

# BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

# BLACKROCK®

FUND UPDATE

31 May 2021

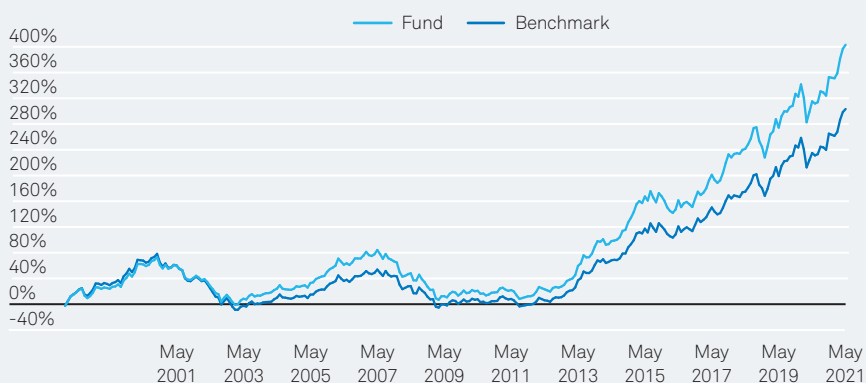
## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund <sup>1</sup> (Gross of Fees)	1.26	9.68	11.33	21.15	13.74	13.95	8.63
MSCI World ex Australia Index (unhedged in AUD)	1.19	9.73	11.03	20.41	13.63	12.79	8.06
Outperformance (Gross of Fees)	0.07	-0.05	0.30	0.75	0.11	1.16	0.57
BlackRock Advantage International Equity Fund <sup>2</sup> (Net of Fees)	1.22	9.56	11.11	20.58	13.07	13.15	6.26
MSCI World ex Australia Index (unhedged in AUD)	1.19	9.73	11.03	20.41	13.63	12.79	6.14
Outperformance (Net of Fees)	0.03	-0.17	0.09	0.17	-0.56	0.36	0.13
BlackRock Scientific Hedged International Alpha Tilts Fund <sup>3</sup> (Gross of Fees)	1.05	9.42	11.74	36.16	12.58	14.65	10.01
MSCI World ex Australia Index (hedged in AUD)	0.99	9.51	11.49	35.61	12.68	13.63	9.70
Outperformance (Gross of Fees)	0.06	-0.09	0.25	0.56	-0.10	1.02	0.31
BlackRock Advantage Hedged International Equity Fund <sup>4</sup> (Net of Fees)	1.01	9.29	11.51	35.50	11.87	13.80	10.55
MSCI World ex Australia Index (hedged in AUD)	0.99	9.51	11.49	35.61	12.68	13.63	10.99
Outperformance (Net of Fees)	0.02	-0.23	0.02	-0.11	-0.81	0.16	-0.44

<sup>1</sup> Fund inception: 15/04/2004. <sup>2</sup> Fund inception: 31/12/1997. <sup>3</sup> Fund inception: 15/04/2004. <sup>4</sup> 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 May 2021



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

## Performance Summary

### Market Review

The MSCI World Ex Australia Index gained +1.2% in unhedged AUD terms and +1.0% in fully hedged to AUD terms in May 2021.

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 bond purchasing programs.

In the US, the S&P 500 Index gained 0.7% in May. News headlines were dominated by the higher than expected inflation data for April, and market reactions on the back of it. Inflation rose to 4.2% year on year, which is reasonably high from a historical perspective and caused concern amongst some investors. However, the Federal Reserve was largely unmoved and comments by members suggested that they see higher inflation as transitory – calming market nerves somewhat. Under the new policy framework, the US central bank is expected to have a higher tolerance to moderate inflation overshoots of the 2% target for a short period of time.

On the economic front, the US quarterly earnings season was much stronger than expected. The composite purchasing managers' index (PMI) for May climbed to an all-time high as both manufacturing and service sectors expanded at record rates. Contributing to the uptick in the headline PMI figure was a significant expansion of production during May. The increase was widely attributed to stronger client demand and a further marked rise in new order inflows. On the other hand, the month of May witnessed some disappointing non-farm payroll data and the ISM manufacturing index also fell short of the elevated expectations. Nonetheless, the data is still consistent with a strong recovery in US manufacturing as well as the broader US economy.

The Euro Stoxx 600 Index gained 2.3% in May, leading the developed equity markets complex, whilst the UK FTSE Index gained north of 1%. Within the European block, prospects for a strong rebound in economic growth this year have risen as the rate of vaccination has accelerated after a sluggish start, and mobility restrictions are gradually being lifted. While manufacturing has been recovering for several months already, there are now also signs that the services sector is improving significantly (supported by the services PMI). Despite the improving economic outlook, the European Central Bank (ECB) policymakers signaled that that easy financing conditions would be maintained, allaying fears around the potential removal of policy support.

