

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 July 2023

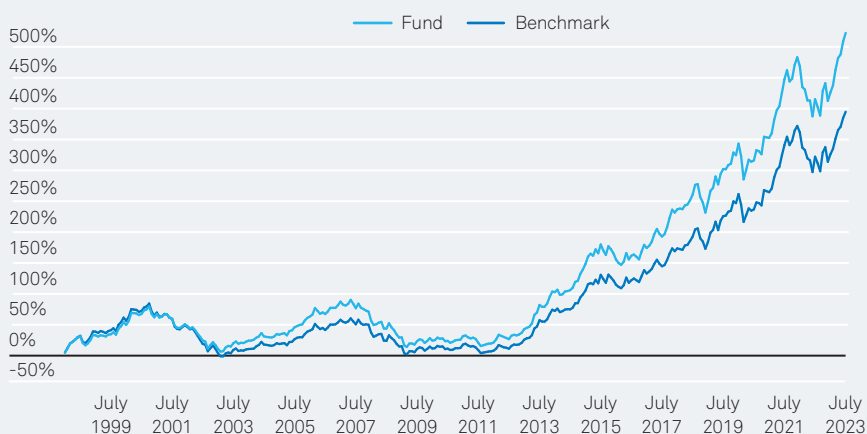
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund ¹ (Net of Fees)	2.24	7.01	21.54	20.63	14.11	11.16	6.57
MSCI World ex Australia Index (unhedged in AUD)	2.09	6.52	19.99	17.62	14.03	11.37	6.44
Outperformance (Net of Fees)	0.15	0.50	1.56	3.01	0.08	-0.21	0.12
BlackRock Advantage Hedged International Equity Fund ² (Net of Fees)	3.01	8.82	19.39	13.86	11.29	7.87	9.77
MSCI World ex Australia Index (hedged in AUD)	2.84	8.35	17.95	11.03	11.29	8.21	10.15
Outperformance (Net of Fees)	0.16	0.46	1.44	2.83	0.00	-0.34	-0.38

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 July 2023



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 2.1% in unhedged AUD terms and 2.8% in fully hedged to AUD terms in July 2023.

Positive investor sentiment and easing inflation saw most major asset classes continue to push higher in July. Global equities, as measured by the MSCI World Index, increased 2.1% over the month in Australian dollar terms with the rally broadening out across sectors as markets embraced the soft economic landing narrative. Emerging Markets outperformed their Developed Market counterparts, partly boosted by Chinese equities which were supported by hopes of further government stimulus. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), were broadly flat across the period alongside additional policy tightening by global central banks.

In the US, the S&P 500 Index increased by 3.2% over the month (in local currency terms),

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

with Energy and Communication Services sectors among the best performers. While gains over the first half of 2023 were led by a handful of mega cap tech stocks, July saw a broad-based rally with every sector rising. Markets were also buoyed by a relative easing in price pressures, as core inflation recorded a 4.8% year-on-year increase in June – the weakest inflation result since October 2021 – while the unemployment rate remained low. On the monetary front, the US Federal Reserve (Fed), increased its policy rate by 25 basis points over the month and signalled a more data-dependent approach to future interest rate hikes. The Fed appears unconvinced that inflation is on track to durably come back to its target level amid a historically tight labour market.

European equities, as represented through the Euro Stoxx 50 Index, increased by 1.7% in July (in local currency terms). European earnings results have beaten expectations for Q2 but remain lower compared to last year. The European Central Bank (ECB) increased rates by 25 basis points over the month to bring the deposit rate to 3.75% and markets are expecting rates to remain well above pre-pandemic levels over the medium-term. There are also signs the ECB's hiking campaign is causing some economic damage, as reflected by the Eurozone PMI reading which dropped further in July to indicate an economic contraction and painted a particularly bleak picture across France and Germany.

