

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

31 January 2021

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	0.08	10.88	0.08	-2.19	8.14	10.93	10.25
S&P/ASX 300 Accumulation Index	0.33	12.05	0.33	-2.69	7.13	10.14	8.68
Outperformance (Gross of Fees)	-0.26	-1.17	-0.26	0.50	1.01	0.79	1.58
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	0.07	10.89	0.07	-	-	-	-2.32
S&P/ASX 300 Accumulation Index	0.33	12.05	0.33	-	-	-	-2.51
Outperformance (Gross of Fees)	-0.26	-1.17	-0.26	-	-	-	0.19
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	0.05	10.81	0.05	-	-	-	-2.58
S&P/ASX 300 Accumulation Index	0.33	12.05	0.33	-	-	-	-2.51
Outperformance (Net of Fees)	-0.28	-1.24	-0.28	-	-	-	-0.07
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	0.05	10.78	0.05	-2.59	7.54	10.23	9.28
S&P/ASX 300 Accumulation Index	0.33	12.05	0.33	-2.69	7.13	10.14	8.58
Outperformance (Net of Fees)	-0.28	-1.28	-0.28	0.09	0.41	0.09	0.69

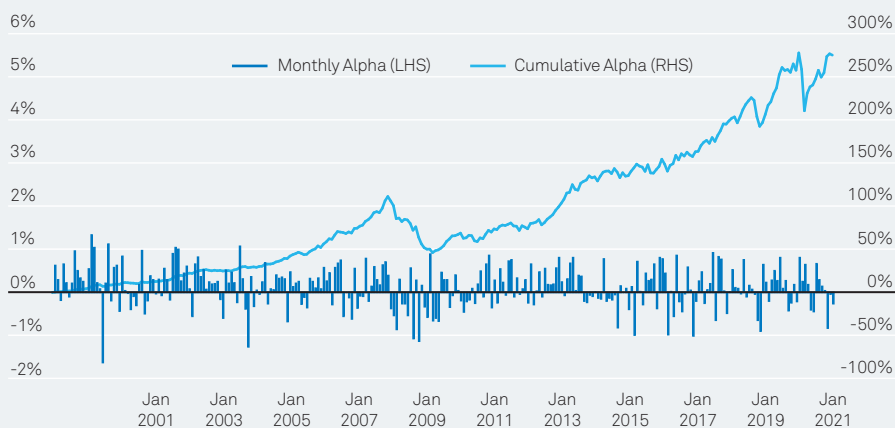
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 January 2021



## Performance Summary – January 2021

### Fund v Market

The S&P/ASX300 Accumulation Index slightly gained +0.3% in January. With the vaccine rollout gathering pace and the 2nd and 3rd waves of Covid having peaked, the market has been focused on the strong economic and earnings recovery as we emerge from the shutdowns. Central banks have vowed to remain extremely accommodative until we see a sustained recovery and despite inflation expectations starting to rise, they have indicated that they might be reluctant to raise interest rates and might tolerate inflation above 2% due to the many years of under shooting this target over the past decade.

Looking at the Australian economy, the latest inflation footprint exceeded expectations with healthcare and childcare costs driving the +0.9% increase for the December quarter, taking the full year CPI to +0.9%. Employment increased with the creation of 50,000 new jobs in December. The unemployment rate decreased to 6.6% while the participation rate remained steady at 66%. The Australian dollar finished the month slightly lower at US0.76c.

Consumer Discretionary (+4.8%) was the best performing sector boosted by strong household spending during the Christmas period. Financials (+2.3%) helped lift the local index thanks to the strong performance of the banks, reaching a 10-month high on increased dividend growth expectations. Likewise, Communication Services (+2.6%) and Consumer Staples (+2.0%) also gained during the month. Amongst the laggards, listed property stocks weighted on the Real Estate (-4.3%) sector as investors expect to see bond yields rise and the emergence of inflation this year. Industrials (-3.1%) also struggled, and so did the more defensive sectors, including Health Care (-1.7%) and Utilities (-0.1%).

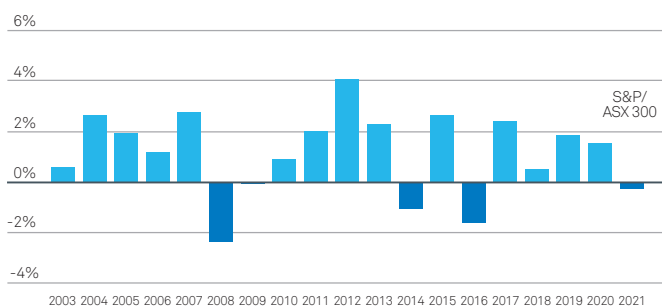
The strategy slightly gained however it underperformed its benchmark during the month. Materials was amongst the worst performing sectors driven by unfavourable positioning within the metal and mining industry. Energy was another source of underperformance, especially due to underweights within the sector as the oil price trended higher. On the positive, Consumer Discretionary added thanks to overweights in specialty retailers. Amongst insights, Timing added the most, followed by Relative Valuation and Market while Earnings Direction and Earnings Quality detracted.

