 2022

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	-7.00	-4.71	-7.00	9.73	11.04	9.81	10.23
S&P/ASX 300 Accumulation Index	-6.45	-4.49	-6.45	9.59	10.05	8.65	8.71
Outperformance (Gross of Fees)	-0.55	-0.23	-0.55	0.14	0.98	1.17	1.52
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	-7.00	-4.72	-7.00	9.73	-	-	3.65
S&P/ASX 300 Accumulation Index	-6.45	-4.49	-6.45	9.59	-	-	3.48
Outperformance (Gross of Fees)	-0.55	-0.23	-0.55	0.14	-	-	0.17
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	-7.03	-4.78	-7.03	9.42	-	-	3.36
S&P/ASX 300 Accumulation Index	-6.45	-4.49	-6.45	9.59	-	-	7.45
Outperformance (Net of Fees)	-0.57	-0.30	-0.57	-0.17	-	-	-0.12
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	-7.04	-4.82	-7.04	9.26	10.55	9.18	9.28
S&P/ASX 300 Accumulation Index	-6.45	-4.49	-6.45	9.59	10.05	8.65	8.62
Outperformance (Net of Fees)	-0.58	-0.33	-0.58	-0.34	0.49	0.53	0.65

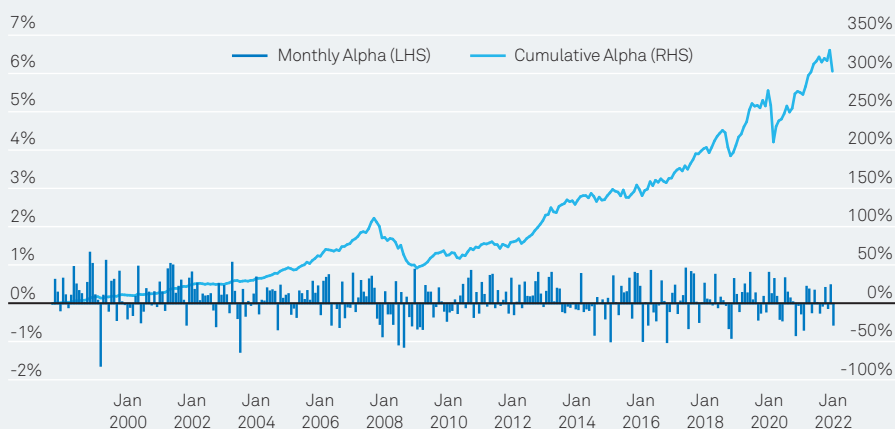
*Fund inception: 31/10/1997. **Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 January 2022



Performance Summary – January 2022

Fund v Market

The S&P/ASX300 Accumulation Index started 2022 falling sharply (-6.5%) as developed markets globally faced potential central bank tightening to stem inflation concerns. This was particularly impactful for higher growth names trading on high multiples that were broadly sold off. Supply chain stress, including higher fuel costs, a significant contributor to the rise in prices. The omicron outbreak in Australia appeared to have peaked as case numbers fell, with some stabilisation in hospitalisations across the country. The month ended with BHP finalising its move to be primarily on the Australian exchange, making it the largest constituent of the index.

The key economic concern was inflation, as the CPI rose faster than expected; +1.3% quarter on quarter, and +3.5% year on year. On the RBA's preferred measure the print was well within the longer term target band, and far from the levels on inflation observed in the US, as the US Fed started to change its rhetoric. Unemployment in Australia fell to just 4.2%, though the number was recorded before the full impact of the omicron wave was potentially felt. Still the 4.2%, at reasonably high participation rates, was the lowest monthly total since 2008. Given the higher inflation, lower unemployment, and a US Fed being more hawkish, the Australia dollar fell against the US dollar, finishing the month just over US70c.

Energy (+7.5%) was one of the few sectors with a positive gain, helped by a rising oil price. Utilities (+2.6%) and Materials (+0.6%), led by the miners, also finished the month higher. Most of the other sectors were significantly lower, the worst being sectors considered higher growth including Information Technology (-17.1%) and Health Care (-12.1%). The Consumer Staples, Real Estate and Consumer Discretionary sectors all fell by more than 9% in January.

