

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK[®]

FUND UPDATE

31 May 2023

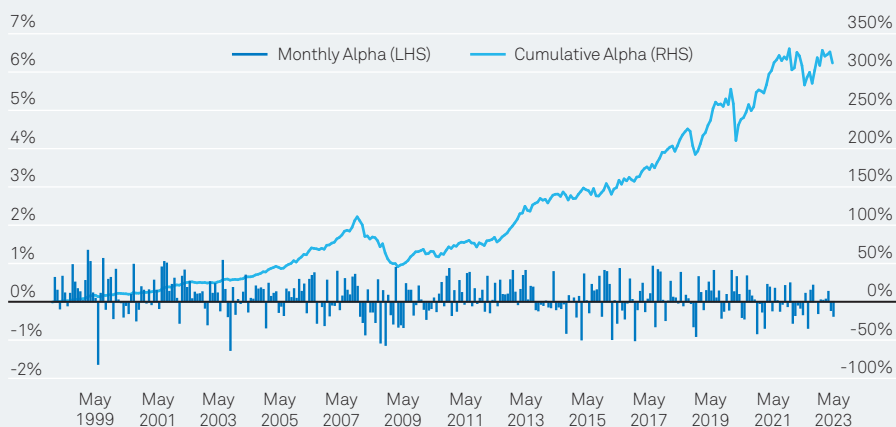
Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	-2.90	-1.30	2.32	2.19	10.84	7.62	9.94
S&P/ASX 300 Accumulation Index	-2.53	-0.96	2.58	2.37	11.33	7.43	8.56
Outperformance (Gross of Fees)	-0.37	-0.33	-0.26	-0.17	-0.49	0.20	1.39
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	-2.90	-1.30	2.32	2.19	10.84	-	4.15
S&P/ASX 300 Accumulation Index	-2.53	-0.96	2.58	2.37	11.33	-	4.39
Outperformance (Gross of Fees)	-0.37	-0.34	-0.26	-0.18	-0.49	-	-0.25
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	-2.92	-1.37	2.20	1.90	10.53	-	3.85
S&P/ASX 300 Accumulation Index	-2.53	-0.96	2.58	2.37	11.33	-	4.39
Outperformance (Net of Fees)	-0.39	-0.41	-0.38	-0.46	-0.80	-	-0.54
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	-2.93	-1.41	2.13	1.75	10.36	7.10	9.03
S&P/ASX 300 Accumulation Index	-2.53	-0.96	2.58	2.37	11.33	7.43	8.48
Outperformance (Net of Fees)	-0.40	-0.45	-0.45	-0.61	-0.96	-0.32	0.55

*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.

Fund Performance (Gross of Fees) to 31 May 2023



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary – May 2023

Fund v Market

A surprise RBA rate hike of 0.25% saw the S&P/ASX300 Accumulation Index drop at the start of May and continue to fall throughout the month to register a 2.53% decline.

The RBA caught many people by surprise at the start of the month by raising the target cash rate to 3.85%, citing the need to bring inflation back down to target within a reasonable timeframe. During the month, retail spending came in slightly higher than consensus expectations (+0.4%), although this was driven primarily by food inflation with a pull-back seen in discretionary goods spending. Other signs of a cooling economy were exhibited by a slightly rising unemployment figure (3.7%) from its near five-decade low the previous month. These signs prompted chatter around another rate hike pause on June 6th, however, the increasing monthly inflation print (+6.8% y/y) at the end of the month, along with apprehension around the planned Fair Work Commission wage rises and lagging productivity, have called this line of thought into question.

Losses were posted in Consumer Discretionary (-6.2%) and Consumer Staples (-4.5%) – driven by concerns around the impact of interest rate hikes on retail spending. Materials (-4.4%), driven by Metals & Mining, also saw losses, as did Financials (-3.2%) where concerns around pressures on Net Interest Margins saw banks detract. Information Technology (+10.4%) was the big winner of the month with a broad-based positive performance across the sector with Xero (XRO) a significant contributor after announcing annual results.

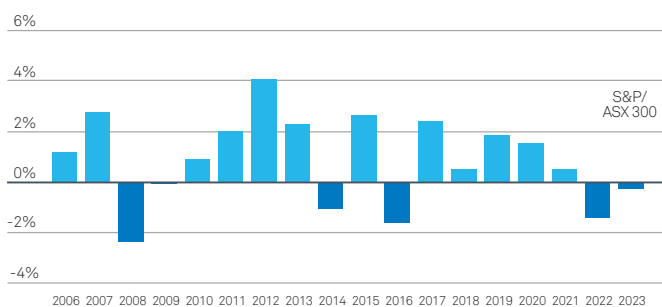
The strategy underperformed in May through three main sectors; Financials (underweight insurers), Consumer Discretionary (overweights in specialty retailers, particularly as cost-of-living pressures came to the fore), and Materials (overweights in miners, an underweight in a lithium miner that merged, and underweights in construction materials). Modest outperformance came from a small number of sectors led by Utilities. Earnings Quality was the worst performing insight group, followed by Timing and Earnings Direction.

