

BLACKROCK STYLE ADVANTAGE FUND (AUST)

BLACKROCK®

FUND UPDATE

31 July 2021

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Style Advantage Fund (Aust) (Gross of fees)	0.89	3.27	7.47	0.81	-6.82	-	-3.72
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.02	0.05	0.89	-	1.22
Outperformance (Gross of Fees)	0.89	3.26	7.45	0.75	-7.71	-	-4.94
BlackRock Style Advantage Fund (Aust) (D-Class) (Net of fees)	0.85	3.13	6.93	0.02	-7.47	-	-4.54
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.02	0.05	0.89	-	1.22
Outperformance (Net of Fees)	0.85	3.12	6.92	-0.03	-8.36	-	-5.76

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.

Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Style factor performance - Month to date*

Carry	Value	Momentum	Defensive
Fixed Income Carry	-	Equity Value ↓	Equity Momentum ↑
FX Carry	↑	Equity Markets Value ↓	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

The global economic recovery continued in July with steady progress in the COVID-19 vaccine rollout, a pick-up in mobility indicators (especially in Europe) and ongoing support from a monetary and fiscal policy perspective. However, it was a more volatile month for financial markets due to increasing concerns around rising cases of the more transmittable Delta variant and signs of a peak in economic growth, especially in the US.

Despite the volatility, developed market equities outperformed their emerging market counterparts in July. The positive performance was led by the United States (US) underpinned by a strong corporate earnings season and reassuring central bank comments. Within emerging market (EM) equities, China was a drag on markets as the government tightened regulation in a coordinated crackdown across sectors - introducing further uncertainty in the region.

Within Fixed Income, government bond indices recorded positive performance in July, led by Australia, US and Germany. The Australian dollar depreciated against most currencies and in particular the US dollar.

Fund Performance – July 2021

The BlackRock Style Advantage Fund gained +0.85% in July (after fees). This brings the Fund's year-to-date return to +6.93% (after fees), which is 6.92% ahead of its benchmark.

From a factor perspective, the more defensive factors – Quality and Low Volatility – were the best performers over the month. Momentum strategies were also slightly positive, while Value and Carry detracted. From an asset class perspective, style factors performed best within Currencies and Single Name Equities, followed by Fixed Income. Style factor performance was negative within Equity Markets (i.e. in the derivative book).

Style factor performance within Single name equities was positive over the month but experienced bouts of volatility, on the back of some severe rotations and swings in financial markets. For example, Value rotated out of favour and into growth-oriented names leading to negative contribution from Value in July. Low volatility and Quality recorded strong positive performance, while Momentum finished the month slightly higher.

Style factor performance within equities markets (i.e. the derivative book) was negative in July. All three style factors – Carry, Momentum and Value – ended in negative territory. Long/short positioning across Asian markets was a particular pain point in July. For example, the model was wrongfooted in its short positioning in Singaporean equities, which saw a bounce back after two months of losses. Additionally, the model's highest conviction long position in Japanese equities weighed as Tokyo declared a state of emergency following an escalating virus outbreak, as well as fallout from tightening of restrictions in Chinese companies dampening regional sentiment.

Within the fixed income book, performance was positive driven by Value and Momentum strategies. Carry strategies finished the month roughly flat. Long/short positioning across European rate markets drove positive returns in this component of the portfolio.

Currencies also fared well over the period, as FX Carry and FX Momentum insights drove positive performance. The model's high conviction short positions contributed most. For example, short positions in the Australian dollar and Euro added to returns, in the wake of investors pricing in dovish central bank activity and little immediate case for rate hikes, particularly relative to the strengthening US dollar over the latter half of the month. In addition, a short Taiwan dollar and Korean won position added to returns.

Asset class performance attribution (%)*

Asset class	MTD Contribution	QTD Contribution	YTD Contribution
Equity Markets	-2.16	-2.16	-1.37
Single Name Equities	1.04	1.04	3.74
Fixed Income	0.92	0.92	1.90
Currencies	1.19	1.19	3.99
Other**	-0.09	-0.09	-0.80

*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.

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. 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. © 2021 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.

Fund Details

BlackRock Style Advantage Fund (Aust)	
Fund Size	\$32,047,755
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%