

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

28 February 2021

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	0.80	2.16	0.87	6.60	8.26	11.72	10.25
S&P/ASX 300 Accumulation Index	1.48	3.16	1.81	7.06	7.53	10.85	8.71
Outperformance (Gross of Fees)	-0.68	-1.00	-0.94	-0.46	0.73	0.87	1.54
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	0.80	2.16	0.88	6.62	-	-	-1.51
S&P/ASX 300 Accumulation Index	1.48	3.16	1.81	7.06	-	-	-1.05
Outperformance (Gross of Fees)	-0.68	-0.99	-0.94	-0.44	-	-	-0.46
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	0.78	2.09	0.83	6.31	-	-	-1.80
S&P/ASX 300 Accumulation Index	1.48	3.16	1.81	7.06	-	-	-1.05
Outperformance (Net of Fees)	-0.70	-1.07	-0.99	-0.75	-	-	-0.74
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	0.77	2.07	0.82	6.16	7.67	11.02	9.28
S&P/ASX 300 Accumulation Index	1.48	3.16	1.81	7.06	7.53	10.85	8.62
Outperformance (Net of Fees)	-0.71	-1.09	-1.00	-0.90	0.14	0.17	0.66

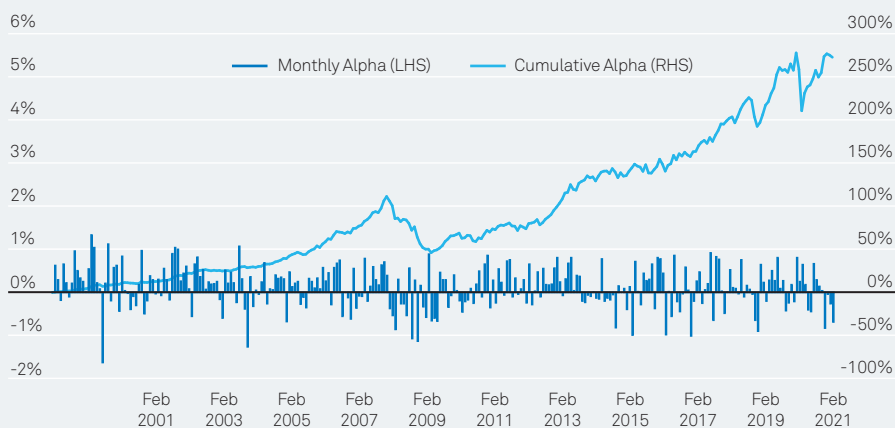
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 28 February 2021



## Performance Summary – February 2021

### Fund v Market

The S&P/ASX300 Accumulation Index gained +1.5% in February. February can be a volatile month with Australian companies reporting their earnings. This year many companies recorded big moves after the disruption caused by the pandemic in 2020 and the lack of guidance they had provided. Overall, companies reported strongly with more beats than misses – perhaps due to the 2021 earnings revisions being overly conservative. As investors have become more hopeful about the reopening of the economy and prospect for future growth, bond yields have surged, disturbing equity markets in what had already been a rather eventful month.

The Australian economy rebounded quicker than expected. After growing +3.4% for the September quarter, the GDP was up +3.1% in the December quarter, better than the expected +2.5% and improving the annual GDP number to -1.1% (from -3.7%). The RBA vowed to keep the official cash rate at record low until the inflation target of 2-3 percent is reached, likely in 2024. However, the surge in residential property prices may result in a hike sooner than expected. The Australian dollar continued to strengthen against the USD to finish the month at US0.78c

Looking at sectors, Materials (+7.1%) led the index with a rally in mining stocks, supported by higher commodity prices. Financials (+5.1%) continued to benefit from the improved outlook for the banks while Energy (+2.5%) also gained during the month. The longer duration Tech companies struggled as expected in a rising yield environment, weighing on the Information Technology (-8.0%) sector while Utilities (-8.0%) and Consumer Staples (-4.5%) also underperformed the broader market.

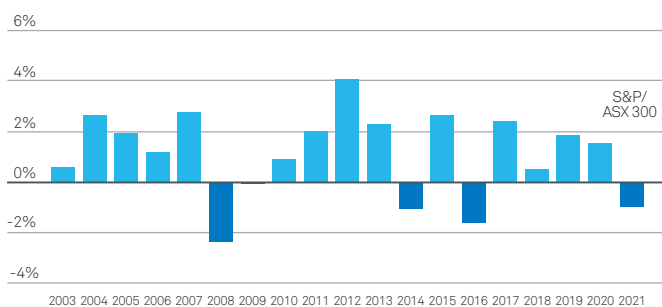
The strategy gained in absolute terms; however it underperformed its benchmark during the month. Energy was the worst performing sector driven by unfavourable positioning as a result of the market rotation. A large overweight in food and staples retailing was the main source of underperformance in the Consumer Staples sector. Materials also suffered mainly through overweights in gold miners as the price of the precious metal dropped while overweight REITs were a drag on Real Estate. On a positive note, Utilities benefitted from underweight positions within the sector. Most insights detracted this month led by Earnings Quality and Market, followed by Relative Valuation while Earnings Direction added.

