

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 December 2022

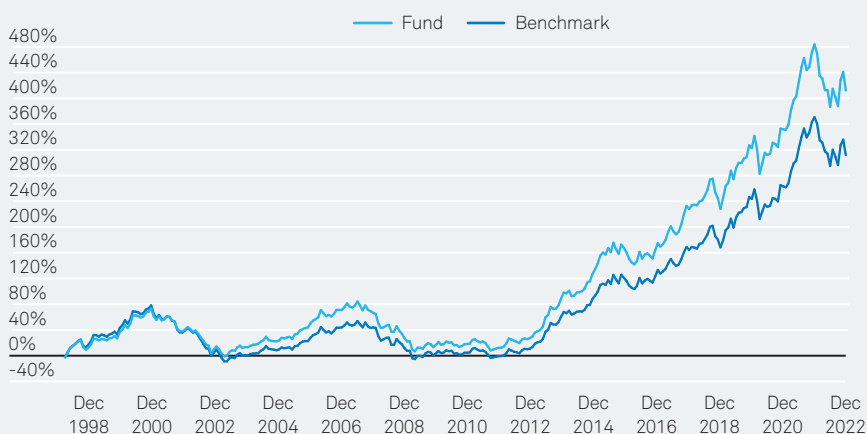
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund ¹ (Net of Fees)	-5.40	4.83	-12.72	-12.72	6.09	8.64	5.90
MSCI World ex Australia Index (unhedged in AUD)	-5.49	3.95	-12.52	-12.52	6.22	9.26	5.82
Outperformance (Net of Fees)	0.09	0.89	-0.20	-0.20	-0.13	-0.62	0.07
BlackRock Advantage Hedged International Equity Fund ² (Net of Fees)	-5.11	8.13	-18.20	-18.20	3.67	4.90	9.09
MSCI World ex Australia Index (hedged in AUD)	-5.19	7.17	-18.06	-18.06	3.92	5.64	9.55
Outperformance (Net of Fees)	0.08	0.95	-0.14	-0.14	-0.26	-0.73	-0.46

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 December 2022



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 3.95% in unhedged AUD terms and 7.17% in fully hedged to AUD terms in Q4 2022.

Major asset classes rose over the final quarter of 2022, although growing recession fears saw sentiment wane in December. Global equities, as measured by the MSCI World Index, increased by 3.9% over Q4 in Australian dollar terms, supported by the unwinding of China's zero-COVID policy and softer inflation data. Emerging Markets outperformed their Developed Market counterparts. For the full year, global equities remain in negative territory at -12.5%. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged) gained 0.6% over the quarter after suffering sharp losses earlier in the year.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index increased by 7.6% over the quarter but fell by 5.8% in December (in local currency terms). The initial rally in equities was underpinned by resilient corporate earnings and moderating inflation data, the latter of which bolstered investor hopes for a less aggressive monetary stance. The US Federal Reserve (Fed) slowed the pace of rate hikes by increasing the Fed funds rate by only 50bps in December (compared to 75bps in November). However, the Fed published a new set of interest rate projections which predicted the policy rate will rise to 5.1% by the end of 2023 – another significant revision upwards. A decline in goods prices saw two consecutive months of weaker CPI data, however services inflation remains stubbornly high. The US labour market remains tight, with average US hourly earnings rising by double the consensus forecast in November to reach a 5.1% annual rate.

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 14.6% in the fourth quarter but declined by 4.3% in December (in local currency terms). Early signs that the European energy crisis may be abating and a possible peak in inflation helped stocks rally during the quarter. While Eurozone consumer prices rose by 10.1% in November, this was lower than markets had expected, given a noticeable drop in energy prices, and down from a record high in October. However, equities lost momentum after the European Central Bank's (ECB) policy meeting in December, as investors balked at the hawkish rhetoric by ECB President, Christine Lagarde, who signalled that future rate increases would be higher than expected and painted a bleak economic picture. The ECB also announced that quantitative tightening will begin in March 2023 to shrink the bond holdings on their balance sheet.

