

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

30 September 2022

Investment Performance (%)

| | 1 Mth | 3 Mths | CYTD | 1 Yr | 3 Yrs | 5 Yrs | Since Incep |
|--|-------|--------|--------|-------|-------|-------|-------------|
| BlackRock Australian Alpha Tilts Fund* (Gross of Fees) | -5.88 | 0.55 | -11.04 | -8.39 | 2.90 | 7.35 | 9.75 |
| S&P/ASX 300 Accumulation Index | -6.29 | 0.45 | -9.98 | -8.00 | 2.73 | 6.83 | 8.30 |
| Outperformance (Gross of Fees) | 0.42 | 0.09 | -1.06 | -0.39 | 0.18 | 0.52 | 1.44 |
| BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees) | -5.88 | 0.55 | -11.05 | -8.39 | - | - | 0.96 |
| S&P/ASX 300 Accumulation Index | -6.29 | 0.45 | -9.98 | -8.00 | - | - | 1.07 |
| Outperformance (Gross of Fees) | 0.42 | 0.09 | -1.07 | -0.40 | - | - | -0.11 |
| BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees) | -5.90 | 0.48 | -11.24 | -8.65 | - | - | 0.68 |
| S&P/ASX 300 Accumulation Index | -6.29 | 0.45 | -9.98 | -8.00 | - | - | 1.07 |
| Outperformance (Net of Fees) | 0.39 | 0.02 | -1.25 | -0.66 | - | - | -0.40 |
| Blackrock Advantage Australian Equity Fund^ (Net of Fees) | -5.91 | 0.44 | -11.32 | -8.78 | 2.47 | 6.78 | 8.83 |
| S&P/ASX 300 Accumulation Index | -6.29 | 0.45 | -9.98 | -8.00 | 2.73 | 6.83 | 8.23 |
| Outperformance (Net of Fees) | 0.39 | -0.01 | -1.34 | -0.78 | -0.26 | -0.05 | 0.60 |

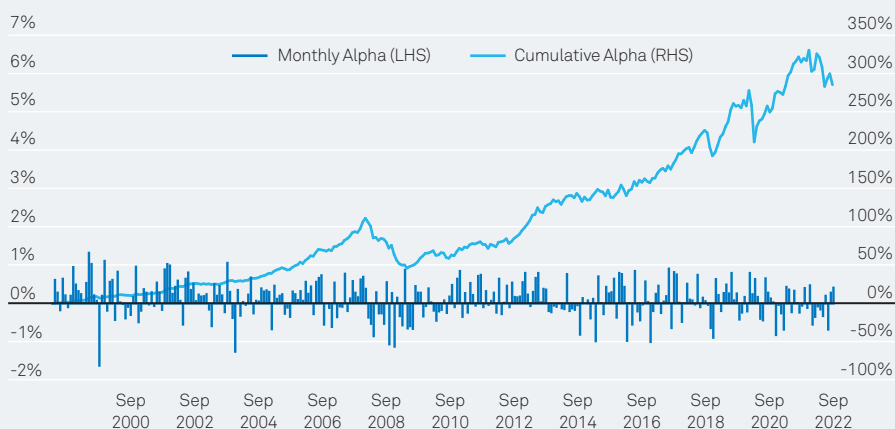
*Fund inception: 31/10/1997. **Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 30 September 2022



Performance Summary – September 2022

Fund v Market

The S&P/ASX300 Accumulation Index gained modestly over the September quarter, rising +0.5%. This masked a volatile journey as the index gained nearly +6% in July, and lost just over -6% in September. Whilst August was reporting season in Australia, the drivers for September performance were more around global concerns, including fears of a global recession induced by various central banks tightening as they combat rising inflation.

Locally the RBA continued to rapidly hike rates, taking the cash rate another 50bps higher to 2.35%, the fifth increase in a row. Inflation data over the quarter remained high at +1.8%, or +6.1% over the last 12 months, driven by new dwellings, fuel and furniture. Wages growth for the quarter at +0.7% meant the last year's growth reached +2.6%, the highest rate since September 2014. Unemployment remained low, though gained slightly in August to +3.5% from the July low of +3.4%, with the August data also showing an increase in hours worked. Growth overall remained strong, as quarterly GDP was +0.9% higher, taking the yearly print to +3.9%, supported by export demand and domestic consumption even as the household savings rate fell. The US dollar was well supported, resulting in the Australian dollar falling to US65.0c.

Energy (+5.8%) was the strongest sector as the global energy market remained stressed. Health Care (+3.1%) and Information Technology (+2.4%) also saw some gains. Whilst the bigger Financials (+1.5%) and Materials (mining) sector (+1.4%) saw solid rises. The Utilities sector (-12.1%) was the worst performing sector for the quarter, followed by Real Estate (-6.4%). Infrastructure and toll roads within Industrials (-4.1%) lagged, as did supermarkets within the Consumer Staples sector (-3.0%).

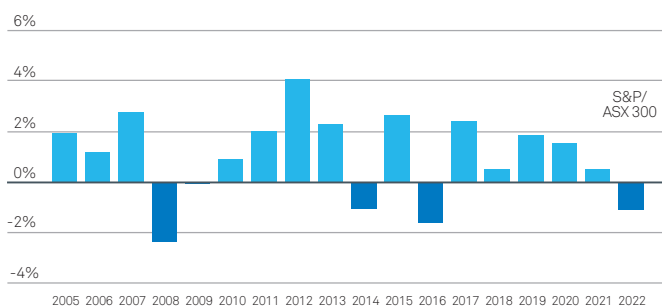
The strategy outperformed over the quarter as the market considered fundamentals again, particularly during the August reporting season. Favourable positioning in Industrials helped the most; overweight airlines, underweight transportation infrastructure. Underweights in Information Technology also added. Resources were the main source of detractor, particularly underweights in Energy and the miners. Company Fundamentals (Relative Valuation and Earnings Quality) as well as Timing insights were positive for the quarter, whilst the shorter-term Sentiment insights (Earnings Direction and Market) detracted.

