

# BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

## BLACKROCK AUSTRALIAN ALPHA TILTS FUND

**BLACKROCK®**

FUND UPDATE

31 October 2020

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	1.93	1.70	-6.77	-5.79	5.59	8.32	9.87
S&P/ASX 300 Accumulation Index	1.89	1.22	-8.91	-7.91	4.22	6.89	8.24
Outperformance (Gross of Fees)	0.04	0.48	2.14	2.13	1.37	1.43	1.64
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	1.93	1.70	-	-	-	-	-11.91
S&P/ASX 300 Accumulation Index	1.89	1.22	-	-	-	-	-13.00
Outperformance (Gross of Fees)	0.04	0.48	-	-	-	-	1.08
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	1.90	1.63	-	-	-	-	-12.09
S&P/ASX 300 Accumulation Index	1.89	1.22	-	-	-	-	-13.00
Outperformance (Net of Fees)	0.01	0.41	-	-	-	-	0.91
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	1.89	1.59	-7.10	-6.19	4.97	7.61	8.91
S&P/ASX 300 Accumulation Index	1.89	1.22	-8.91	-7.91	4.22	6.89	8.16
Outperformance (Net of Fees)	0.00	0.37	1.81	1.72	0.75	0.72	0.75

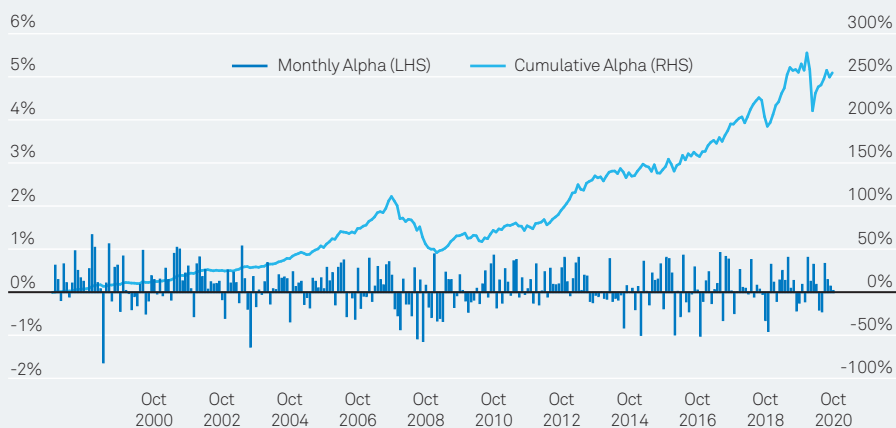
\*Fund inception: 31/10/1997. \*\*Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 October 2020



## Performance Summary

### Fund v Market

The S&P/ASX300 Accumulation Index gained +1.9% in October. Australian equities started the month with a rally, fuelled by promising Covid numbers in Victoria – which subsequently saw the end of the 112-day lockdown and the reopening of the economy. Later in the month, the local index moved in line with global markets, pulling back as concerns over a second wave became more apparent in Europe and in the US. Both regions reached record numbers of new covid cases and the market started to anticipate that the major European economies could enter a second lockdown. Stock markets faced further uncertainty with the upcoming US presidential election.

After falling -1.9% in the previous quarter, the latest inflation footprint came in at +1.6% for the September quarter. This was largely attributed to the significant increase in childcare costs following the end of free childcare on 13 July. The unemployment rate also increased to 6.9% in September (from 6.8% in August) with the loss of 29,500 jobs. The participation rate decreased to 64.8%. The RBA maintained the cash rate unchanged at 25 basis points, however, there were increased expectations of an interest rate cut at the November. The Australian dollar strengthened against the US dollar and finished the month at US0.70c.

Looking at sectors, the Information Technology (+8.6%) was the best performing sector for the month. Financials (+6.3%) benefitted from the expectation that the RBA might cut interest rates in the near term. The consumer sectors also finished the month higher with the major supermarkets helping Consumer Staples (+4.5%) while continued demand for specialty retailers contributed to the performance of Consumer Discretionary (+1.1%). On the negative, Industrials (-3.5%) was the worst performing sector led by transportation infrastructure names while unfavourable commodity prices continued to be a drag on the Utilities (-1.5%), Materials (-1.1%) and Energy (-1.0%) sectors.

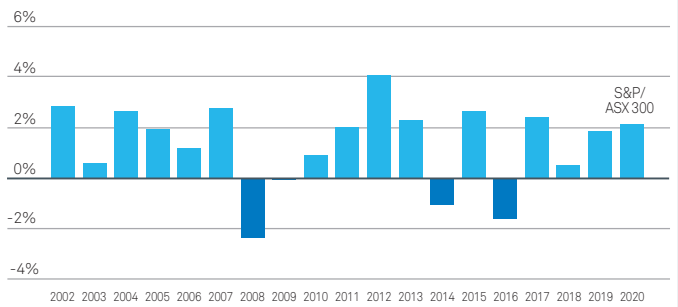
The strategy recorded a small positive month and continued to perform well year to date. The Financials sector was the biggest contributor by far, led by overweights in capital markets as well as a number of banks. More modest contribution came from an overweight in Utilities and overweight supermarkets and an underweight in a food producer within Consumer Staples. Overweights in Consumer Discretionary detracted, as did overweight Energy names. Earnings Direction insights were again positive, with some help from Timing insights. The biggest deduction came from Market insights, as trends suffered in the face of uncertainty from the US election and second waves of the pandemic globally.