The UK equity market gained by 8.7% over the quarter but lost 1.5% in December (in local currency terms). A significant turnaround in UK fiscal policy and change in political leadership early in the quarter saw British financial markets stabilise. The new government led by Prime Minister, Rishi Sunak, unveiled a budget statement which cut spending and raised taxes, charting a course to a more sustainable level of economic activity. Meanwhile, the Bank of England (BoE) raised interest rates by 50bps in December and signaled further monetary tightening ahead in 2023. Headline UK inflation remains close to historic highs and rose by 10.7% per annum over November.

Asian equities recorded positive returns in Q4. China's CSI 300 Index rose by 2.0% over the quarter and by 0.6% in December (in local currency terms), as the government unwound the country's zero-COVID policy after widespread anti-lockdown protests across multiple Chinese cities. Stocks held onto gains as investors looked beyond the near-term disruptions from the virus spread to a broader economic reopening in 2023. Chinese authorities also rolled out several stimulus measures and pledged support for the real estate industry and the broader economy. Earlier in the quarter, Chinese President, Xi Jinping, secured an unprecedented third term at the 20th Communist Party Congress.

Japanese equities, as represented by the Nikkei 225 Index, gained 0.8% over the quarter but fell sharply by 6.5% in December (in local currency terms). The Bank of Japan's (BoJ) unexpected decision to tighten policy by allowing the 10-year government bond to trade across a wider band, caught markets off-guard late in the year. This policy change comes amid core inflation that is currently sitting near 40-year highs and has remained above the BoJ's target of 2% for much of 2022 – driven by a relatively weak Japanese Yen and higher energy prices.

Top Active Holdings

Overweight	Underweight
CHEVRON CORP	JPMORGAN CHASE & CO
PEPSICO INC	NESTLE SA
MERCEDES-BENZ GROUP N AG	NVIDIA CORP
MEDTRONIC PLC	MERCK & CO INC
COCA-COLA	EXXON MOBIL CORP

Top Holdings

Holding	Weight %
APPLE INC	4.89
MICROSOFT CORP	4.11
JOHNSON & JOHNSON	1.76
CHEVRON CORP	1.75
PEPSICO INC	1.57
COCA-COLA	1.52
VISA INC CLASS A	1.37
AMAZON COM INC	1.30
MEDTRONIC PLC	1.22
MERCEDES-BENZ GROUP N AG	1.13

Country Exposure

Country	Weight %
Austria	0.26
Belgium	0.24
Canada	4.65
Denmark	1.13
Finland	0.22
France	2.71
Germany	4.29
Greece	0.00
Hong Kong	1.09
Ireland	0.08
Israel	0.24
Italy	0.39
Japan	6.69
Netherlands	1.47
New Zealand	0.00
Norway	0.88
Portugal	0.00
Singapore	0.21
Spain	0.81
Sweden	0.26
Switzerland	0.47
United Kingdom	3.31
US	70.59

Strategy Commentary

The strategy outperformed over the December quarter. Signal performance was strong across the Fundamental signal suite, with Macro Thematic insights very strong as well. Sentiment signals were muted.

Value signals were well aligned for an environment of rising rates and the resultant down-ward pressure on stock multiples. Within the Value complex, signals observing balance sheet ratios and comparative bond valuations were among the strongest contributors, with insights betting on long-term reversals also strong for the final quarter of the year. Quality signals were strong across ESG and Traditional Earnings quality, especially contrarian quality strategies, with strategies disfavoring firms with high levels of equity dilution performing very well. Signals preferring companies setting credible, science-based carbon emission reduction targets also performed well. Macro Thematic strategies added value through the Tactical signals, with a strategy using machine learning to inform signal combinations working well.

On the negative end, a sentiment strategy using analyst revisions of relevant key performance indicators to predict price movements detracted over the month, with our Natural Language Processing enabled conference call reading strategies facing some losses. In a late quarter reversal, previously successful strategies betting alongside informed investors through prime broker data finished the quarter negative as well.

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	254 mil
Number of Stocks in Fund	499
Number of Stocks in Benchmark	1450
Tracking Error (3 Years p.a.)	1.49%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	85 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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