

BLACKROCK STYLE ADVANTAGE FUND (AUST)

BLACKROCK®

FUND UPDATE

31 May 2021

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Style Advantage Fund (Aust) (Gross of fees)	2.31	5.41	6.47	-2.23	-7.36	-	-4.05
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.01	0.06	1.01	-	1.26
Outperformance (Gross of Fees)	2.31	5.40	6.46	-2.29	-8.36	-	-5.31
BlackRock Style Advantage Fund (Aust) (D-Class) (Net of fees)	2.27	5.30	6.04	-3.01	-8.01	-	-4.88
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.01	0.06	1.01	-	1.26
Outperformance (Net of Fees)	2.26	5.30	6.03	-3.07	-9.02	-	-6.14

Fund inception is 30-Nov-2016. The investment strategy set out in this fund update commenced on the inception date of 30-Nov-2016. Performance information in this fund update is only shown from the inception of the fund and is short term in nature. Performance returns over this period may not be indicative of the long term performance. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Performance for periods greater than one year is annualised. Gross performance is calculated gross of ongoing fees and expenses. 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.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Style factor performance - Month to date*

Carry		Value		Momentum		Defensive	
Fixed Income Carry	↑	Equity Value	↑	Equity Momentum	-	Equity Quality	↑
FX Carry	-	Equity Markets Value	↑	Equity Markets Momentum	-	Equity Low Volatility	↑
Equity Markets Carry	↓	FX Value	↑	FX Momentum	-		
		Fixed Income Value	-	Fixed Income Momentum	↓		
Negatively detracting	↓	*Style factor performance is broadly classified as negatively detracting, neutral, or positively contributing. For illustrative example only. This is not a securities recommendation. This represents fund performance versus benchmark as at date of publication.					
Neutral	-						
Positively contributing	↑						

Market Overview

In May, financial markets were broadly upbeat as the activity restart gathered momentum and the risk-on mood continued with cyclical exposures leading returns once again. Despite volatility in recent macro data amid unusual supply and demand dynamics, interest rate and inflation expectations stabilized, providing a supportive backdrop for risk assets. While concerns around regional resurgences of COVID-19 cases lingered, investors focused on improving vaccination rates, which has allowed many economies to at least partially reopen. Alongside sizeable fiscal support, the accelerated vaccine programs have enabled a rebound in equity and commodity markets, particularly in Europe.

Emerging markets (EM) outperformed their developed counterparts amidst a backdrop of a global economic recovery and transition out of the pandemic, helped by a weaker US dollar. Within EM, China continues to see moderation in growth momentum after a strong restart last year. Developed sovereign debt markets were muted as most central banks remained dovish, with the exception of the Bank of Canada and the Bank of England which signalled a reduction in their purchasing programs.

Fund Performance – May 2021

The BlackRock Style Advantage Fund (Aust) gained +2.27% in May (after fees), which brings the Fund's year-to-date return to +6.04% (after fees). Factor performance was generally positive in May. In particular, Value insights rotated back into favour after taking somewhat of a breather in April. Defensive factors (Quality and Low Volatility) also performed strongly, while Momentum detracted and Carry finished flat. From an asset class perspective, factors performed best within in single name equities and currencies over the month.

Style factors performance was strongest within single-name equities (i.e. individual shares) in May, driven by Value and Quality. Low Volatility also contributed positively, while Momentum finished flat. Factors worked well across most sectors, but performed best in industrials, financials, consumer discretionary and health care.

Style factor performance within Equity Markets (i.e. the derivatives book) was slightly negative in May – the only asset class to generate a small negative return over the period. Carry insights drove the underperformance in this asset class. Long/short positioning across emerging market (EM) equities was the main detractor over the month. Specifically, a net long position in Taiwanese equities detracted as investors showed concerns about strong government restrictions after a spike in virus cases in the country. A short position in Indian equities also weighed on performance.

Style factor performance within currencies was positive in May, driven by FX Value. Long/short positioning across EM countries was responsible for most of the outperformance within this asset class. For example, a Value-driven long position in the Indian rupee worked well as the currency bounced back sharply from a nine-month low. In addition, long positions in the Russian ruble, Brazilian real and South African rand performed well in May.

Style factor performance within fixed income asset was flat in May. Gains from Carry and Value were offset by losses from Momentum. It was a reasonably quiet month for fixed income assets, as most rate markets traded in a range-bound fashion. A long US duration position generated small positive performance, while short positions in Canadian and UK rate markets detracted.

Asset class performance attribution (%)*

Asset class	MTD Contribution	QTD Contribution	YTD Contribution
Equity Markets	-0.16	-0.47	0.44
Single Name Equities	1.46	1.31	3.31
Fixed Income	0.04	0.65	0.95
Currencies	0.83	0.26	2.27
Other**	0.15	0.35	-0.51

*Attribution is from Aladdin

**Other captures performance attribution that cannot be attributed to the four categorisations above.

About the Fund

Investment Objective

The Fund aims to deliver returns that are 7% per annum above those of the Bloomberg AusBond Bank Bill Index, before fees, over rolling 3-year periods.

Fund Strategy

Style investing has been used for decades to enhance returns. The existence of such returns can be explained by a reward for bearing exposure to certain risks or due to structural or behavioural anomalies.

Reward for bearing risk refers to the concept that investors are paid a premium for being exposed to more risk than the market portfolio. For example, value and momentum are likely to experience periods of short-term underperformance at certain points in the business cycle. Long-run excess returns can be earned if investors are willing to accept short-term volatility.

Structural anomalies are caused by the existence of investment constraints preventing investors from making decisions purely on investment merits.

Behavioural anomalies have been extensively documented in academic literature; in essence, investors appear to make investment decisions that could not be justified under a hypothesis of pure rationality, which in turn causes asset prices to diverge from their fundamental values.

Through the application of systematic trading strategies, as implemented via our style factor strategies, the Underlying Fund seeks to capture a positive return linked to the persistence of these anomalies.

The investment strategy of the Underlying Fund allocates to a variety of style factor strategies, which are broad persistent drivers of returns with historically low correlation to traditional asset classes and a differentiated return profile to traditional long-only strategies. Through diversification across styles, the investment strategy seeks to achieve consistent returns in major asset classes including but not limited to equities, bonds and currencies. At the same time the investment strategy seeks to limit downside risk by dynamically managing overall exposure during market turmoil.

The style factors which may be used include, but are not limited to:

- ▶ **Value** will focus upon investments that appear relatively cheap with an aim to benefit from outperformance relative to expensive assets.
- ▶ **Momentum** will focus on investments with relatively strong medium-term performance and will aim to benefit from the tendency that an asset's recent relative performance will continue in the short term.
- ▶ **Carry** focuses on higher-yielding investments and aims to benefit from the higher returns provided by these assets relative to lower-yielding assets.
- ▶ **Defensive** refers to investments with low-risk characteristics that aim to benefit from the tendency for lower risk, higher quality assets to generate higher risk-adjusted returns than higher risk, lower quality assets.

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Fund Details

BlackRock Style Advantage Fund (Aust)	
Fund Size	\$31,259,627
Buy/Sell Spread	N/A
Liquidity	Daily
Minimum Initial Investment Institutional	\$500,000
Minimum Initial Investment D Class	\$50,000
Domicile	Australian Unit Trust
Custodian	J.P. Morgan Chase Bank
Management Fee	0.65%
Performance Fee	10%