In the UK, the FTSE 100 Index gained 2.3% in July (in local currency terms). Market pricing for how far the Bank of England (BoE) may increase rates fell after core inflation of 6.9% for June was below economist forecasts. Despite 13 consecutive rate hikes since December 2021, the BoE appears likely to further tighten policy settings in its upcoming meeting but is considering whether to slow the pace of rate rises. Earlier in the month, UK wage data showed stronger-than-expected growth in June and the unemployment rate ticked higher to 4.0%.

Asian equity markets were mixed over the period. China's CSI 300 Index rebounded by 5.4% in July (in local currency terms), amid investor speculation of large-scale government stimulus. China's Politburo met during the month and set a supportive policy tone for the second half of 2023 by pledging to ease property sector restrictions and address local government debt, while the State Council also announced additional measures late in July. Senior leaders acknowledged the challenges facing China's economy and vowed to step up government support to reverse waning domestic demand. This comes as Chinese exports shrank in June and the Caixin manufacturing PMI slipped below 50 in July, signalling an economic contraction.

Japanese equities, as represented by the Nikkei 225 Index, were flat in July (in local currency terms), having materially outperformed their developed market peers over the first half of 2023. Persistent domestic inflation had added pressure on the Bank of Japan (BoJ) to adjust its ultra-loose monetary policy in July, with the central bank expanding the range by which the 10-year government bond yield can trade within. The decision to relax controls on Japanese yields caught investors off-guard, leading the Japanese yen to rally and stocks to underperform over the month. Meanwhile, core inflation in Japan rose by 3.3% year-on-year for June in line with expectations.

Top Active Holdings

Overweight	Underweight
NOVARTIS AG	JPMORGAN CHASE & CO
APPLIED MATERIAL INC	BROADCOM INC
MERCEDES-BENZ GROUP N AG	PROCTER & GAMBLE
AMAZON COM INC	APPLE INC
AMETEK INC	MERCK & CO INC

Top Holdings

Holding	Weight %
MICROSOFT CORP	5.18
APPLE INC	4.79
AMAZON COM INC	3.25
NVIDIA CORP	3.05
ALPHABET INC CLASS A	1.71
NESTLE SA	1.68
NOVARTIS AG	1.52
CHEVRON CORP	1.38
APPLIED MATERIAL INC	1.36
ALPHABET INC CLASS C	1.34

Country Exposure

Country	Weight %
Austria	0.05
Belgium	0.79
Canada	1.19
Denmark	1.02
Finland	0.00
France	3.37
Germany	3.81
Greece	0.00
Hong Kong	1.07
Ireland	0.03
Israel	0.21
Italy	1.13
Japan	8.16
Netherlands	0.69
New Zealand	0.00
Norway	0.05
Portugal	0.00
Singapore	0.41
Spain	1.42
Sweden	0.01
Switzerland	3.98
United Kingdom	1.74
US	70.90

Strategy Commentary

The portfolio outperformed in July, driven by Themes while Fundamentals and Sentiment finished flat.

Across Macro Themes, underweights across defensive parts of the market such as Healthcare, Telecom, Utilities, and overweights across cyclical parts such as Energy were the top driver of portfolio returns along the industry dimension. Underweights in the Financials industries particularly Diversified Financials and Banks hurt portfolios as the quarterly earnings season showed resilience across this segment of the market post SVB crisis. Exposure to AI theme which was one of the key drivers of portfolio performance over Q2 continued to be net positive over July.

Fundamentals finished the month flat but positive. Value signals were the top performer as market optimism around a goldilocks scenario increased over the month. While the aggregate Quality bucket outperformed for the month, there was dispersion across this set of signals. Those that are tilted towards low risks struggled as optimistic investors favoured high-risk names. On the other hand, quality signals focused on profitability continued their positive streak.

ESG signals struggled especially those that have a negative tilt towards traditional oil companies as oil prices made a recovery through the month following falling concerns around demand and increased probability of a soft-landing.

The Sentiment complex also finished flat but negative. Experiencing a reversal from last month, measures tracking mobile app usage and conference calls were among the bottom performers.

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	257 mil
Number of Stocks in Fund	370
Number of Stocks in Benchmark	1457
Tracking Error (3 Years p.a.)	1.45%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	87 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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