

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

31 July 2021

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	1.13	5.91	14.23	28.71	10.46	11.28	10.64
S&P/ASX 300 Accumulation Index	1.11	5.77	14.23	29.14	9.70	10.14	9.08
Outperformance (Gross of Fees)	0.02	0.14	-0.01	-0.43	0.76	1.14	1.56
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	1.13	5.91	14.23	28.73	-	-	7.89
S&P/ASX 300 Accumulation Index	1.11	5.77	14.23	29.14	-	-	7.55
Outperformance (Gross of Fees)	0.02	0.14	0.00	-0.41	-	-	0.34
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	1.10	5.84	14.04	28.36	-	-	7.58
S&P/ASX 300 Accumulation Index	1.11	5.77	14.23	29.14	-	-	7.55
Outperformance (Net of Fees)	0.00	0.07	-0.19	-0.78	-	-	0.03
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	1.09	5.80	13.96	28.17	9.91	10.60	9.66
S&P/ASX 300 Accumulation Index	1.11	5.77	14.23	29.14	9.70	10.14	8.98
Outperformance (Net of Fees)	-0.02	0.03	-0.28	-0.96	0.21	0.46	0.68

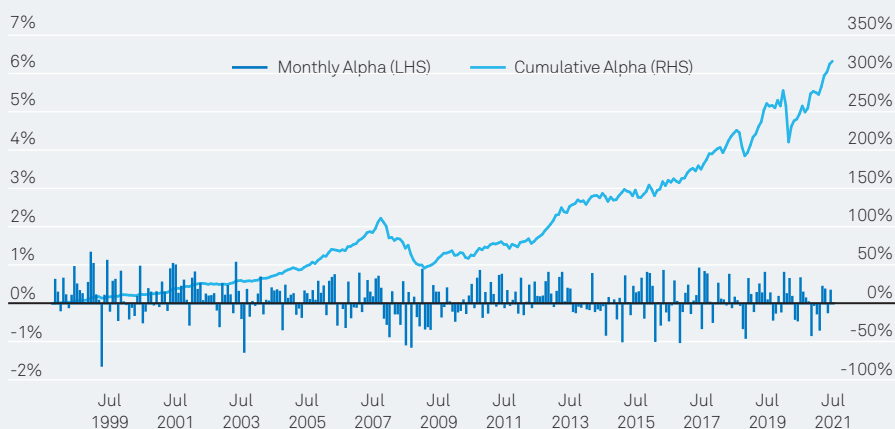
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 July 2021



## Performance Summary – July 2021

### Fund v Market

The S&P/ASX300 Accumulation Index gained +1.1% for July as the market continued to find new highs, with gains in every month in 2021 so far. The mining sector led the way this time, lifted by strong commodity prices including iron ore. This was in contrast to the domestic economy with concerns from extended periods of lockdowns from the spread of the delta variant, the relatively low number of Australians vaccinated, and the vaccine rollout itself.

The Reserve Bank of Australia kept rates unchanged even as it highlighted a better than expected recovery and the growing concern of housing prices. Inflation data was also high, as the price of petrol rose, and some government stimuli ended. The Consumer Price Index (CPI) rose +0.8% for the June quarter, and +3.8% over 12 months, though that was impacted by lockdown measures. The RBA's preferred measure of core inflation gained +0.5% for the quarter and +1.6% over the last 12 months. The unemployment rate fell to just 4.9%, however the underemployment rate increased, impacted by lockdowns across the country. The Australian dollar fell against the US dollar ending the month at US 0.74c.

The Materials sector (+7.1%) was the best performing sector for the month, boosted by the strong showing by miners. Industrials (+4.1%) also gained, however this was predominantly a result of a takeover bid for Sydney Airports. After performing well over the last few months, the Information Technology sector (-6.4%) was the worst best performing sector this month. Energy (-2.4%) did poorly as the majority of oil companies finished the month lower.

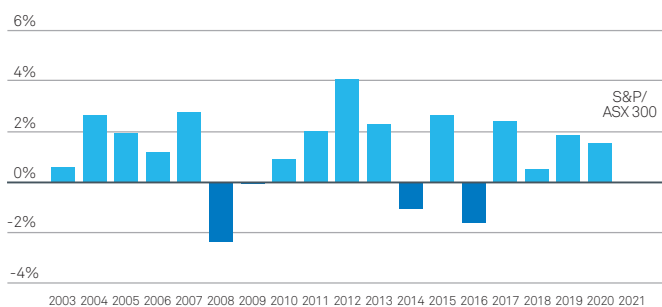
The strategy gained and slightly outperformed its benchmark during the month. Amongst sectors, the top performing sector was Real Estate which benefitted from large overweights in Reits. Financials also added through underweights banks and insurance names while underweights hotels, restaurants and leisure helped Consumer Discretionary. Communications Services detracted the most as overweights interactive media and services struggled while an underweight in a transportation infrastructure name which received a takeover bid hurt the Industrials sector. All signals added this month. The main source of performance was Relative Valuation, followed by Timing and Earnings Direction.

