

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

31 December 2022

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	-3.26	8.86	-3.16	-3.16	5.71	7.66	10.02
S&P/ASX 300 Accumulation Index	-3.29	9.13	-1.77	-1.77	5.51	7.10	8.59
Outperformance (Gross of Fees)	0.04	-0.27	-1.39	-1.39	0.19	0.56	1.42
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	-3.26	8.86	-3.17	-3.17	-	-	3.93
S&P/ASX 300 Accumulation Index	-3.29	9.13	-1.77	-1.77	-	-	4.12
Outperformance (Gross of Fees)	0.03	-0.26	-1.40	-1.40	-	-	-0.19
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	-3.28	8.78	-3.44	-3.44	-	-	3.63
S&P/ASX 300 Accumulation Index	-3.29	9.13	-1.77	-1.77	-	-	4.12
Outperformance (Net of Fees)	0.01	-0.34	-1.67	-1.67	-	-	-0.49
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	-3.29	8.74	-3.57	-3.57	5.26	7.11	9.09
S&P/ASX 300 Accumulation Index	-3.29	9.13	-1.77	-1.77	5.51	7.10	8.51
Outperformance (Net of Fees)	0.00	-0.39	-1.81	-1.81	-0.25	0.01	0.58

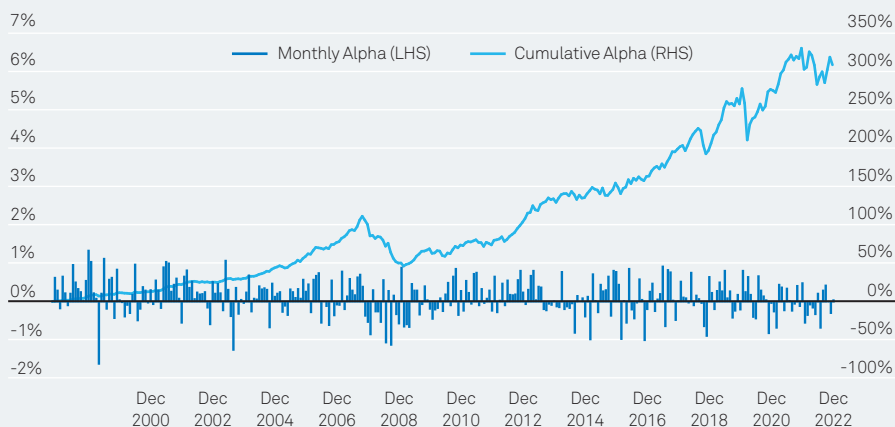
*Fund inception: 31/10/1997. **Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 2022



Performance Summary – December 2022

Fund v Market

The S&P/ASX300 Accumulation Index finished 2022 with a very positive quarter, gaining +9.1%, even though the month of December was negative (-3.3%). Overall, the Australian market fared relatively well, finishing 2022 only -1.8% lower, helped by resource and larger market capitalisation companies. The year was very volatile, with four months having gains of near 6% or more, and three months with losses of -6% or more. Uncertainty came from many sources including inflation and central banks efforts to fight it, the Russian invasion of Ukraine and impact on supply chain and commodities, the slowdown in China and their covid policy, the broader global and local recovery from covid, and the potential for a global slow down. All of this contributed to a market which oscillated between pessimism and exuberance over the year.

At the start of each month of this quarter, the RBA raised rates 25 basis points, moving the cash rate to 3.10%; a rise of 3.0% since they started raising rates in May 2022. The September quarter showed positive GDP +0.6% taking the twelve month gain to +5.9%, with gains in each of the last four quarters. Inflation (CPI) was also higher +1.8% for the quarter, or +7.3% annualised, pushed up by housing, gas and furniture. Wages showed some sign of tightening; the Wages Price Index rising +1.0% over the quarter or +3.1% for the year, as unemployment remained low at just 3.5%. The Australian dollar was stronger over the quarter finishing at US67.8c by year's end.

Every sector in the market finished higher over the quarter, led by the Utilities sector (+28.0%) which was boosted by a takeover bid for Origin Energy. Materials (+14.7%) did well, underpinned by strong performance of miners particularly those mining gold and iron ore, as well as the large diversified miners. The bank led Financials (+10.8%) and the Real Estate (+10.4%) sectors also posted double digit returns. Consumer Staples (+1.7%) only modestly gained with food retailers lagging. Similarly, Information Technology (+2.0%) was held back by hardware companies, and Health Care (+2.1%) by biotechnology and pharmaceutical names.

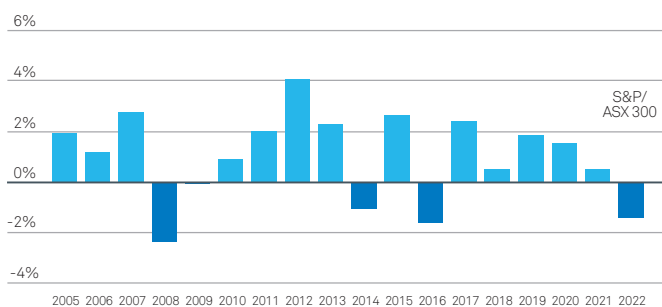
The strategy underperformed in an environment where market returns were strong. The market rotation, particularly during the November rally in mining stocks, hurt performance as the strategy was underweight miners. Financials was the main sector to detract, an overweight in Medibank Private underperforming after the company reported it was a victim of cybercrime. A few sectors were able to add, led by underweights in Information Technology and overweight in media names within the Communications sector. Market insights detracted, notably signals avoiding crowded positions, whilst machine learned Timing insights performed well.