### Investment Insights

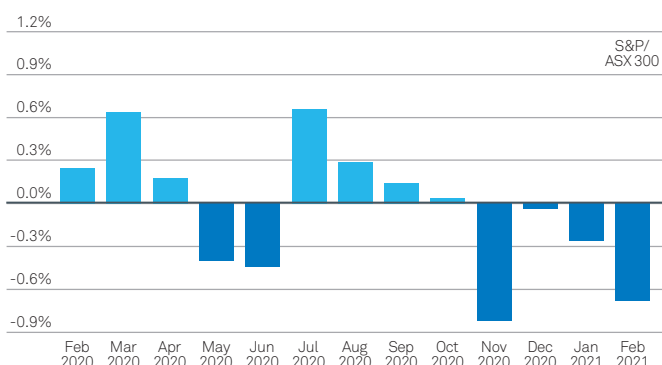
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

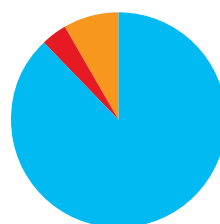
#### Yearly Alpha, Gross of Fees (%)



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

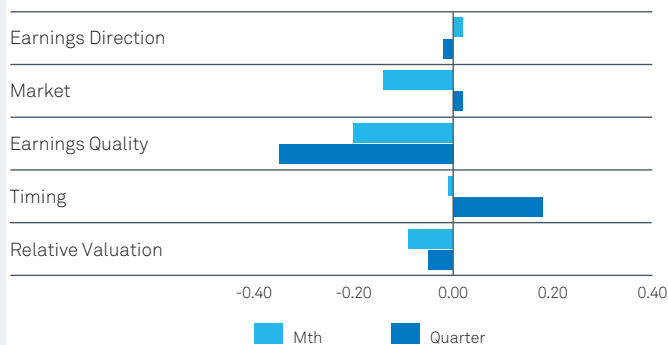


#### Risk Contributions (%)



Active Risk: 0.84%  
Portfolio Beta: 1.00

#### Insight Performance (%)



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

#### Sector Exposure (%)

Sector	Weight
ENERGY	3.77
MATERIALS	21.14
INDUSTRIALS	5.94
CONSUMER DISCRETIONARY	7.92
CONSUMER STAPLES	5.39
HEALTHCARE	10.23
FINANCIALS EX A-REIT	28.72
A-REIT	6.30
INFORMATION TECHNOLOGY	4.59
COMMUNICATIONS SERVICES	3.41
UTILITIES	0.84

## Top Contributors / Detractors

Contributors	Detractors
Bendigo and Adelaide Bank Ltd	Charter Hall Group Stapled Units
Lovisa Holdings Ltd	Coles Group Ltd
QBE Insurance Group Ltd	JB Hi-Fi Ltd
Wesfarmers Ltd	Macquarie Group Ltd Def
Westpac Banking Corporation Corp	National Australia Bank Ltd

## Top 10 Holdings

Stock
Commonwealth Bank of Australia
CSL Ltd
BHP Billiton Plc (GB)
Westpac Banking Corporation Corp
Australia and New Zealand Banking
Woolworths Group Ltd
National Australia Bank Ltd
Coles Group Ltd
Rio Tinto Plc
Fortescue Metals Group Ltd

## Stock Selection

On a market adjusted basis, amongst the top contributors for the month were an overweight position in Westpac Banking Corporation (WBC) and an underweight position in Wesfarmers (WES). Amongst the largest detractors were overweight positions in Coles Group (COL) and JB Hi-Fi (JBH).

### Top Contributors

**WBC** – The overweight position in banking institution Westpac Banking Corporation came from positive views across most insights, especially Relative Valuation, Timing and Market. The bank reported a \$2 billion profit for the latest quarter thanks to higher net interest margin, confirming the improved outlook for the banks despite peers reporting weaker results.

**WES** – The underweight position in conglomerate Wesfarmers was a result of unfavourable views across most insights, especially Earnings Direction and Relative Valuation. The share price tumbled after the announcement of its latest earnings results. Despite stronger than expected growth, investors were worried with the lack of guidance provided by management for the second half of the financial year.

### Top Detractors

**COL** – The overweight position in supermarket chain Coles was through favourable views across all insights, especially Earnings Quality, Relative Valuation and Timing. Despite reporting strong results ahead of expectations, management indicated that supermarket sales might moderate or even decline for in the second half of FY2021 and FY2022.

**JBH** – The overweight position in Australian retailer JB Hi-Fi was led by favourable views across all insights, especially Earnings Direction

and Relative Valuation. The company's latest earnings highlighted an increase in sales, especially through its online business, leading to a large dividend increase, yet the share price moved lower, potentially due to a lack of guidance for FY2021.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	597 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	200
Number of Stocks in Benchmark	300
Tracking Error	1.54%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	190mil
Buy/Sell Spread	0.15% / 0.15%

**IMPORTANT INFORMATION:** Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**). This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material. Any potential investor should consider the latest product disclosure statement, prospectus or other offer document (**Offer Documents**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. Offer Documents can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances Offer Documents are also available on the BIMAL website at [www.blackrock.com.au](http://www.blackrock.com.au). BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL. © 2021 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.