

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

31 May 2021

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	2.08	9.14	10.09	28.12	10.76	11.14	10.55
S&P/ASX 300 Accumulation Index	2.31	8.53	10.49	28.72	10.10	10.22	8.99
Outperformance (Gross of Fees)	-0.23	0.61	-0.40	-0.60	0.66	0.92	1.55
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	2.08	9.14	10.10	28.14	-	-	5.85
S&P/ASX 300 Accumulation Index	2.31	8.53	10.49	28.72	-	-	5.77
Outperformance (Gross of Fees)	-0.23	0.62	-0.40	-0.58	-	-	0.08
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	2.05	9.06	9.97	27.78	-	-	5.54
S&P/ASX 300 Accumulation Index	2.31	8.53	10.49	28.72	-	-	5.77
Outperformance (Net of Fees)	-0.25	0.54	-0.53	-0.94	-	-	-0.23
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	2.04	9.02	9.91	27.59	10.19	10.46	9.57
S&P/ASX 300 Accumulation Index	2.31	8.53	10.49	28.72	10.10	10.22	8.89
Outperformance (Net of Fees)	-0.27	0.49	-0.58	-1.13	0.08	0.24	0.68

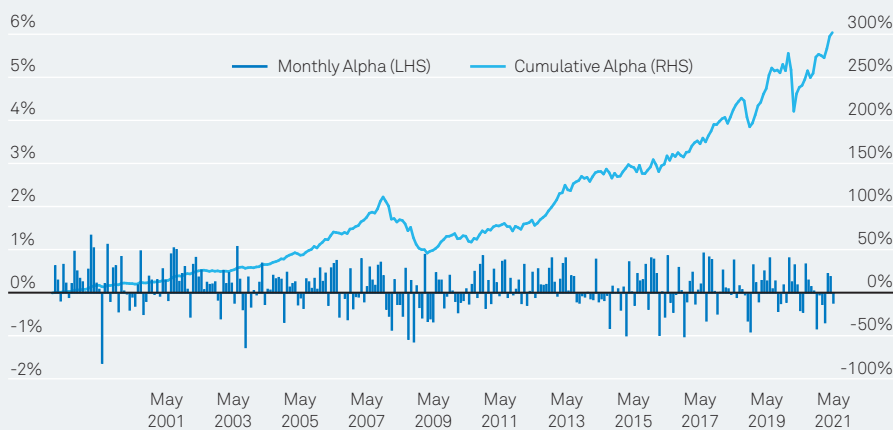
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 May 2021



# Performance Summary – May 2021

## Fund v Market

The S&P/ASX300 Accumulation Index gained +2.3% during the month. Inflationary pressures and macro headlines continued to be the main market drivers during May. The local index started with positive sentiment leading equities up as economic recovery proved stronger than expected. The latest US CPI print heightened concerns amongst investors as to whether inflation was structural or transitory and the market pulled back before positive economic data helped the market trend higher in the last week of the month.

As reflected by the strong retail sales data (+1.1% versus consensus +0.5%), the Australian economy remained on its recovery path through May. Unemployment continued to decrease with the unemployment rate falling from 5.6% in March to 5.5% in April. As anticipated, the RBA maintained interest rates at record low despite the better than expected recovery of the economy. The Australian dollar slightly weakened against the US dollar to finish at US0.77c.

Over the period, Financials (+5.7%) led the index with the major banks now performing at pre-covid levels again with insurance companies also having a strong run. Health Care (+3.5%) gained helped by the performance of a large name in the biotechnology industry. The consumer sectors outperformed the broader market with both Consumer Staples (+2.4%) and Consumer Discretionary (+3.2%) gaining; the latter benefitting from the favourable economic data despite the weakness of the ecommerce names. As anticipated, the Information Technology (-9.1%) struggled on the back of inflation concerns and the effect of bond yields on the valuation of growth names. Utilities (-6.6%), Energy (-1.5%) and Industrials (-1.1%) lagged with many of the commodity driven stocks retreating as the iron price fell.

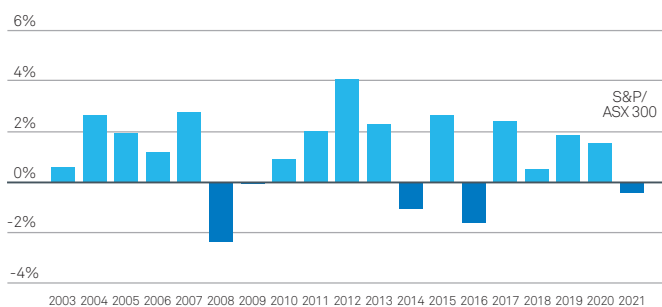
The strategy made some gains during the month; however, it underperformed its benchmark. The main source of underperformance came from overweights in IT services and software names which hurt the Information Technology sector while a large underweight in a major bank was a drag on Financials. Health Care also detracted due to underweights biotechnology and overweights healthcare equipment and supplies while unfavourable positioning hurt Materials. Consumer Discretionary was the main contributor thanks to a large overweight position in the hotels, restaurants and leisure industry as well as overweights specialty retailers while Industrials benefitted from underweights within the sector. Amongst signals, Earnings Direction, Market and Earnings Quality and Timing contributed while Relative Valuation slightly detracted.

