

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 August 2021

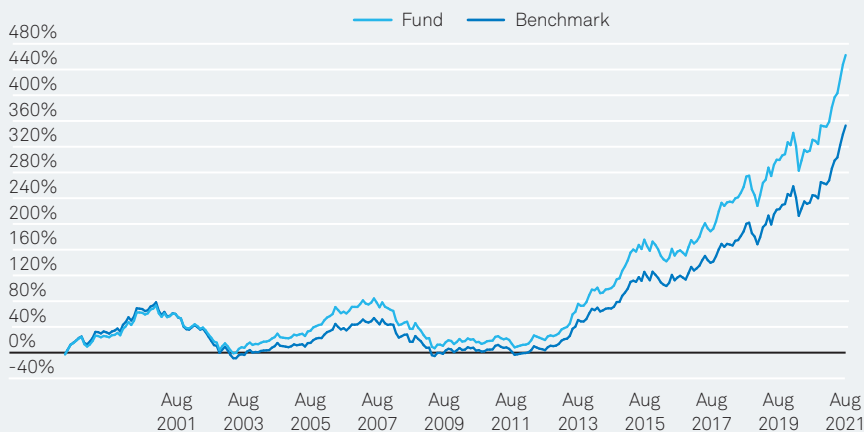
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	2.69	11.78	24.44	30.50	14.54	16.73	9.20
MSCI World ex Australia Index (unhedged in AUD)	3.10	12.31	24.69	31.37	14.68	15.59	8.66
Outperformance (Gross of Fees)	-0.41	-0.53	-0.25	-0.87	-0.14	1.15	0.54
BlackRock Advantage International Equity Fund ² (Net of Fees)	2.65	11.65	24.06	29.89	13.91	15.94	6.69
MSCI World ex Australia Index (unhedged in AUD)	3.10	12.31	24.69	31.37	14.68	15.59	6.59
Outperformance (Net of Fees)	-0.45	-0.65	-0.63	-1.48	-0.78	0.35	0.10
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	2.28	6.52	19.02	28.41	13.06	15.37	10.26
MSCI World ex Australia Index (hedged in AUD)	2.68	7.01	19.30	29.38	13.38	14.38	9.98
Outperformance (Gross of Fees)	-0.41	-0.49	-0.28	-0.97	-0.32	0.99	0.27
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	2.23	6.39	18.63	27.78	12.38	14.54	10.77
MSCI World ex Australia Index (hedged in AUD)	2.68	7.01	19.30	29.38	13.38	14.38	11.24
Outperformance (Net of Fees)	-0.45	-0.62	-0.67	-1.60	-1.00	0.16	-0.47

¹ Fund inception: 15/04/2004. ² Fund inception: 31/12/1997. ³ Fund inception: 15/04/2004. ⁴ Fund inception: 04/04/2003.

Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance is calculated on exit-to-exit price basis, e.g. net 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.

Fund Performance (Gross Unhedged) to 31 August 2021



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Review

The MSCI World Ex Australia Index gained 3.10% in unhedged AUD terms and 2.68% in fully hedged to AUD terms in August.

August was another positive month for most financial markets. Risk sentiment stayed steady on reinforcements around accommodative fiscal and monetary support in the near term, strong economic data, and widespread global immunisations. Concerns around the more transmittable COVID-19 delta strain and plateauing economic growth did not materially deter risk appetite. Key risk-on assets such as equities and high yield credit experienced a strong rally in August. Defensive asset classes such as global fixed income were mostly flat, while commodities including energy declined over the month.

Global equities (hedged in AUD) gained over 2.5% in August, which brings year-to-date performance to almost 20%. 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 large dividend pay-outs. Japanese equities bounced back strongly in August, following declines in the previous months. Emerging market equities initially stalled amidst virus concerns and a tougher stance from Chinese regulators but rebounded to finish the month slightly higher.

US equities represented through the S&P 500 Index gained over 3% in August. Financials was the top performing sector in the US, with Energy and Industrials the worst performers. Emphasis on an upbeat US earnings season, persistent fiscal expansion and a patient Federal Reserve created a favourable backdrop for share markets. While the US economy has been growing strongly for much of this year, recent data signalled a potential slowing of momentum. The rate of US GDP growth appears to have peaked, and the impacts of the delta variant have spurred concerns of a fading recovery.