Investment Insights

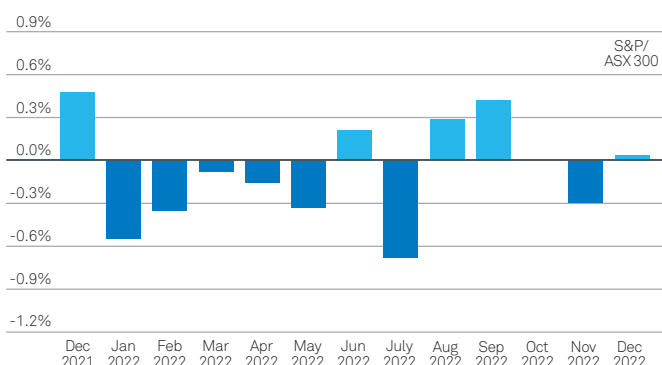
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

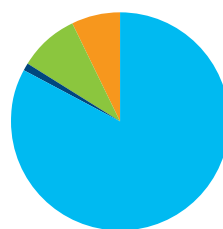
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)

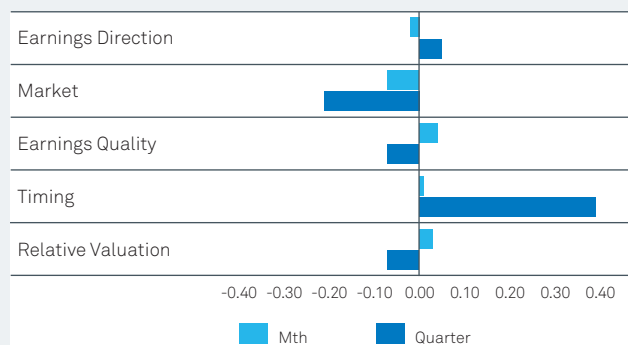


Risk Contributions (%)



Active Risk: 1.20%
Portfolio Beta: 0.99

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
ENERGY	5.84
MATERIALS	24.14
INDUSTRIALS	5.45
CONSUMER DISCRETIONARY	6.72
CONSUMER STAPLES	5.13
HEALTHCARE	8.85
FINANCIALS EX A-REIT	29.33
A-REIT	5.37
INFORMATION TECHNOLOGY	2.25
COMMUNICATIONS SERVICES	4.24
UTILITIES	1.83

Top Contributors / Detractors

Contributors	Detractors
AGL ENERGY LTD	ALLKEM LTD
QANTAS AIRWAYS LTD	BHP GROUP LTD
RIO TINTO LTD	COMMONWEALTH BANK OF AUSTRALIA
SOUTH32 LTD	MEDIBANK PRIVATE LTD
WESTPAC BANKING CORPORATION CORP	PILBARA MINERALS LTD

Top 10 Holdings

Stock
BHP GROUP LTD
COMMONWEALTH BANK OF AUSTRALIA
CSL LTD
WESTPAC BANKING CORPORATION CORP
NATIONAL AUSTRALIA BANK LTD
MACQUARIE GROUP LTD DEF
ANZ GROUP HOLDINGS LTD DEF
WOODSIDE ENERGY GROUP LTD
TELSTRA GROUP LTD
WESFARMERS LTD

Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter was an overweight position in Qantas (QAN) and an underweight position in Woolworths (WOW). Amongst the largest detractors were overweight positions in Medibank Private (MPL) and Resmed (RMD).

Top Contributors

QAN – The overweight position in Qantas was a result of most insights being positive, led by Relative Valuation, Earnings Direction and Earnings Quality. Strong demand resulted in the company upgrading guidance twice over the quarter. For 1H23 the airline expected to post an underlying profit \$1.35-\$1.45 billion, after it had posted a similar sized loss for 1H22.

WOW – The underweight position in Woolworths came about with poor Relative Valuation and Earnings Direction insights. The supermarket major met first quarter sales expectations but better performance from its Australian B2B and BigW divisions compensated for shrinking sales in their much larger food divisions, with ecommerce sales also declining.

Top Detractors

MPL – The overweight position in health insurer Medibank Private was from positive Market and Earnings Quality views. The company reported it was a victim of cybercrime, with millions of customers' data being accessed. The uncertainty forced management to downgrade or remove outlook statements, with continuing questions over its handling of personal data, customer complaints, and the release of sensitive health information by the hackers.

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RMD – The overweight position in sleep disorder company Resmed was due to Company Fundamentals (Relative Valuation and Earnings Quality). Quarterly sales were higher but strength in the Americas masked weakness across the rest of the world, with employee costs and travel costs also increased.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	657 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	135
Number of Stocks in Benchmark	299
Tracking Error	1.39%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	229 mil
Buy/Sell Spread	0.15% / 0.15%