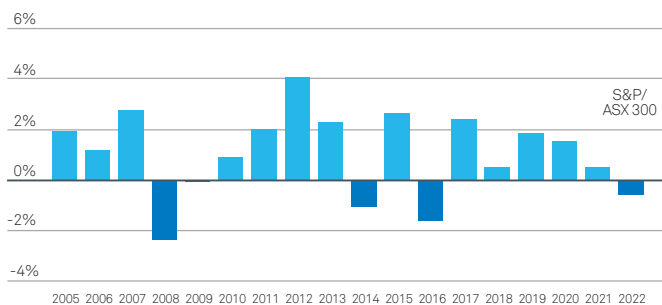
The strategy underperformed the weaker benchmark as markets continued to be driven by higher level macro themes, such as concerns about covid or inflation expectations or central banks turning hawkish, rather than company fundamentals. Weakness in Health Care led to detraction from overweight positions, with underweights in miners doing the same in the Materials sector, and overweight food and beverage names in Consumer Staples also dragging. Only modest gains were made across a few sectors, notably overweight positions in the Utilities and Energy sectors. Most insight groups detracted, and whilst Relative Valuation proved to be a useful diversifier, it alone was not enough to turn performance around.

Investment Insights

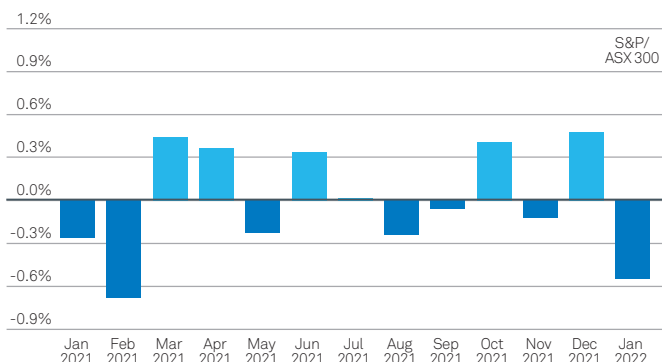
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

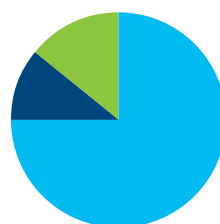
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)

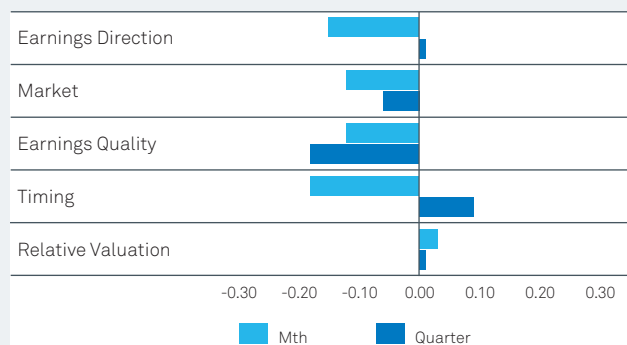


Risk Contributions (%)



Active Risk: 1.16%
Portfolio Beta: 1.00

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
ENERGY	3.27
MATERIALS	23.85
INDUSTRIALS	7.09
CONSUMER DISCRETIONARY	8.35
CONSUMER STAPLES	4.29
HEALTHCARE	10.26
FINANCIALS EX A-REIT	26.70
A-REIT	6.49
INFORMATION TECHNOLOGY	2.44
COMMUNICATIONS SERVICES	4.53
UTILITIES	1.15

Top Contributors / Detractors

Contributors	Detractors
TRANSURBAN GROUP STAPLED UNITS	CHARTER HALL GROUP STAPLED UNITS
WOOLWORTHS GROUP LTD	CSL LTD
ASX LTD	ELDERS LTD
COCHLEAR LTD	REA GROUP LTD
RAMSAY HEALTH CARE LTD	SONIC HEALTHCARE LTD

Top 10 Holdings

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

Stock Selection

On a market adjusted basis, amongst the top contributors for the month was an underweight position in Commonwealth Bank of Australia (CBA) and an overweight position in Santos (STO). Amongst the largest detractors was an underweight short position in Rio Tinto (RIO) and an overweight position in Sonic Healthcare (SHL).

Top Contributors

CBA – The underweight position in the Commonwealth Bank of Australia was predominantly due to poor Relative Valuation and Market insights. Whilst banks generally fell along with other Financials, the Commonwealth Bank was notably the worst of the Big 4 banks.

STO – The overweight position in oil company Santos was driven by favourable Timing insights and strong fundamentals (Relative Valuation and Earnings Quality). Energy was one of the few bright spots over the month, during which the company also reported record annual production, revenue and free cash flow on strong prices and higher volumes, after completing its merger with Oil Search.

Top Detractors

RIO – The underweight position in diversified miner Rio Tinto was mainly due to poor Earnings Direction, and Timing insights, Rio's share price rose steadily in a falling market, despite media reports on poor company culture and the blocking of a lithium mine in Serbia. Stronger commodity prices helped overcome slightly weaker production numbers in Q4 2021.

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. The firm was part of a broader Health Care sell-off during January.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	732 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	162
Number of Stocks in Benchmark	298
Tracking Error	1.41%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	220 mil
Buy/Sell Spread	0.15% / 0.15%