

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

31 May 2022

### Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	-3.09	2.48	-3.04	3.99	8.33	9.84	10.27
S&P/ASX 300 Accumulation Index	-2.76	3.08	-1.56	4.71	8.01	8.98	8.82
Outperformance (Gross of Fees)	-0.33	-0.60	-1.48	-0.72	0.32	0.86	1.46
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	-3.10	2.48	-3.04	3.99	-	-	5.03
S&P/ASX 300 Accumulation Index	-2.76	3.08	-1.56	4.71	-	-	5.30
Outperformance (Gross of Fees)	-0.34	-0.60	-1.48	-0.72	-	-	-0.28
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	-3.12	2.41	-3.16	3.70	-	-	4.72
S&P/ASX 300 Accumulation Index	-2.76	3.08	-1.56	4.71	-	-	5.30
Outperformance (Net of Fees)	-0.36	-0.67	-1.59	-1.02	-	-	-0.58
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	-3.13	2.37	-3.22	3.54	7.87	9.23	9.32
S&P/ASX 300 Accumulation Index	-2.76	3.08	-1.56	4.71	8.01	8.98	8.72
Outperformance (Net of Fees)	-0.37	-0.71	-1.65	-1.17	-0.14	0.25	0.60

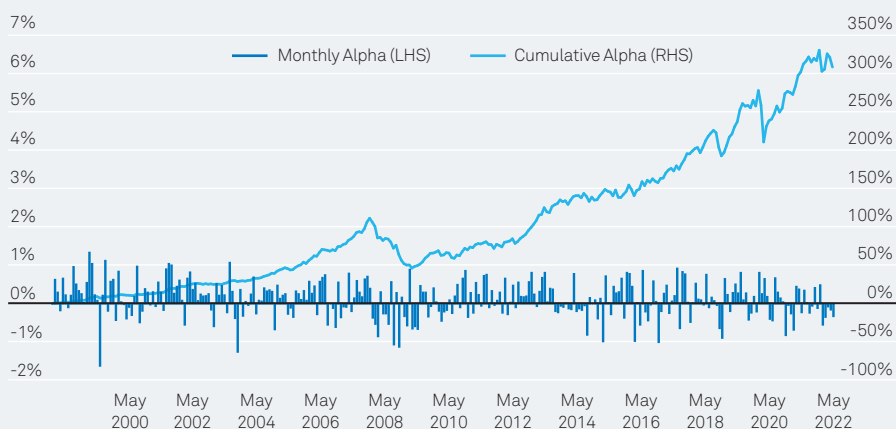
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 May 2022



## Performance Summary – May 2022

### Fund v Market

The S&P/ASX300 Accumulation Index finished another negative month in May -2.8% lower. Inflation, brought on by global supply chain issues, higher food, energy and dwellings prices, along with continued low unemployment and wages growth pushed the Reserve Bank to raise rates for the first time since 2010. May also saw a new Australian Federal government elected, with the Australian Labour Party winning a tight race, though there was a drop in overall support for both the major parties.

The Reserve Bank of Australia raised rates for the first time in over 11 years, pushing the key rate 0.25% higher to 0.35%. The unemployment rate remained below 4%, holding steady at 3.9%, with the expectation it could continue to fall. Wages growth was stronger at +0.7% for the quarter, +2.4% for the year. The strong employment expectations and wages growth increasing the likelihood of more rate rises. The Australian dollar finished the month close to where it started at against the US dollar, closing at US71.8c, though it belied a volatile month with the dollar falling below 69c mid-month before recovering.

All sectors finished negative for the month, the best performing being Utilities (-0.2%) once again. Mining and packaging names did well, helping the Materials sector (-0.3%), whilst oil prices helped the Energy sector (-0.4%). The Real Estate sector (-8.7%) was the worst performer, dragged down by industrial properties, followed by Information Technology (-8.0%) which continued to underperform. Media names within the Communication sector (-6.7%) and supermarkets within the Consumer Staples sector (-6.6%) also lagged.

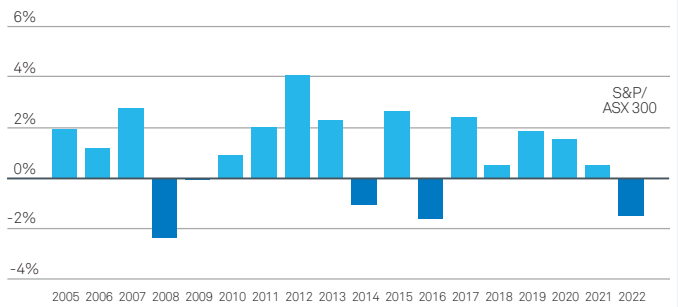
May was a negative month for the strategy as once again macro concerns, including the interest rate rise, impacted the market. Overweights in transport related names within the Industrials sector added the most, helped by favourable positioning in the Consumer Staples and Discretionary sectors. However poor positioning in Financials, Materials (overweight construction and underweight packaging), and Communication Services (overweights in media) saw those sectors detract. Only Market insights were additive over the month, whilst the other insight groups dragged.