Federal Reserve Chair Jerome Powell gave a dovish speech at the Jackson Hole 2021 meeting in end August that diffused concerns around immediate inflation led intervention and an imminent tapering of asset purchases – ultimately resulting in a continuation of the highly accommodative stance. Chair Powell made the case for the current high inflation rates being transitory, emphasizing the recent supply shocks which are expected to dissipate in the near future. While inflation data moderated somewhat relative to preceding months, higher wages and elevated economic growth could mean that inflation may remain elevated going forward. After a strong jobs report in July, the August report (which was released in early September) showed a surprisingly softer print, with implications on monetary policy keenly watched. The flash PMI's similarly pointed to sagging momentum as the composite PMI declined to 55.4. On the fiscal side, US President Joe Biden progressed an additional US\$550 billion of new spending as a part of the bipartisan infrastructure package that was passed in the US Senate.

European equity markets represented through the Euro Stoxx 600 Index gained over 2.5% in August. The second quarter earnings season saw results coming in ahead of consensus expectations, which were elevated after strong first quarter earnings releases.

Within the European block, COVID-19 cases climbed albeit with lower hospitalisations and mortality; mobility did not suffer as most governments were reluctant to impose new restrictions. Whilst the eurozone economy contracted in the first quarter, the second quarter seasonally adjusted GDP for Eurozone has shown growth of 2% on a quarter on quarter basis. The flash CPI estimate for August came in far stronger-than-expected at 3.0% and was well above consensus sparking hawkish comments from the European Central bank (ECB). The Euro Area composite PMI fell in August, with German manufacturing responsible for the decline while peripheral Europe showed marginal improvements.

The UK equity market as measured by the FTSE Index gained north of 2%. Since the last UK COVID related restrictions were relaxed in July, new coronavirus cases spiked throughout August. However, the hospitalization rate remained stable amidst a highly vaccinated population. Monthly economic data suggested the UK is possibly past peak growth as soft indicators reported static or declining figures. For example, UK's Composite PMI dropped in August, but remained firmly in expansionary territory. UK inflation decelerated to 2.0% year on year undershooting an expected figure of 2.3%. During its August meeting, the Bank of England kept its stimulus running at full speed, even though it took a slight hawkish turn by warning that near term inflation pressures would likely lead to 'some modest tightening of monetary policy'.

Asian equities also recorded positive performance in August, reversing some of the negative performance from previous months. Headlines continued to focus on China from last month's coordinated policy crackdown on certain sectors. China continued to follow a zero-tolerance/low-tolerance policy for new COVID-19 cases and has reimposed lockdown restrictions despite relatively low (reported) case numbers. This has contributed to significant downward revisions for China's 2021 economic growth, which is expected to face a more broad-based period of weakness as other measures, such as credit growth, also deteriorated. Despite the People's Bank of China (PBOC) pivot to a more dovish stance through cutting the Reserve Requirement Ratio (RRR) by 0.5%, the consensus is that further easing may be required. Chinese stocks were pushed higher by a statement from the PBOC that it will use its monetary policy tools to support the rural sector, with measures including the reserve requirement ratio, along with relending and rediscounting measures. Chinese equities finished August marginally higher, but underperformed their global counterparts.

Japanese equities reversed their losses from previous months and gained over 3% in August. As new COVID-19 cases appear to have peaked and two important domestic elections approach, investor interest in the region has increased again. Economic data coming out of Japan was largely positive in August, although a large degree of uncertainty remains amidst the ongoing high number of Covid-19 cases. Second quarter GDP printed stronger than consensus at 1.3%, despite the heavy restrictions on services activities in Japan.

Strategy Commentary

The international stock selection strategy had a positive month in absolute terms but underperformed its benchmark. All insight groups detracted, especially Momentum and Cross Border Thematics. Geographically, Europe (Cross Border Thematics and Momentum) was the region detracted the most, followed by Japan. Looking at sectors, The Financials sectors was the bottom contributor due to underweights capital markets and banks in North America. Underweights pharmaceuticals in Europe and the US were also a drag on HeathCare. Consumer Discretionary detracted through overweights textiles, apparels and luxury goods in Europe while underweights entertainment and media in the US hurt the Communications Services sector. On a positive note, Industrials was the top contributing sector, notably thanks to overweights in North America.

