

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

30 June 2021

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	2.60	8.99	12.95	28.88	10.58	12.31	10.63
S&P/ASX 300 Accumulation Index	2.25	8.48	12.98	28.49	9.77	11.26	9.06
Outperformance (Gross of Fees)	0.34	0.51	-0.03	0.38	0.81	1.05	1.56
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	2.60	9.00	12.96	28.90	-	-	7.50
S&P/ASX 300 Accumulation Index	2.25	8.48	12.98	28.49	-	-	7.16
Outperformance (Gross of Fees)	0.35	0.51	-0.02	0.40	-	-	0.34
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	2.58	8.92	12.80	28.53	-	-	7.19
S&P/ASX 300 Accumulation Index	2.25	8.48	12.98	28.49	-	-	7.16
Outperformance (Net of Fees)	0.32	0.44	-0.18	0.03	-	-	0.03
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	2.56	8.87	12.73	28.34	10.02	11.63	9.65
S&P/ASX 300 Accumulation Index	2.25	8.48	12.98	28.49	9.77	11.26	8.96
Outperformance (Net of Fees)	0.31	0.39	-0.26	-0.15	0.25	0.37	0.69

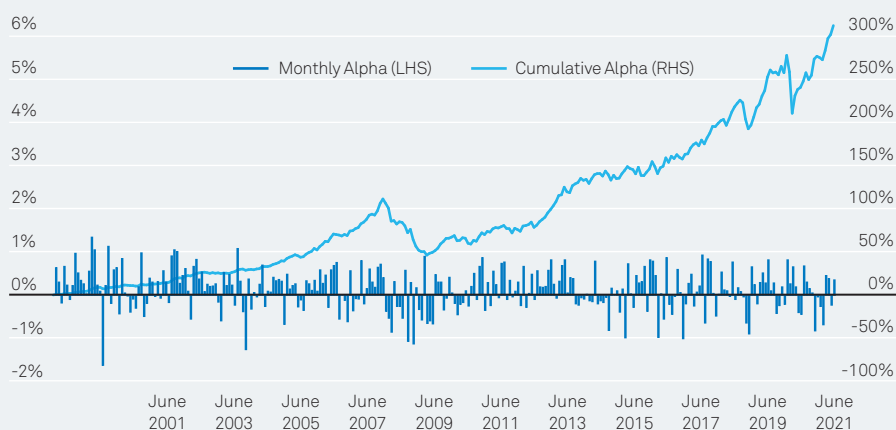
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 30 June 2021



## Performance Summary – June 2021

### Fund v Market

The S&P/ASX300 Accumulation Index gained +8.5% in the June quarter and 28.5% for the financial year, the strongest return since 2007. The local index started the quarter with positive investor sentiment driving the market up. Despite inflationary concerns emerging in May, Australian equities continued their upwards trajectory as economic data continued to suggest stronger than anticipated recovery of the economy. June saw the value rotation stall and investors moving back into growth stocks led the market up. Renewed fears around the spread of a more contagious Delta variant of the COVID-19 virus resulted in another round of lockdowns and border restrictions across the country.

Economic momentum continued to be strong especially at the start of the quarter. The high-frequency forward-looking metrics, such as business confidence or consumer sentiment remain elevated, suggesting that the spot lockdowns might have limited impact on economic recovery. On the data front, the latest Australian retail sales disappointed at 0.1%, missing the consensus expectations of 0.4%. Unexpectedly, the unemployment rate fell back to pre-pandemic level at 5.1%. As expected, the RBA left the cash rate unchanged at record low and suggested that there will likely be no hike until 2024 when inflation gets closer to the 2-3% target. The US dollar appreciated against most currencies as the Fed shifted its stance and the Australian dollar finished the quarter at a three-month low US0.75c.

Most sectors gained, led by Information Technology (+12.1%) the best performing sector this quarter. Despite pulling back on inflation concerns during May, investors favoured growth stocks again as the rotation into value names lost momentum. Consumer Discretionary (+11.6%) benefited from the strong performance of a name in the hotel, restaurants and leisure industry as well as a multiline retailer. Similarly, Communication Services (+11.2%) and Materials (+9.5%) outperformed the local index as more cyclical names continued to be in demand. Defensive sectors posted mixed performance with Health Care (+8.7%) gaining while Utilities (-6.5%) struggled during the period.

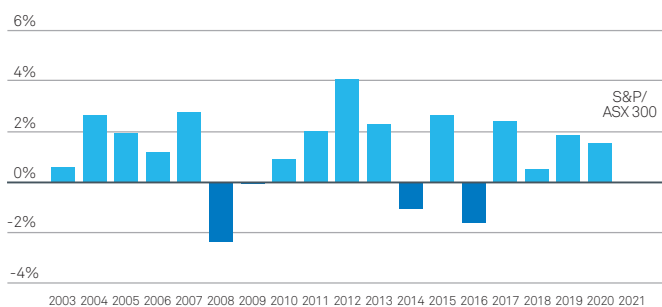
The strategy had a positive quarter and outperformed over the period. After outperforming in April, the model struggled in May before recouping its losses in June. Most sectors contributed during the quarter with Industrials being the top performing sector as it benefitted from an underweight in a major airline and overweights in commercial services. A large overweight in a gaming company helped Consumer Discretionary while Consumer Staples benefitted from underweights food products and a large food retailer. Energy was another source of positive performance due to underweights in oil, gas and consumable fuels and the Real Estate sector was helped favourable positioning. Information Technology was the main detractor amongst sectors due to overweights in the IT services and software industries. Most signals added during the quarter, especially Earnings Direction and Timing while Relative Valuation detracted.