Within the UK, vaccination rates continued to remain strong and have accelerated in advance of the full economic opening slated for end June. May's UK composite PMI showed month on month expansion. Strong retail and consumer demand data came out of the region. Increasing demand has amplified supply constraints as supplier delivery times grew over the month on the back of persistent bottleneck issues. The service sector also reported a pick-up in activity, aided by partial reopening of the hospitality sector.

Asian equities performed strongly in May and tended to outperform their global counterparts. Chinese equities were amongst the best performers gaining about 4% over the month, after lagging earlier in the year. Nonetheless, there was high dispersion in market performance across the region. The differentiation in performance was partly driven by differences in terms of vaccine rollout and mobility restrictions implemented by governments in the area. Inflation was also a key concern in some Asian countries, amidst rising raw material prices and production bottle necks to meet the growing global demand for goods and services.

## Strategy Commentary

The international stock selection strategy made some gains during the month; however, it underperformed its strongly performing benchmark. Cross Border Thematics was the main source of underperformance amongst insights while Value contributed. Geographically, positive performance in Canada and Japan (Momentum and Sentiment) was not enough to offset the poor performance of Momentum in the US. Looking at sectors, Consumer Discretionary was amongst the top performing sectors driven by overweights textile, apparel and luxury goods in Switzerland and France. Industrials also added thanks to overweights marine and air freight and logistics in Europe. Conversely, metals and mining underweights in the US weighed on Materials, the sector which detracted the most this month. Oil, gas and consumable fuels (underweight) in the US were a drag on Energy while Financials were hurt but underweights capital market names and banks in the US.

Positive contributors to performance included overweight positions in Compagnie Financière Richemont and Gartner.

**Compagnie Financière Richemont** – The Swiss luxury goods holding group Compagnie Financière Richemont saw its share price boosted after it released strong results ahead of market expectations thanks to increased online sales and growing demand in China. The overweight position was a result of favourable views across most signal insights, especially Momentum, Value and Sentiment.

**Gartner** – The global research and advisory company Gartner released its first quarter results showing a raise in full year revenue and increased its earnings guidance. The overweight position was driven by positive views across most insights, especially Momentum, Value and Sentiment.

Detractors from performance included overweight positions in Accenture and Fidelity National Info Services.

**Accenture** – The global consulting and processing services firm Accenture had a volatile month after it announced further acquisitions and joint ventures as part of its strategic plan to expand and enhance its cloud services capabilities. The overweight position was a result of generally positive views, especially Value and Momentum insights.

**Fidelity National Info Services** – The American financial products and services company Fidelity National Info Services saw its share price move down despite posting results ahead of consensus and upgrading its earnings guidance later in the month. The overweight position was driven by positive Momentum, Sentiment and Cross Border Thematics insights.

### Top Active Holdings

Overweight	Underweight
TRAVELERS COMPANIES INC	NESTLE SA
DAIMLER AG	MICROSOFT CORP
INTEL CORPORATION CORP	BANK OF AMERICA CORP
FIDELITY NATIONAL INFORMATION SERV	ASML HOLDING NV
UNITEDHEALTH GROUP INC	ROCHE HOLDING PAR AG

### Top Holdings

Holding	Weight %
APPLE INC	3.77
MICROSOFT CORP	2.60
AMAZON COM INC	2.45
UNITEDHEALTH GROUP INC	1.50
FACEBOOK CLASS A INC	1.40
ALPHABET INC CLASS C	1.27
ALPHABET INC CLASS A	1.26
INTEL CORPORATION CORP	1.22
JOHNSON & JOHNSON	1.16
ACCENTURE PLC CLASS A	1.10

### Country Exposure

Country	Weight %
Austria	0.03
Belgium	0.25
Canada	4.81
Denmark	0.91
Finland	0.03
France	2.45
Germany	2.90
Greece	0.00
Hong Kong	1.35
Ireland	0.20
Israel	1.17
Italy	0.20
Japan	6.80
Netherlands	1.50
New Zealand	0.01
Norway	0.00
Portugal	0.00
Singapore	0.12
Spain	0.00
Sweden	2.48
Switzerland	1.60
United Kingdom	4.00
US	69.18

## 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	126 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	621
Number of Stocks in Benchmark	1502
Tracking Error (3 Years p.a.)	1.58%

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	701 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	369 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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