## Investment Insights

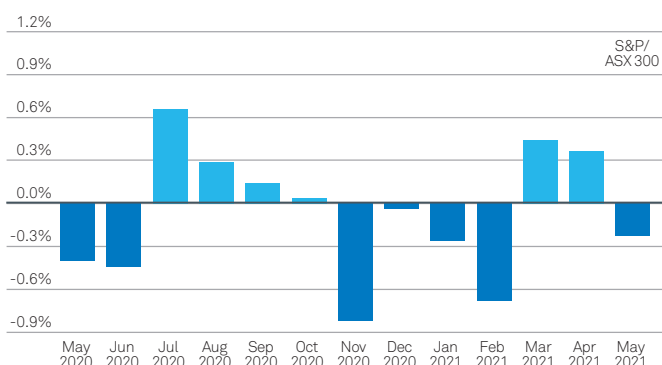
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

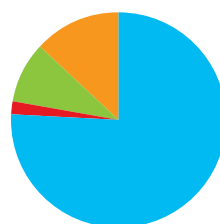
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)



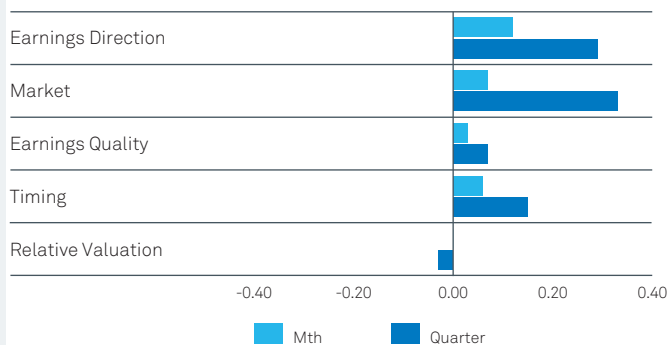
Risk Contributions (%)



Active Risk: 1.34%  
Portfolio Beta: 1.01

Specific **76%**  
Act Sys **2%**  
Industry **9%**  
Style **13%**

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
ENERGY	2.96
MATERIALS	21.18
INDUSTRIALS	6.07
CONSUMER DISCRETIONARY	8.97
CONSUMER STAPLES	4.42
HEALTHCARE	8.93
FINANCIALS EX A-REIT	29.67
A-REIT	6.18
INFORMATION TECHNOLOGY	5.08
COMMUNICATIONS SERVICES	4.23
UTILITIES	0.70

## Top Contributors / Detractors

Contributors	Detractors
Afterpay Ltd	Commonwealth Bank Of Australia
Aristocrat Leisure Ltd	Csl Ltd
Rea Group Ltd	Elders Ltd
Westpac Banking Corporation Corp	Eml Payments Ltd
The A2 Milk Company Ltd	Xero Ltd

## Top 10 Holdings

Stock
Commonwealth Bank Of Australia
Bhp Billiton Plc (Gb)
Westpac Banking Corporation Corp
Csl Ltd
Australia And New Zealand Banking
National Australia Bank Ltd
Rio Tinto Plc
Wesfarmers Ltd
Macquarie Group Ltd Def
Aristocrat Leisure Ltd

## Stock Selection

On a market adjusted basis, amongst the top contributors for the month were an overweight position in Aristocrat Leisure (ALL) and an underweight position in AfterPay (APT). Amongst the largest detractors were an overweight position in EML Payments (EML) and an underweight position in Commonwealth Bank of Australia (CBA).

### Top Contributors

**ALL** – The overweight position in gaming company Aristocrat Leisure was a result from favourable views across all insights. The share price soared after the release of a strong half year update highlighting solid performance across all segments well ahead of market expectations driven by improved consumer sentiment.

**APT** – The underweight position in buy now pay later company Afterpay came from negative views across all insights. In line with its information technology peers, the company was heavily sold off as concerns over higher inflation continued to weigh on the valuation of growth names.

### Top Detractors

**EML** – The overweight position in payment solutions provider EML Payments was led by positive views across Earnings Direction, Market and Relative Valuation insights. The share price fell after the Bank of Ireland – where the company moved its European operations post Brexit, raised concerns over anti-money laundering and counter terrorism financing compliance.

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**CBA** – The underweight position major bank Commonwealth Bank of Australia was led by generally negative views across all insights, especially Relative Valuation, Timing and Earnings Direction. The share price reached all-time highs after the company released its third quarter results, almost doubling its profit from last year, as the Australian economy continues its strong recovery.

## 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	142mil
Buy/Sell Spread	0.15%/0.15%
Management Fee	0.45%p.a.

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	629 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	146
Number of Stocks in Benchmark	299
Tracking Error	1.52%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	199mil
Buy/Sell Spread	0.15% / 0.15%