

# BLACKROCK STYLE ADVANTAGE FUND (AUST)

# BLACKROCK®

FUND UPDATE

30 September 2021

## Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Style Advantage Fund (Aust) (Gross of fees)	0.12	2.98	9.69	4.11	-5.46	-	-3.18
Bloomberg AusBond Bank Bill Index	0.00	0.01	0.02	0.04	0.79	-	1.18
Outperformance (Gross of Fees)	0.11	2.97	9.68	4.07	-6.25	-	-4.36
BlackRock Style Advantage Fund (Aust) (D-Class) (Net of fees)	-	-	-	-	-	-	-
Bloomberg AusBond Bank Bill Index	-	-	-	-	-	-	-
Outperformance (Net of Fees)	-	-	-	-	-	-	-

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 ↓
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 third quarter of the year was volatile for most financial markets. Whilst it started well, some gains were erased in September when global equities and fixed income assets retreated. Risk appetite deteriorated towards quarter-end due to increasing concerns such as China's growth slowdown, the energy crisis, inflation and potential tapering by global central banks.

Developed market equities finished the quarter slightly positive after a moderate correction in September. Emerging markets were down on the quarter, weighed by China as the third quarter of the year was underscored by broadly negative news; between regulatory crackdown on select sectors to fears around a potential default on a large Chinese property developer and the contagion effect of the same.

Global sovereign bond yields rose considerably in September on monetary policy normalization speculation, as the Federal Reserve's (Fed) further guidance on the central bank's outlook saw a hawkish direction. Several other central banks have followed suit and hiked their interest rates, including the Reserve Bank of New Zealand (RBNZ) in early October. Energy prices continued to charge ahead as supply constraints drove prices to new highs, further exacerbating inflationary pressures globally.

## Fund Performance – Quarter ending September 2021

The BlackRock Style Advantage Fund posted a relatively strong quarter up +3.0% (after fees), despite a relatively flat September as the quarter ended with a risk off tone. This brings the YTD performance to 9.7% (after fees).

Over the quarter, the Currency model was the strongest performer, in a continuation of its strong first half performance. This was mainly an Emerging Market (EM) inflation-driven themes, whereby long exposures contributed as EM central banks raised rates on the back of high commodity prices and inflation concerns. Towards the end of the quarter, short positions in Asian EM also added, based on slowing growth on those countries. In Developed markets, the model added on Covid Delta variant concerns and re-opening themes, taking rates positions across countries with differing Covid lock down approaches. A long position in Australia versus a short position in UK performed particularly well.

The single name Equity model also delivered solid performance over the quarter driven by momentum and followed by quality. Minimum Volatility and Value both detracted over the quarter, in typical 'risk on' behaviour which dominated early on in the quarter. Within momentum, earnings related momentum signals performed the best, particularly analyst revisions, due to strong profit margins despite inflation concerns spilling over to quality. This was true of long positions in software technology companies such as Adobe.

Within the Equity Market model, the model detracted due to carry strategies in EM. In China, carry strategies struggled with the effects of China's move towards common prosperity which impacted education and technology in particular. In India, a short position detracted due to a 'hot' IPO market.

Overall, the model navigated 'mini-regimes' well over the quarter and the team is constructive on the outlook for factors given the models are performing as expected and delivering alpha despite the volatility.

### Asset class performance attribution (%)\*

Asset class	MTD Contribution	QTD Contribution	YTD Contribution
Equity Markets	1.11	-0.95	-0.07
Single Name Equities	-1.15	0.99	3.76
Fixed Income	0.02	1.12	2.14
Currencies	0.45	2.53	5.52
Other**	-0.20	-0.93	-2.01

\*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	\$47,610,518
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%