Positive contributors to performance included overweight positions in Agilent Technology and Workday.

Agilent Technology – The American analytical laboratory instrument manufacturer posted strong third quarter revenue beating market expectations and upgraded its guidance. The overweight position was a result of favourable views across all insights especially Quality and Momentum.

Workday – The American capital management software provider saw its share price jumped 11% after releasing strong earnings – ahead of consensus - for the last quarter results and upgraded its full year guidance for the second time. The overweight position was driven by generally positive Momentum, Quality and Sentiment views.

Detractors from performance included overweight positions in Fidelity National Info Services and Compagnie Financiere Richemont.

Fidelity National Info Services – The American financial products and services company posted a positive set of results however investors were worried by a downgrade to its guidance. The overweight position was driven by positive views Momentum and Relative valuation.

Compagnie Financiere Richemont – The Swiss based luxury goods company saw its share price drop in line with other luxury brands after the Chinese government announced plans to target excessive corporate profits and wealth inequalities. The overweight position was a result of positive views across most insights, especially Quality, Momentum and Sentiment insights.

Top Active Holdings

Overweight	Underweight
LOWES COMPANIES INC	MICROSOFT CORP
TRAVELERS COMPANIES INC	WALT DISNEY
INTUIT INC	BANK OF AMERICA CORP
AGILENT TECHNOLOGIES INC	AMAZON COM INC
JOHNSON & JOHNSON	ASML HOLDING NV

Top Holdings

Holding	Weight %
APPLE INC	4.62
MICROSOFT CORP	3.02
AMAZON COM INC	2.18
ALPHABET INC CLASS A	1.92
ALPHABET INC CLASS C	1.88
JOHNSON & JOHNSON	1.58
UNITEDHEALTH GROUP INC	1.42
VISA INC CLASS A	1.32
FACEBOOK CLASS A INC	1.24
WALMART INC	1.17

Country Exposure

Country	Weight %
Austria	0.04
Belgium	0.00
Canada	4.55
Denmark	1.11
Finland	0.58
France	3.02
Germany	2.73
Greece	0.00
Hong Kong	0.88
Ireland	0.22
Israel	1.15
Italy	0.07
Japan	5.40
Netherlands	1.02
New Zealand	0.07
Norway	0.69
Portugal	0.00
Singapore	0.04
Spain	0.00
Sweden	2.35
Switzerland	1.79
United Kingdom	3.40
US	70.88

About the Fund

Investment Objective

The Fund aims to outperform the MSCI World ex Australia Index (unhedged/hedged in Australian dollars with net dividends reinvested) before fees over rolling three-year periods, while maintaining a similar level of risk as its benchmark.

Fund Strategy

The strategy seeks to add value from stock and industry selection, by using our scientific process that uses local and global investment insights or themes to look for mispriced stocks and industries.

The investment themes used as part of our stock-selection process are grouped under: analyst expectations which anticipate changes in investor expectations about earnings; relative value which looks at multiple measures of underlying fundamental value; earnings quality which assesses the quality and sustainability of earnings; and market information which focuses on sentiment factors and information revealed by management decisions. Our industry-selection models alter exposure to industries using insights that focus on fundamental, economic and technical conditions.

Should be considered by investors who ...

- ▶ Seek broad exposure to international shares.
- ▶ Seek a fund that blends well with most other active managers because its risk-controlled strategy of taking small active tilts across a large number of stocks tends to produce smaller, but steadier, excess returns on a greater number of stocks.
- ▶ Have a long term investment horizon.
- ▶ For the hedged version, seek to reduce the impact on A\$ returns on those investments that result from currency exposure.

Fund Details

BlackRock Scientific International Alpha Tilts Fund	
APIR	BGL0047AU
Fund Size	132 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	467
Number of Stocks in Benchmark	1498
Tracking Error (3 Years p.a.)	1.59%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	272 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	738 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	378 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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