BLACKROCK STYLE ADVANTAGE FUND (AUST)

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FUND UPDATE **31 October 2021**

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Style Advantage Fund (Aust) (Gross of fees)	-0.22	1.84	9.45	4.70	-5.48	-	-3.17
Bloomberg AusBond Bank Bill Index	0.00	0.00	0.02	0.03	0.73	-	1.16
Outperformance (Gross of Fees)	-0.22	1.84	9.43	4.67	-6.21	-	-4.33
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.

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	↓
Neutral	–
Positively contributing	↑

*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.

Market Overview

October was a mixed month for financial markets. Risk sentiment stayed positive as equities rebounded from their losses in September. Commodities had another strong month with energy prices continuing to rally, stoking inflationary pressures globally. Developed market government bond yields sold off over the month on the back of continued expectations around monetary stimulus being withdrawn. Some of the most significant rate moves occurred in Australia. 2-year Australian government bond yields spiked from close to zero to 0.6%, while 10-year yields rose from 1.5% to over 2.0% in October after the Reserve Bank of Australia (RBA) abandoned its yield curve control measures and did not intervene in defending its 0.1% target for the key April 2024 bond. High yield markets recorded mildly negative returns, while investment grade markets were roughly flat over the month.

Global equities continued to deliver strong positive returns, especially in Australian dollar hedged terms. Regionally, developed market equities continued to outperform their emerging market counterparts, led by the US. Corporate earnings results were encouraging, with several large US and European companies reporting strong profits and announcing high dividend pay-outs. Japanese equities declined slightly in October despite September's rally following a change in Japan's political environment. The Australian dollar appreciated strongly over the month (translating to lower unhedged international equity returns).

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Fund Performance – October 2021

The BlackRock Style Advantage Fund posted a negative month down -0.22% (gross of fees). This brings the YTD performance to 9.4% (gross of fees).

From an asset class perspective, the portfolio saw some strong counterbalancing forces at play with the equity complex, both single names as well as equity markets, delivering enough positive return contribution to offset a challenging month for fixed income. FX underperformed slightly. Style factor wise, it took an all-out effort of positive returns derived from Momentum, Carry, Low Volatility, Quality, and Timing strategies to offset a challenging environment for Value, which shifted quickly back out of favor after enjoying strong support the month prior.

Asset class performance attribution (%)*

Asset class	MTD Contribution	QTD Contribution	YTD Contribution
Equity Markets	0.52	0.52	0.51
Single Name Equities	1.06	1.06	4.93
Fixed Income	-1.74	-1.74	0.21
Currencies	-0.35	-0.35	5.14
Other**	-0.07	-0.07	-2.07

*Attribution is from Aladdin

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

Please note that performance is quoted gross of fees, yet attributions are quotes net of fees. This is different to previous commentaries.

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.

Fund Details

BlackRock Style Advantage Fund (Aust)	
Fund Size	$48,080,578
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%

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