

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

31 December 2020

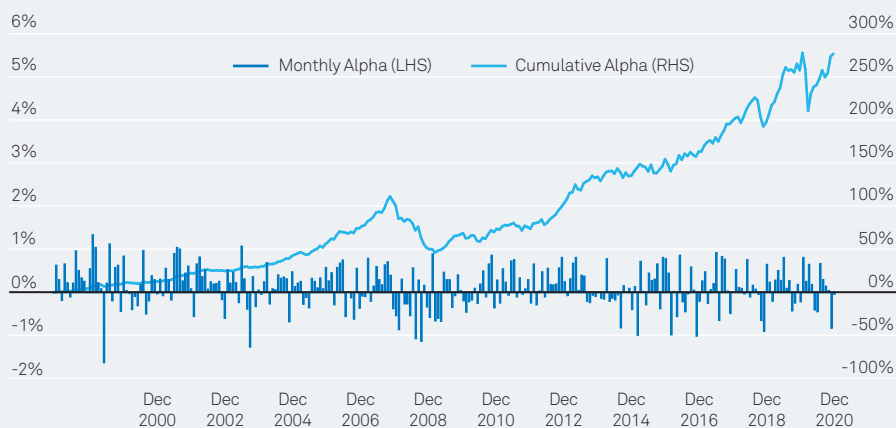
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	1.28	12.93	3.30	3.30	8.15	9.78	10.29
S&P/ASX 300 Accumulation Index	1.32	13.79	1.73	1.73	6.87	8.84	8.69
Outperformance (Gross of Fees)	-0.04	-0.86	1.57	1.57	1.28	0.94	1.59
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	1.28	12.94	-	-	-	-	-2.40
S&P/ASX 300 Accumulation Index	1.32	13.79	-	-	-	-	-2.83
Outperformance (Gross of Fees)	-0.04	-0.85	-	-	-	-	0.44
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	1.25	12.86	-	-	-	-	-2.63
S&P/ASX 300 Accumulation Index	1.32	13.79	-	-	-	-	-2.83
Outperformance (Net of Fees)	-0.07	-0.93	-	-	-	-	0.20
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	1.24	12.81	2.86	2.86	7.54	9.08	9.31
S&P/ASX 300 Accumulation Index	1.32	13.79	1.73	1.73	6.87	8.84	8.60
Outperformance (Net of Fees)	-0.08	-0.98	1.12	1.12	0.67	0.24	0.71

*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 December 2020



Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary – December 2020

Fund v Market

The S&P/ASX300 Accumulation Index performed strongly through the last quarter of 2020 rising +13.8%, ending the year +1.7% higher over the entire year. The strong fourth quarter performance was driven mainly by strong gains in November, with the local market managing to hold on through a volatile December. Strength in iron ore prices and Chinese demand for steel served to boost resources, and local economic data showed continued signs of improvement. However, local community transmission of the coronavirus, rising trade tensions with China and increasing global rates of infection served to dampen the market towards the end of the year. Globally many other equity markets also posted double digit gains, on generally improving expectations due to vaccines and broad government stimulus into 2021.

Over the quarter the Australian economy continued to recover. Inflation returning for the September quarter (+1.6%), and GDP rising +3.3% technically ending the recession, though growth remained negative (-3.8%) over the previous four quarters. In November the RBA cut the cash rate to a historic low of 10 basis point and announced they would start buying government bonds. Unemployment at 6.8% for November, helped by the end of the Victorian lockdown, remained somewhat elevated, though encouragingly part of this was due to the rise in participation rate. The strength in commodity prices and a weakened US dollar helped push the Australian dollar higher, reaching US0.77c by the end of the year, even with the record low interest rate.

Over the quarter the Energy sector (+26.1%) was the best performing sector notably after the market rotation catalysed by the November vaccine news. Similarly, Financials (+22.8%) were helped with the large banks outperforming over the second part of the quarter, whilst a handful of strongly performing names helped the Information Technology (+22.8%) do well. The other big driver for the benchmark was mining, especially in iron ore, which helped push the Materials sector (+15.9%) higher. More defensive sectors struggled, including Utilities (-5.4%), and Health Care (-1.0%).

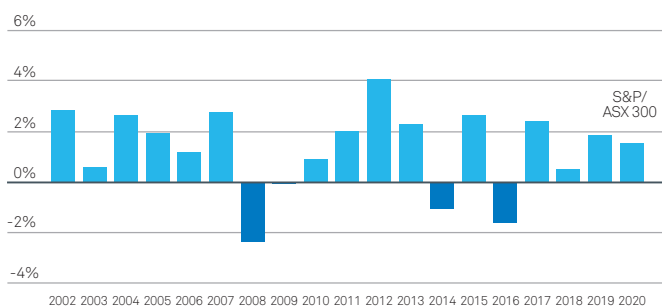
The strategy gained over the quarter; however it underperformed its benchmark. Over the past 12 months, the strategy was ahead of its benchmark. Materials was the worst performing sector during the quarter as the decline in the price of gold after the vaccine announcement hurt the overweight positions in gold miners. Consumer Discretionary detracted due to unfavourable positioning in gaming as well as overweight positions in specialty retailers heavily selling off during the market rotation. Overweight positions in software hurt the Information Technology while underweight gas and oil names weighed on the Energy sector. The Financials sector was the biggest contributor mostly helped by overweight positions in banks which performed well after the vaccine news. All insights detracted this quarter, especially Timing and Market, followed by Earnings Quality, Earnings Direction and Relative Valuation.

