

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 October 2022

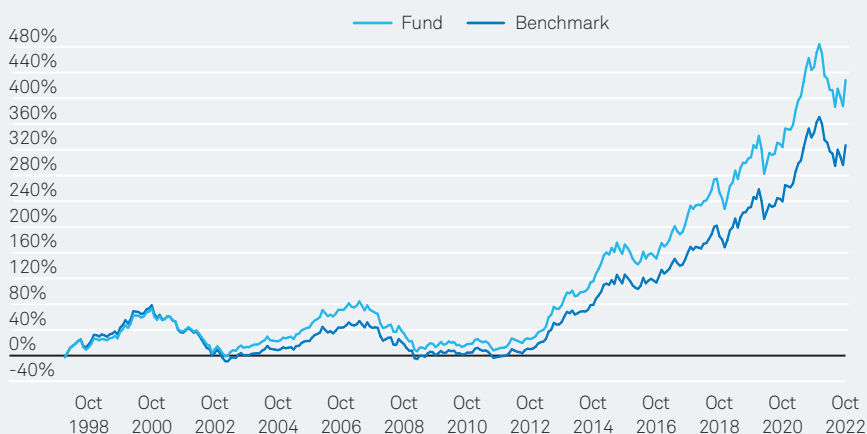
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund ¹ (Net of Fees)	8.24	2.48	-9.88	-4.17	8.42	9.88	6.07
MSCI World ex Australia Index (unhedged in AUD)	7.81	1.68	-9.27	-4.33	8.88	10.38	6.02
Outperformance (Net of Fees)	0.43	0.80	-0.61	0.16	-0.46	-0.51	0.05
BlackRock Advantage Hedged International Equity Fund ² (Net of Fees)	7.73	-4.98	-18.51	-15.91	5.24	5.61	9.15
MSCI World ex Australia Index (hedged in AUD)	7.22	-5.83	-18.03	-16.11	5.82	6.23	9.63
Outperformance (Net of Fees)	0.51	0.85	-0.48	0.19	-0.58	-0.62	-0.49

¹ Fund inception: 31/12/1997. ² 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 October 2022



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 7.81% in unhedged AUD terms and 7.22% in fully hedged to AUD terms in October 2022.

October saw a reprieve for risk assets, with the European energy crisis showing signs of easing and investors speculating there could soon be a potential dovish pivot by central banks. Global equities rallied over the month and the MSCI World Index rose by +7.8% in Australian dollar terms, with Developed Markets outperforming their Emerging Market counterparts. Fixed Income markets saw varied performance, with global bonds closing the month down -0.4% while Australian bonds posted positive returns of +0.9%. Riskier parts of the fixed income market also recorded positive performance given the improvement in risk appetite and tightening of credit spreads.

In the US, the S&P 500 Index increased by +8.1% in October (in local currency terms). US

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

equities were boosted by a resilient corporate earnings season for Q3, with more than two-thirds of companies that have reported results delivering a positive earnings surprise. That said, the magnitude of positive earnings surprise is notably below the 5-year and 10-year average figure – signalling slowing demand across the economy. Energy and Industrials sectors outperformed over the period, while several large-cap tech names, including Meta and Amazon, disappointed. US GDP growth was stronger than expected and bounced back in Q3 to 2.6% annualized, driven largely by higher energy exports. Core PCE, the US Federal Reserve's (Fed) preferred inflation measure, also accelerated slightly to 5.1% on annual basis over the month. Core inflation remains stubbornly high given strong wages growth and is not far from the 40-year high reached earlier this year.

European equity markets, as represented through the Euro Stoxx 50 Index, increased by +9.1% in October (in local currency terms). The European Central Bank (ECB) announced another 75bps rate hike in October, however ECB President, Christine Lagarde, took a dovish tone by signaling a slower pace of rate hikes ahead. European energy concerns also diminished over the period, with natural gas prices falling given Europe's success in building up supply ahead of winter. Country inflation data across Germany, France and Italy, which was released late in the month, beat analyst estimates and remains at elevated levels.