Investment Insights

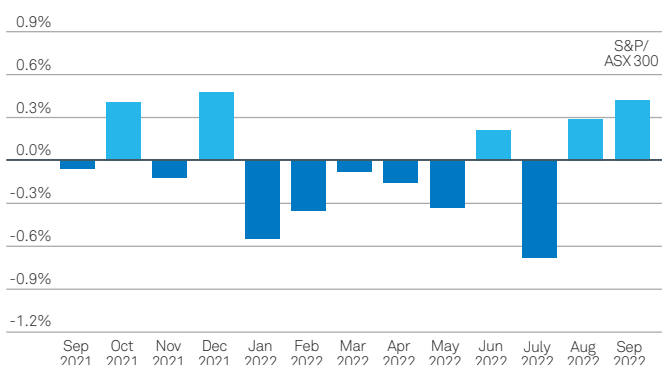
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

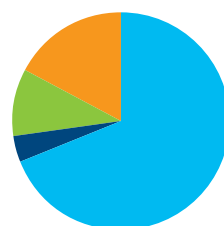
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)



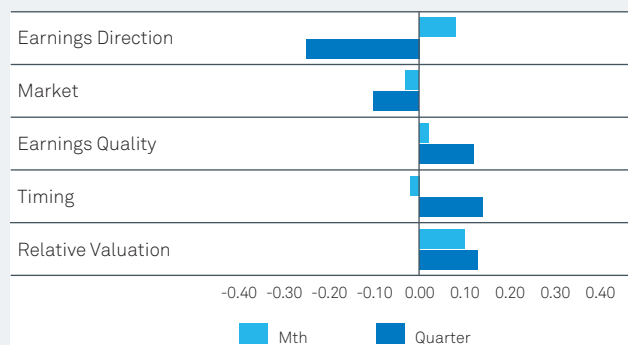
Risk Contributions (%)



Active Risk: 1.24%

Portfolio Beta: 0.99

Insight Performance (%)



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

Sector Exposure (%)

| Sector | Weight |
|-------------------------|--------|
| ENERGY | 5.67 |
| MATERIALS | 23.18 |
| INDUSTRIALS | 6.08 |
| CONSUMER DISCRETIONARY | 7.13 |
| CONSUMER STAPLES | 5.11 |
| HEALTHCARE | 9.34 |
| FINANCIALS EX A-REIT | 27.74 |
| A-REIT | 5.79 |
| INFORMATION TECHNOLOGY | 1.88 |
| COMMUNICATIONS SERVICES | 4.50 |
| UTILITIES | 1.93 |

Top Contributors / Detractors

| Contributors | Detractors |
|--------------------------------|---------------------|
| APA GROUP UNITS | AGL ENERGY LTD |
| AVZ MINERALS LTD | AMPOL LTD |
| MCMILLAN SHAKESPEARE LTD | OZ MINERALS LTD |
| MINERAL RESOURCES LTD | WESFARMERS LTD |
| TRANSURBAN GROUP STAPLED UNITS | WHITEHAVEN COAL LTD |

Top 10 Holdings

| Stock |
|-----------------------------------|
| BHP GROUP LTD |
| COMMONWEALTH BANK OF AUSTRALIA |
| CSL LTD |
| WESTPAC BANKING CORPORATION CORP |
| NATIONAL AUSTRALIA BANK LTD |
| AUSTRALIA AND NEW ZEALAND BANKING |
| WOODSIDE ENERGY GROUP LTD |
| MACQUARIE GROUP LTD DEF |
| WESFARMERS LTD |
| RIO TINTO LTD |

Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter was an underweight position in Transurban (TCL) and an overweight position in Mineral Resources (MIN). Amongst the largest detractors was an underweight position in OZ Minerals (OZL) and an overweight position in AGL Energy (AGL).

Top Contributors

TCL – The underweight position in toll-road operator Transurban was due to negative views across Market, Earnings Quality and Relative Valuation insights. The company's outlook highlighted rising costs, and during the quarter their long serving chair retired.

MIN – The overweight position in mining services company Mineral Resources was a result of positive views from Market, and Earnings Direction insights. Annual results were solid across their diversified book of mining services, lithium, iron ore and gas. The company also reported on early success in a lithium joint venture, whilst rejecting media speculation that they were looking to separately list their lithium business.

Top Detractors

OZL – The underweight position in copper and nickel miner OZ Minerals was taken as most insight groups were negative, with the exception of Market insights. The firm posted a profit after a challenging first half, rejected a takeover bid by BHP, and updated on projects in their copper-gold-cobalt and copper-nickel mines.

AGL – The overweight position in AGL Energy was driven by positive Market and Relative Valuation views, even though Earnings Direction was poor. The company reported weaker results on operational headwinds in a challenging energy market, which may be ongoing. The firm also replaced their Chair and appointed an interim CEO as they search for a new one.

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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 | 107 mil |
| Buy/Sell Spread | 0.15%/0.15% |
| Management Fee | 0.45%p.a. |

| BlackRock Australian Alpha Tilts Fund | |
|---------------------------------------|-------------|
| APIR | BGL0006AU |
| Fund Size | 676 mil |
| Buy/Sell Spread | 0.15%/0.15% |
| Number of Stocks in Fund | 149 |
| Number of Stocks in Benchmark | 300 |
| Tracking Error | 1.40% |

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