Investment Insights

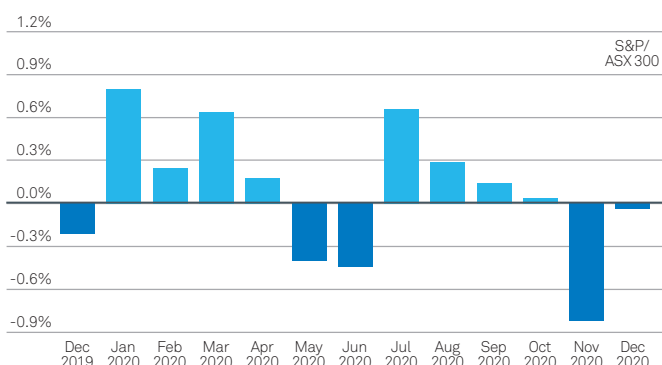
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

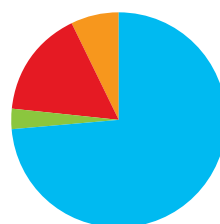
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)



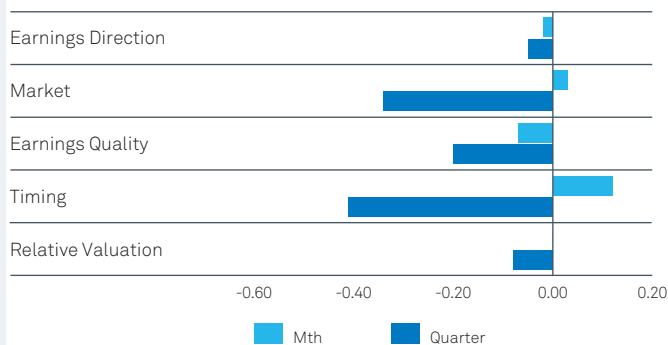
Risk Contributions (%)



Active Risk: 1.23%

Portfolio Beta: 0.99

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
COMMUNICATIONS SERVICES	4.60
CONSUMER DISCRETIONARY	8.60
CONSUMER STAPLES	6.75
ENERGY	2.73
FINANCIALS EX A-REIT	26.93
HEALTHCARE	10.31
INDUSTRIALS	6.11
INFORMATION TECHNOLOGY	4.45
MATERIALS	20.29
A-REIT	7.18
UTILITIES	0.87

Top Contributors / Detractors

Contributors	Detractors
Australia and New Zealand Banking	Commonwealth Bank of Australia
Bendigo and Adelaide Bank Ltd	Macquarie Group Ltd Def
Unibail-Rodamco-Westfield Cdi	National Australia Bank Ltd
Westpac Banking Corporation Corp	Santos Ltd
Worley Ltd	Woodside Petroleum Ltd

Top 10 Holdings

Stock
Australia and New Zealand Banking
Bhp Billiton Plc (Gb)
Commonwealth Bank of Australia
Csl Ltd
Goodman Group Units
National Australia Bank Ltd
Rio Tinto Plc
Wesfarmers Ltd
Westpac Banking Corporation Corp
Woolworths Group Ltd

Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were an overweight position in Australia and New Zealand Banking Group (ANZ) and an underweight position in A2 Milk Company (A2M). Amongst the largest detractors were overweight positions in Newcrest Mining (NCM) and AusNet Services (AST).

Top Contributors

ANZ – The overweight position in banking institution Australia and New Zealand banking group resulted from positive Earnings Direction, Market and Relative Valuation insights. In line with its banking sector peers, the bank's share price benefitted from the market rotation and the improved economic outlook after the announcement of the vaccine.

A2M – The underweight position in milk and infant formula producer A2 Milk Company came from negative views in Timing, Market and Earnings Direction insights. Due to the uncertainty resulting from Covid, management announced a downgrade to its half year and full year guidance for 2021 which worried investors.

Top Detractors

NCM – The overweight position in gold explorer Newcrest Mining was through favourable Market and Timing insights. The company has been lagging the rest of the sector for a while and the share price was also impacted by the less favourable price of gold during the quarter.

AST – The overweight position in energy provider AusNet Services was led by positive Earnings Direction, Market and Timing insights. With the challenging environment and uncertain economic outlook, management announced that it will cut its interim dividend and the share price fell.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	603 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	171
Number of Stocks in Benchmark	301
Tracking Error	1.48%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	193 mil
Buy/Sell Spread	0.15% / 0.15%