The UK equity market gained +3.0% in October (in local currency terms). British financial markets stabilized after a significant turnaround in UK fiscal policy and change in political leadership. Former Chancellor, Rishi Sunak, was appointed the new Prime Minister by the Conservative Party following the resignation of Liz Truss, who was forced to reverse her unfunded tax cuts. The new government was viewed by investors as a steadier hand on economic policy and will publish their budget plan in coming weeks to address the UK fiscal shortfall. The unemployment rate also fell to a 40-year low at 3.5% in the three months through August, although job vacancies weakened.

Asian equities were mixed over the month. China's CSI 300 Index fell by -7.7% in October (in local currency terms), selling off sharply after the 20th Communist Party Congress where Chinese President Xi Jinping secured an unprecedented third term. Investor disappointment over the lack of check-and-balances in the new Politburo Standing Committee, which represents the top leadership of the Chinese Communist Party, and implications of a more hard-line approach to national security and lockdown measures contributed to the decline. Smaller COVID outbreaks have persisted in many Chinese provinces with no sign of a meaningful change in the country's zero-COVID strategy. While Q3 GDP growth of 3.9% YoY beat expectations, it remains below the official target.

Japanese equities, as represented by the TOPIX Index, rose by +6.4% in October (in local currency terms). Japan's headline inflation jumped to an 8-year high of 3.1% YoY for September, but the core underlying measure saw a more muted increase. Consequently, the Bank of Japan (BoJ) kept its policy rate unchanged at -0.1% and yield curve control program in place, despite a sustained depreciation in the Japanese yen. The Japanese Ministry of Finance (MoF) continued to intervene in currency markets over the month to defend the yen, which had fallen to a 32-year low against the US dollar.

Top Active Holdings

Overweight	Underweight
BRISTOL MYERS SQUIBB	NVIDIA CORP
PEPSICO INC	NESTLE SA
CHEVRON CORP	ROCHE HOLDING PAR AG
COCA-COLA	AMAZON COM INC
CANADIAN NATURAL RESOURCES LTD	WALMART INC

Top Holdings

Holding	Weight %
APPLE INC	6.07
MICROSOFT CORP	4.23
CHEVRON CORP	1.74
JOHNSON & JOHNSON	1.74
PEPSICO INC	1.58
JPMORGAN CHASE & CO	1.57
COCA-COLA	1.54
AMAZON COM INC	1.50
BRISTOL MYERS SQUIBB	1.44
VISA INC CLASS A	1.33

Country Exposure

Country	Weight %
Austria	0.21
Belgium	0.17
Canada	5.23
Denmark	1.26
Finland	0.23
France	2.49
Germany	3.88
Greece	0.00
Hong Kong	0.65
Ireland	0.08
Israel	0.35
Italy	0.35
Japan	5.71
Netherlands	1.27
New Zealand	0.00
Norway	0.91
Portugal	0.00
Singapore	0.12
Spain	0.27
Sweden	0.30
Switzerland	0.74
United Kingdom	2.65
US	73.13

Strategy Commentary

Signal performance was generally strong across the board, with Fundamental insights leading the charge.

Fundamental signals performed strongly across Value, ESG, and traditional Earnings Quality. Within Value, long term reversal signals performed well as markets switched strongly to optimism again around a dovish pivot for the Fed, with a shift in market preference toward Value rewarding Energy and Financials. Quality insights added in a market focused on sustainability of earnings, with measures preferring firms with lower levels of equity issuance (and higher levels of equity retirements) performing well. Additionally, firms exhibiting good ESG behaviours added, with those names less likely to be exposed to ESG controversies rewarded during the month. Names associated with creating credible carbon reduction commitments were also an important alpha contributor.

Macro themes performed strongly over the month, successfully navigating the gyrations in market movements, particularly profiting from overweights in Energy on the back of their renewed optimism.

Sentiment signals added too, with insights preferring firms with increased number of users on their own mobile apps, and other trend-based insights, adding some value as well. Though some trend following insights and shorter-term tactical views detracted.

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 Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	255 mil
Number of Stocks in Fund	485
Number of Stocks in Benchmark	1453
Tracking Error (3 Years p.a.)	1.48%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	75 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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