### Investment Insights

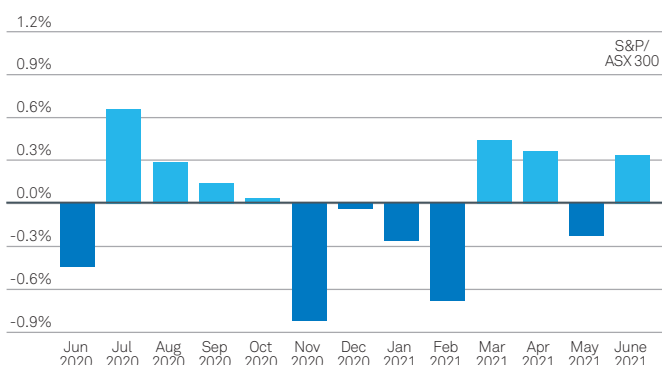
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

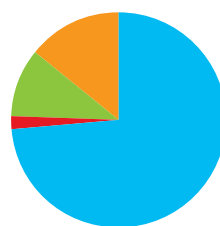
#### Yearly Alpha, Gross of Fees (%)



#### Monthly Alpha, Gross of Fees (%)



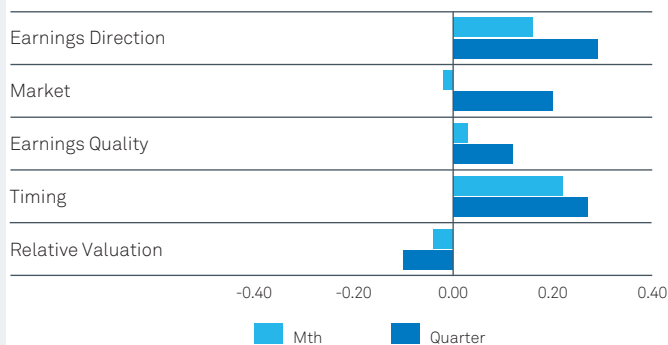
#### Risk Contributions (%)



Active Risk: 1.32%

Portfolio Beta: 0.99

#### Insight Performance (%)



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

#### Sector Exposure (%)

Sector	Weight
ENERGY	2.79
MATERIALS	20.52
INDUSTRIALS	5.97
CONSUMER DISCRETIONARY	9.24
CONSUMER STAPLES	5.09
HEALTHCARE	9.04
FINANCIALS EX A-REIT	28.96
A-REIT	7.07
INFORMATION TECHNOLOGY	4.35
COMMUNICATIONS SERVICES	4.83
UTILITIES	0.84

## Top Contributors / Detractors

Contributors	Detractors
Aristocrat Leisure Ltd	Commonwealth Bank Of Australia
Charter Hall Group Stapled Units	Eml Payments Ltd
Iress Ltd	Telstra Corporation Ltd
Rea Group Ltd	Xero Ltd
Westpac Banking Corporation Corp	Reece Ltd

## Top 10 Holdings

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

## Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were overweight positions in Aristocrat Leisure (ALL) and Iress (IRE). Amongst the largest detractors were an underweight position in Commonwealth Bank of Australia (CBA) and an overweight position in Xero (XRO).

### Top Contributors

**ALL** – The overweight position in gaming company Aristocrat Leisure came from positive views across all insights. Management released a trading update confirming that the company has been performing very well, due to strong product performance and consumer engagement and that profits are growing faster than expected.

**IRE** – The overweight position in financial services software provider Iress came from positive views across Earnings Directions, Earnings Quality Relative and Valuation insights. The share price surged during the quarter on rumours that a local investment bank might take a large stake in the company.

### Top Detractors

**CBA** – The underweight position in major bank Commonwealth Bank of Australia was through unfavourable views across most insights, especially Earnings Direction, Market, Relative Valuation and Timing. Despite tumbling on interest rate hike speculations towards the end of the period, the share price had been strong driven by the recovery of the Australian economy.

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**XRO** – The overweight position in cloud-based accounting software company Xero was led by positive Earnings Direction and Timing insights. While the company reported strong results for the FY to March, it fell short of market's expectations and the share price dropped, exacerbated by the selloff of the tech sector on that day.

## 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	144mil
Buy/Sell Spread	0.15%/0.15%
Management Fee	0.45%p.a.

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	634 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	174
Number of Stocks in Benchmark	298
Tracking Error	1.53%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	202mil
Buy/Sell Spread	0.15% / 0.15%