### Investment Insights

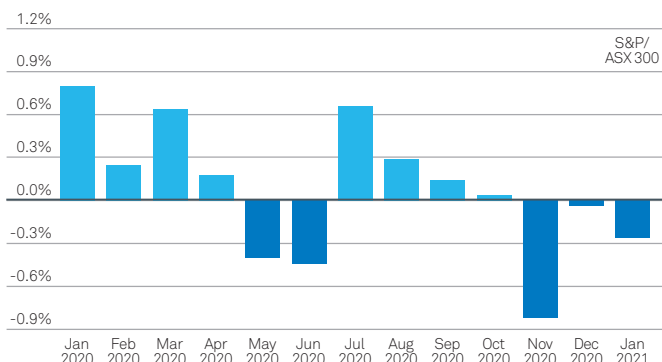
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

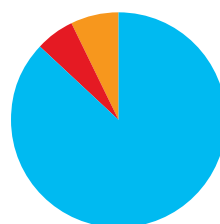
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)

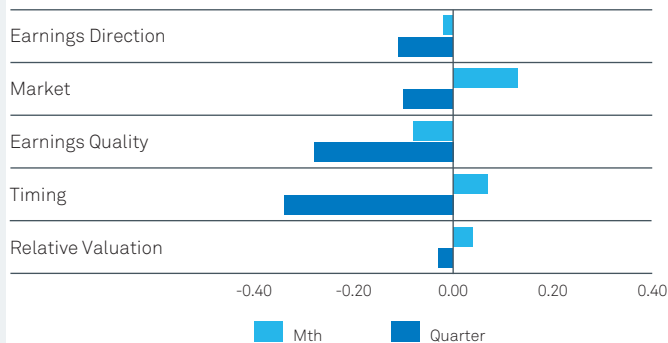


Risk Contributions (%)



Active Risk: 1.08%  
Portfolio Beta: 1.00

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
ENERGY	3.73
MATERIALS	19.71
INDUSTRIALS	6.08
CONSUMER DISCRETIONARY	8.79
CONSUMER STAPLES	5.99
HEALTHCARE	10.70
FINANCIALS EX A-REIT	27.76
A-REIT	6.56
INFORMATION TECHNOLOGY	4.18
COMMUNICATIONS SERVICES	4.45
UTILITIES	0.79

## Top Contributors / Detractors

Contributors	Detractors
Australia and New Zealand Banking	Altium Ltd
Harvey Norman Holdings Ltd	Ampol Ltd
JB Hi-Fi Ltd	National Australia Bank Ltd
Westpac Banking Corporation Corp	Wesfarmers Ltd
Polynovo Ltd	Woodside Petroleum 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
Fortescue Metals Group Ltd
Goodman Group Units

## Stock Selection

On a market adjusted basis, amongst the top contributors for the month were overweight positions in Westpac Banking Corporation (WBC) and Harvey Norman Holdings (HVN). Amongst the largest detractors were underweight positions in Wesfarmers (WES) and Woodside Petroleum (WPL).

### Top Contributors

**WBC** – The overweight position in banking institution Westpac Banking Corporation came from positive views in Earnings Quality, Relative Valuation and Timing insights. There was no specific company news however the outlook for banks has generally improved with expectations of increased dividend growth.

**HVN** – The overweight position in multi-retailer Harvey Norman was a result of positive views across Relative Valuation and Market insights. The company has experienced increased sales revenues across key markets and investors gained more confidence with the latest retail report in Australia suggesting stronger than expected sales.

### Top Detractors

**WES** – The underweight position in conglomerate Wesfarmers was led by negative views across most insights, especially Earnings Direction, Earnings Quality and Relative Valuation. Investors' optimism increased after the first Covid vaccine was approved for use in Australia, providing tailwinds for the underlying businesses in the Wesfarmers group.

**WPL** – The underweight position in petroleum exploration and production company Woodside Petroleum was led by negative Earnings Direction, Market and Timing insights. Despite a drop in production for the December quarter, the company reported increased sales revenue thanks to the surge in commodity prices.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	598 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	176
Number of Stocks in Benchmark	301
Tracking Error	1.48%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	194 mil
Buy/Sell Spread	0.15% / 0.15%