### Investment Insights

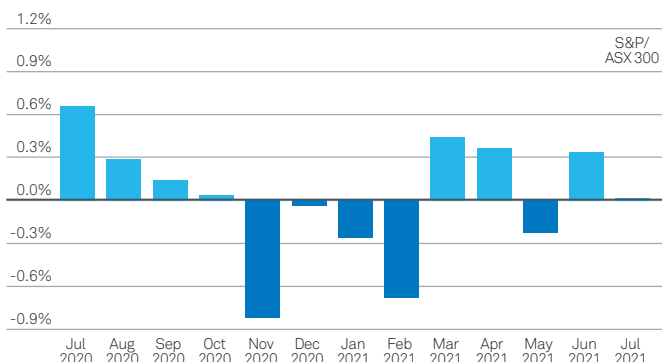
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

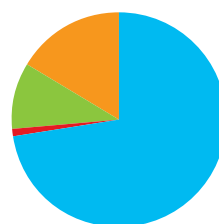
#### Yearly Alpha, Gross of Fees (%)



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

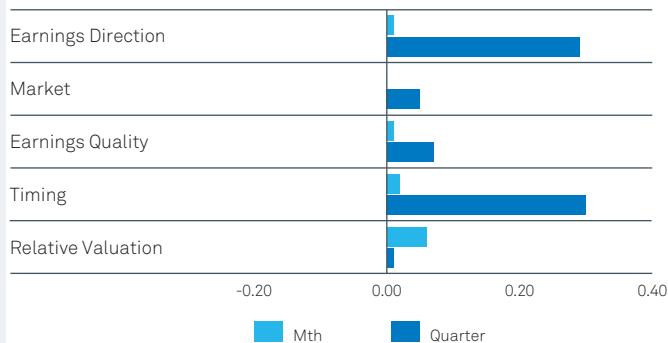


#### Risk Contributions (%)



Active Risk: 1.16%  
Portfolio Beta: 0.99

#### Insight Performance (%)



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

#### Sector Exposure (%)

Sector	Weight
ENERGY	2.89
MATERIALS	21.70
INDUSTRIALS	6.57
CONSUMER DISCRETIONARY	8.77
CONSUMER STAPLES	4.99
HEALTHCARE	9.15
FINANCIALS EX A-REIT	28.41
A-REIT	7.13
INFORMATION TECHNOLOGY	3.82
COMMUNICATIONS SERVICES	4.05
UTILITIES	1.22

## Top Contributors / Detractors

Contributors	Detractors
Afterpay Ltd	Fortescue Metals Group Ltd
Bhp Group Ltd	Lynas Rare Earths Ltd
Bluescope Steel Ltd	Rea Group Ltd
Mineral Resources Ltd	Sydney Airport Stapled Units Ltd
Westpac Banking Corporation Corp	Igo Ltd

## Top 10 Holdings

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

## Stock Selection

On a market adjusted basis, amongst the top contributors for the month were overweight positions in Bluescope Steel (BLS) and Mineral Resources (MIN). Amongst the largest detractors were underweight positions in Sydney Airport (SYD) and Lynas Rare Earths (LYC).

### Top Contributors

**BLS** – The overweight position in metal producer Bluescope Steel came from positive views across most insights, especially Earnings Direction, Market, Relative Valuation and Timing. The company released record half year results which will take the FY21 results above market expectations. The favourable price of steel and a surge in demand especially in Australia and New Zealand contributed to the strong results.

**MIN** – The overweight position in mining company Mineral Resources came from positive views across Earnings Direction and Market insights. The share price surged after the company announced its June quarter and FY21 activity report. Management highlighted record iron ore production and strong iron ore prices but also a significant increase in lithium production and demand.

### Top Detractors

**SYD** – The underweight position in Sydney Airport was through unfavourable views across most insights, especially Market, Timing and Earnings Direction. The share price rose sharply on an unsolicited takeover bid by a consortium of buyers, including local superannuation funds. Though soon after, the Sydney Airport Board noted the offer was “not in the best interests of security holders”.

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**LYC** – The underweight position in rare earth mining company Lynas Rare Earth was led by negative views across most insights. The company released a strong quarterly update with record sales revenues and increased production. During the month, the company was also awarded a government grant which boosted investor sentiment.

## 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	151mil
Buy/Sell Spread	0.15%/0.15%
Management Fee	0.45%p.a.

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	651 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	171
Number of Stocks in Benchmark	297
Tracking Error	1.52%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	205mil
Buy/Sell Spread	0.15% / 0.15%