### Investment Insights

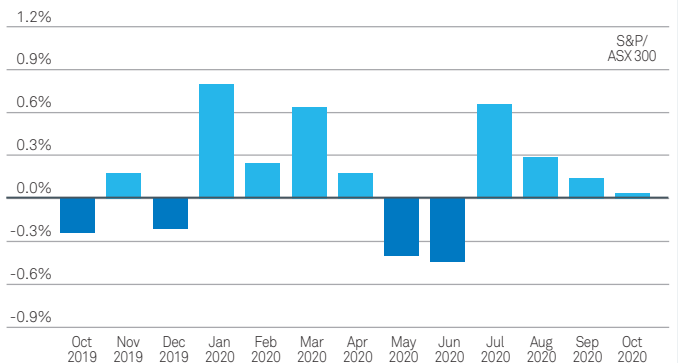
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the month:

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

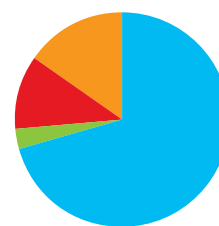
### Yearly Alpha, Gross of Fees (%)



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

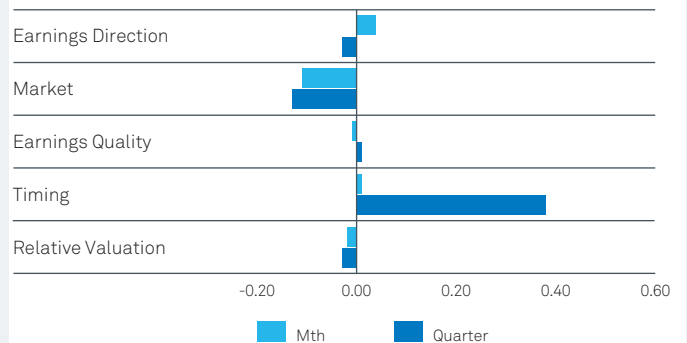


### Risk Contributions (%)



Active Risk: 1.54%  
Portfolio Beta: 0.98

### Insight Performance (%)



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

### Sector Exposure (%)

Sector	Weight
ENERGY	2.45
MATERIALS	19.70
INDUSTRIALS	6.33
CONSUMER DISCRETIONARY	8.55
CONSUMER STAPLES	6.84
HEALTHCARE	12.61
FINANCIALS EX A-REIT	25.46
A-REIT	6.60
INFORMATION TECHNOLOGY	5.37
COMMUNICATIONS SERVICES	2.82
UTILITIES	2.24

## Top Contributors / Detractors

Contributors	Detractors
Ausnet Services	Aristocrat Leisure Ltd
Australia And New Zealand Banking	Brambles Ltd
Hub24 Ltd	Commonwealth Bank Of Australia
Pendal Group Ltd	National Australia Bank Ltd
Westpac Banking Corporation Corp	Regis Resources Ltd

## Top 10 Holdings

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

## Stock Selection

On a market adjusted basis, amongst the top contributors for the month was an overweight position in HUB24 (HUB) and an underweight position in Sydney Airport (SYD). Amongst the largest detractors were overweight positions in Brambles (BXB) and Regis Resources (RRL).

### Top Contributors

**HUB** – The overweight position in investment platform HUB24 was a result of moderately positive Relative Valuation, Market, and Timing insights. The firm recorded increased flows and funds under administration, gaining market share. They also announced three strategic transactions and completed a \$60m equity raise.

**SYD** – The underweight position in Sydney Airport came from negative views in Earnings Direction, Market and Earnings Quality insights. The airport continued to suffer with low flight numbers, with sentiment particularly poor towards the end of the month as other countries saw a resurgence in the virus.

### Top Detractors

**BXB** – The overweight position in logistics company Brambles was driven by favourable Market and Relative Valuation insights. The company highlighted positive results in the face of challenging conditions, though management also noted that uncertainty and a weaker economic environment could last an extended period of time.

**RRL** – The overweight position in gold miner Regis Resources was through mostly positive insights, notably Market, Earnings Direction and Relative Valuation. Quarterly production numbers were a little

**IMPORTANT INFORMATION:** Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**). This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material. Any potential investor should consider the latest product disclosure statement, prospectus or other offer document (**Offer Documents**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. Offer Documents can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances Offer Documents are also available on the BIMAL website at [www.blackrock.com.au](http://www.blackrock.com.au). BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL. © 2020 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

lower than last quarter, due to some short-term impacts, and the gold price softened after showing strength most of the year.

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

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	683 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	170
Number of Stocks in Benchmark	302
Tracking Error	1.42%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	183 mil
Buy/Sell Spread	0.15% / 0.15%