Investment Insights

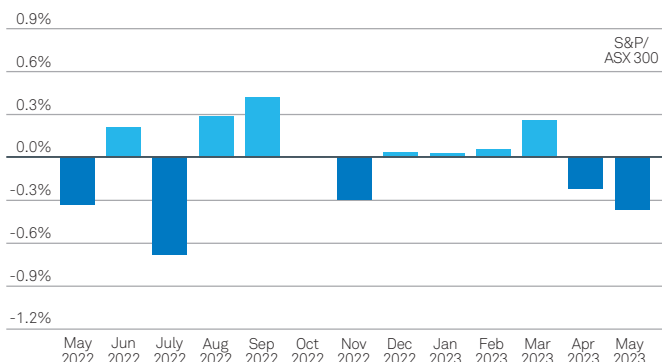
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

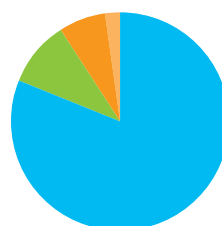
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)

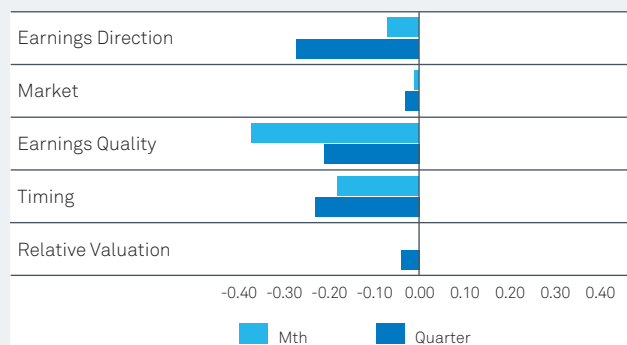


Risk Contributions (%)



Active Risk: 1.13%
Portfolio Beta: 0.99

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
ENERGY	5.24
MATERIALS	23.23
INDUSTRIALS	6.69
CONSUMER DISCRETIONARY	6.15
CONSUMER STAPLES	5.73
HEALTHCARE	11.04
FINANCIALS EX A-REIT	25.67
A-REIT	6.65
INFORMATION TECHNOLOGY	2.84
COMMUNICATIONS SERVICES	3.36
UTILITIES	1.85

Top Contributors / Detractors

Contributors	Detractors
ANZ GROUP HOLDINGS LTD	LOVISA HOLDINGS LTD
NATIONAL AUSTRALIA BANK LTD	ALLKEM LTD
WESTPAC BANKING CORP	SUNCORP GROUP LTD
XERO LTD	CSL LTD
DEXUS PROPERTY GROUP	PERSEUS MINING LTD

Top 10 Holdings

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

Stock Selection

On a market adjusted basis, amongst the top contributors for the month was an overweight position in Xero (XRO) and an underweight position in Treasury Wine Estates (TWE). Amongst the largest detractors was an overweight position in Lovisa Holdings (LOV) and an underweight in Allkem (AKE).

Top Contributors

XRO – The overweight position in online accounting software provider Xero was a result of favourable Earnings Direction, Timing and Earnings Quality insights. The company's annual result showed revenues and subscriber numbers increasing with a positive outlook and improving margins.

TWE – The underweight position in Treasury Wine Estates was due to most insights being negative, most of all Earnings Direction and Earnings Quality. Management reported it was reviewing its commercial wine operations and noted weakness in the entry-level premium segment in the US.

Top Detractors

LOV – The overweight position in fast fashion jewellery retailer Lovisa was led by favourable Earnings Quality insights. The share price saw a reversal on no specific company news, though there was a general concern around retailers as investors mulled the impact of rising cost-of-living expenses, and potentially higher award wages.

AKE – The underweight position in lithium name Allkem was a result of negative Earnings Direction and Earnings Quality views. An announced merger with another lithium name, to form "a leading global integrated lithium chemicals producer", was viewed very positively by the market.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	610 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	135
Number of Stocks in Benchmark	299
Tracking Error	1.25%

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