### Investment Insights

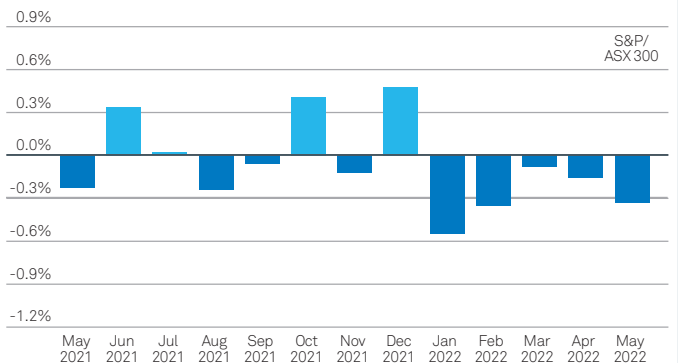
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

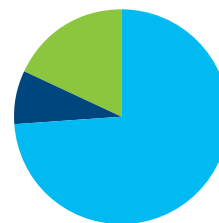
### Yearly Alpha, Gross of Fees (%)



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

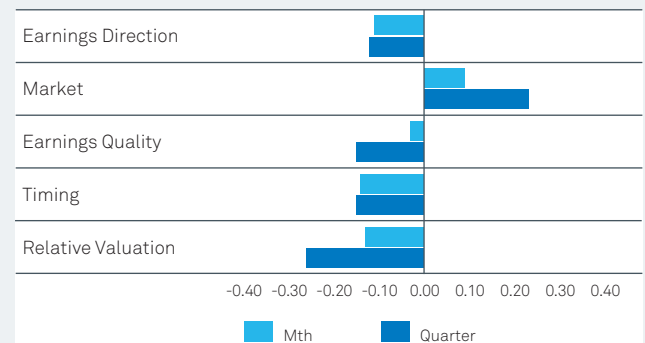


### Risk Contributions (%)



Active Risk: 1.07%  
Portfolio Beta: 1.00

### Insight Performance (%)



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

### Sector Exposure (%)

Sector	Weight
ENERGY	5.39
MATERIALS	24.62
INDUSTRIALS	6.02
CONSUMER DISCRETIONARY	6.42
CONSUMER STAPLES	4.55
HEALTHCARE	8.79
FINANCIALS EX A-REIT	26.94
A-REIT	6.76
INFORMATION TECHNOLOGY	3.13
COMMUNICATIONS SERVICES	3.94
UTILITIES	1.47

## Top Contributors / Detractors

Contributors	Detractors
ARB CORPORATION CORP LTD	CSR LTD
ASX LTD	FLETCHER BUILDING LTD
LENLEASE GROUP STAPLED UNITS	GOODMAN GROUP UNITS
WOOLWORTHS GROUP LTD	JB HI-FI LTD
ENDEAVOUR GROUP LTD	MACQUARIE GROUP LTD DEF

## Top 10 Holdings

Stock
NATIONAL AUSTRALIA BANK LTD
WOOLWORTHS GROUP LTD
AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD
ATLAS ARTERIA GROUP
SOUTH32 LTD
QUBE HOLDINGS LTD
LENLEASE GROUP
WESTPAC BANKING CORP
BRAMBLES LTD
ASX LTD

## Stock Selection

On a market adjusted basis, amongst the top contributors for the month was an underweight position in Woolworths (WOW) and an overweight position in South32 (S32). Amongst the largest detractors were overweight positions in CSR (CSR) and JB Hi-Fi (JBH).

### Top Contributors

**WOW** – The underweight position in supermarket operator Woolworths was a result of negative shorter term insights; Earnings Direction and Market insights. The company highlighted ongoing impact from covid and also recent flooding over the last quarter. Woolworths also proposed acquiring 80% of online marketplace MyDeal.com.au.

**S32** – The overweight position in diversified miner South32 was helped by moderately favourable views across the insight groups, particularly Earnings Direction. At their strategy day, management highlighted the importance of the metals they produce in a low carbon future.

### Top Detractors

**CSR** – The overweight position in building materials company CSR came about as most insight groups were positive, with the exception of Market insights. Though the company reported increases in full year profit, led by building products, the market may have been concerned about potential headwinds for housing.

**JBH** – The overweight position in home goods retailer JB Hi-Fi was driven by positive Earnings Direction and Relative Valuation insights. In a sales update the company reported continued sales growth, though declined to provide guidance given uncertainty caused by covid and an ongoing disruption to stock availability.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	744 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	193
Number of Stocks in Benchmark	300
Tracking Error	1.41%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	238 mil
Buy/Sell Spread	0.15% / 0.15%