

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 August 2022

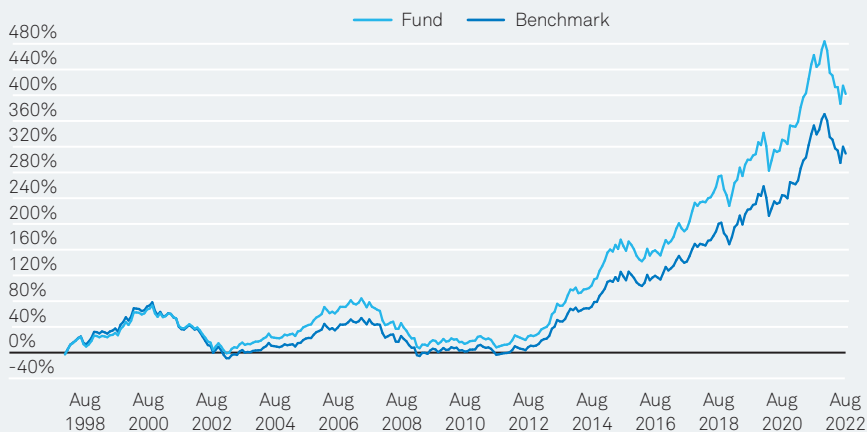
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	-2.48	-2.05	-13.98	-10.73	7.91	11.37	8.01
MSCI World ex Australia Index (unhedged in AUD)	-2.54	-1.11	-13.03	-9.62	8.21	11.12	7.57
Outperformance (Gross of Fees)	0.06	-0.94	-0.95	-1.11	-0.30	0.25	0.43
BlackRock Advantage International Equity Fund ² (Net of Fees)	-2.52	-2.17	-14.28	-11.18	7.39	10.70	5.90
MSCI World ex Australia Index (unhedged in AUD)	-2.54	-1.11	-13.03	-9.62	8.21	11.12	5.88
Outperformance (Net of Fees)	0.02	-1.06	-1.25	-1.56	-0.83	-0.42	0.02
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	-3.52	-5.30	-17.00	-13.92	7.68	7.95	8.78
MSCI World ex Australia Index (hedged in AUD)	-3.57	-4.33	-16.06	-12.84	8.13	7.83	8.60
Outperformance (Gross of Fees)	0.05	-0.97	-0.94	-1.08	-0.45	0.12	0.18
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	-3.57	-5.42	-17.29	-14.37	7.13	7.25	9.31
MSCI World ex Australia Index (hedged in AUD)	-3.57	-4.33	-16.06	-12.84	8.13	7.83	9.85
Outperformance (Net of Fees)	0.01	-1.09	-1.23	-1.53	-1.01	-0.57	-0.54

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 2022



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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Commentary

The MSCI World Ex Australia Index dropped 2.54% in unhedged AUD terms and 3.57% in fully hedged to AUD terms in August 2022.

Financial market volatility was elevated in August amid hawkish central bank rhetoric. Global equities, as represented by the MSCI World Index, finished the month down 2.5% in Australian dollar terms, with Developed markets underperforming Emerging market counterparts. Fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index, were also challenged as bond yields rose, closing the month down at 2.7% for the Australian dollar hedged investor.

In the US, the S&P 500 Index fell by 4.1% in August (in local currency terms), with most major sectors declining over the month. While recent inflation prints appear to have peaked, the US Federal Reserve (Fed) re-confirmed its commitment to curb inflation, as evident from the Fed Governor's hawkish message in Jackson Hole. Meanwhile, labour market conditions tightened further, with non-farm payrolls increasing more than market expectations in August. Economic indicators like retail sales and industrial production also remained resilient despite the economy recording two consecutive quarters of negative growth earlier this year.

European equity markets, as represented through the Euro Stoxx 50 Index decreased by 5.1% in August (in local currency terms) as the energy crisis deepened across the region. Within the European block, annual flash headline inflation hit an all-time high of 9.1% in August. Broadening price pressures have added to concerns that high inflation may become entrenched and push the European Central Bank (ECB) to hike rates further following their initial lift-off in July.

Meanwhile, the UK equity market declined by 1.1% (in local currency terms), as recessionary fears weighed on risk sentiment. While the unemployment rate remained low at 3.8% in the three months through June, job vacancies fell and consumer confidence remained weak as consumers experienced headwinds from negative real wage growth.

Asian equities were a mixed bag over the month, with Chinese equities slowing and Japanese equities rebounding. China's CSI 300 Index fell by 2.0% in August, as sentiment was dragged down by concerns around the domestic real estate market and lockdown measures implemented as part of China's zero-COVID strategy. China's consumer and industrial data missed expectations in July, raising renewed concerns around global supply chain pressures and a slowing Chinese economy.

Japanese equities, as represented by the TOPIX Index, rose by 1.2% in August (in local currency terms), as the weaker Japanese Yen helped support manufacturers and exporters. The Bank of Japan (BOJ) continued to maintain its stance of defending its yield target despite core consumer prices rising 2.4% y/y in July, ahead of the BOJ's 2% target.

Strategy Commentary

The strategy outperformed the benchmark with negative performance from the traditional Earnings Quality signals, helped by a strong result from Sentiment-based strategies as well as faster moving tactical signals.

The portfolio's largest gain came from Sentiment signals. In particular, signals using Machine Learning to predict the effect of corporate events continued to add value this month. Information on stocks seeing the highest levels of prime broker ability also gave the portfolio gains through following the movements of informed investors.

Macro signals fell flat—despite success from faster-moving tactical signals, the portfolio's relatively defensive stance coming into the month clashed with the exuberant tone in the opening weeks of the month. Quality insights, particularly those with an emphasis on profitability proved most at odds with the increasingly frothy market backdrop.

From a sector perspective, a Sentiment-driven overweight to IT saw the majority of losses, along with Consumer Staples and Energy. Underweights in Real Estate and Financials were positive contributors over the month.

Top Active Holdings

Overweight	Underweight
JPMORGAN CHASE & CO	AMAZON COM INC
MICROSOFT CORP	COSTCO WHOLESALE CORP
APPLE INC	WALT DISNEY
AGILENT TECHNOLOGIES INC	BROADCOM INC
BRISTOL MYERS SQUIBB	WALMART INC

Top Holdings

Holding	Weight %
APPLE INC	6.03
MICROSOFT CORP	4.67
AMAZON COM INC	1.79
ALPHABET INC CLASS A	1.74
ALPHABET INC CLASS C	1.68
JOHNSON & JOHNSON	1.66
JPMORGAN CHASE & CO	1.59
TESLA INC	1.48
VISA INC CLASS A	1.33
BANK OF AMERICA CORP	1.32

Country Exposure

Country	Weight %
Austria	0.20
Belgium	0.14
Canada	4.56
Denmark	1.27
Finland	0.29
France	2.55
Germany	3.78
Greece	0.00
Hong Kong	0.84
Ireland	0.09
Israel	0.51
Italy	0.41
Japan	5.15
Netherlands	1.31
New Zealand	0.00
Norway	0.65
Portugal	0.00
Singapore	0.09
Spain	0.24
Sweden	0.51
Switzerland	1.85
United Kingdom	2.52
US	73.06

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	95 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	450
Number of Stocks in Benchmark	1461
Tracking Error (3 Years p.a.)	1.44%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	195 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	542 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	271 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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