

# BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

**BLACKROCK®**

FUND UPDATE

31 August 2023

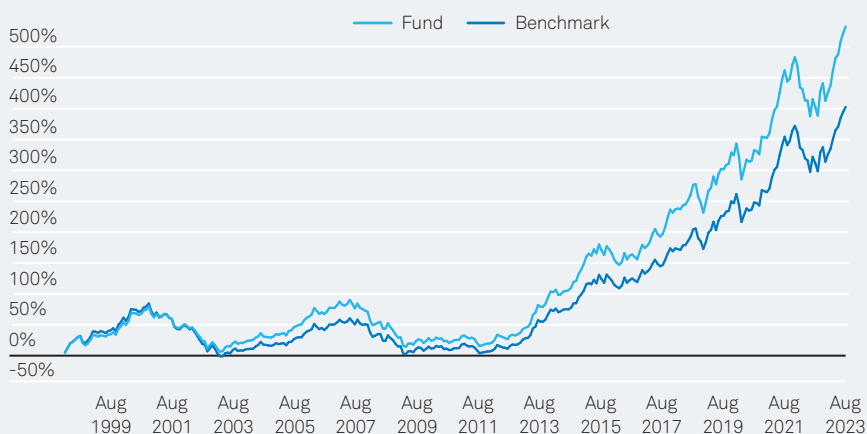
## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund <sup>1</sup> (Net of Fees)	1.65	7.73	23.55	25.80	13.22	10.55	6.61
MSCI World ex Australia Index (unhedged in AUD)	1.60	6.96	21.91	22.62	13.34	10.82	6.49
Outperformance (Net of Fees)	0.05	0.77	1.64	3.17	-0.12	-0.27	0.13
BlackRock Advantage Hedged International Equity Fund <sup>2</sup> (Net of Fees)	-1.31	7.86	17.83	16.53	8.43	7.21	9.65
MSCI World ex Australia Index (hedged in AUD)	-1.85	6.58	15.77	13.01	8.42	7.50	10.01
Outperformance (Net of Fees)	0.54	1.28	2.06	3.51	0.02	-0.29	-0.35

<sup>1</sup> Fund inception: 31/12/1997. <sup>2</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 August 2023



## Performance Summary

### Market Commentary

The MSCI World Ex Australia Index gained 1.6% in unhedged AUD terms but declined 1.9% in fully hedged to AUD terms in August 2023.

Markets declined in August, as expectations that interest rates may remain higher-for-longer and China growth concerns weighed on investor sentiment. Global equities, as measured by the MSCI World Ex Australia Index (hedged), broadly declined 1.9% in Australian dollar terms over the month, but pared back some losses towards the end of August. The unhedged index finished the month up 1.6% as positive currency moves offset the decline in international share prices. Developed Market equities outperformed their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), continued to experience volatility and closed the month down 0.3%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index fell by 1.6% over the month (in local currency terms), with Utilities and Consumer Staples sectors among the worst performers. At the Jackson Hole economic symposium, US Federal Reserve (Fed) Chairman, Jay Powell, reiterated the need to hold monetary policy tight and noted he sees a “long way to go” on getting inflation down to target. Earlier in August, Fitch Ratings’ downgrade of the US credit rating to AA+ led to renewed focus on the country’s fiscal challenges. Meanwhile, reporting season for Q2 saw corporate earnings fall year-on-year for the third consecutive quarter, although the size of the decline was better than analyst expectations. On the data front, core inflation increased 4.7% year-on-year in July, while unemployment ticked down to 3.5% alongside robust job growth.

European equities, as represented through the Euro Stoxx 50 Index, decreased by 3.8% in August (in local currency terms), with several sectors that are most sensitive to the economic backdrop, notably Consumer Discretionary, recording steep declines. Following hawkish comments from several European Central Bank (ECB) Executive Board members, ECB President, Christine Lagarde, further reinforced that interest rates will stay high “as long as necessary” at the Jackson Hole economic symposium. Meeting minutes from the July ECB decision also showed a willingness by policymakers to further hike rates at the September meeting. However, investors are increasingly wary of the economic impact of multiple rate rises, with the Euro Area PMI falling below expectations to 47.0 – the lowest reading since late 2020 – while core inflation only edged down to 5.3% year-on-year.

In the UK, the FTSE 100 Index declined 2.5% in August (in local currency terms). Early in the month, the Bank of England (BoE) hiked rates 25 basis points to bring the base rate to 5.25%. The central bank continues to grapple with the starkest trade-off between inflation and growth in a generation, having sharply hiked rates by over 500 basis points in cumulative tightening thus far. Despite consensus forecasts of a modest decline, UK core inflation remained unchanged at 6.9% for July with British wages growing strongly.

Asian equity markets sold-off over the period. China’s CSI 300 Index underperformed and fell by 6.0% in August (in local currency terms), amid concerns around the property sector and sluggish underlying activity. Several large Chinese property developers faced turbulence over the month, with Evergrande filing for US bankruptcy protection while Country Garden warned it could soon default on its debts. In a fresh sign that authorities are ramping up monetary easing efforts to boost a sputtering economic recovery, China’s central bank unexpectedly cut key policy rates for the second time in three months. Chinese exports and imports shrank further in July, while youth unemployment also remains an issue.

Japanese equities, as represented by the Nikkei 225 Index, declined by 1.6% in August (in local currency terms), but remain a strong performer on a year-to-date basis, with markets up 26.5%. Japan’s GDP handily beat expectations to grow by 6.0% annualised over Q2, with net exports providing the largest quarterly contribution to GDP in three years. On the inflation front, the country’s core-core inflation index (which excludes prices of fresh food and energy) accelerated from the previous month and rose 4.3% year-on-year. Meanwhile, the Japanese yen has declined sharply since the Bank of Japan’s (BoJ) policy adjustment in July and sits near levels which spurred official intervention in currency markets late last year.

### Top Active Holdings

Overweight	Underweight
AMAZON COM INC	JPMORGAN CHASE & CO
NOVARTIS AG	BROADCOM INC
WALMART INC	MERCK & CO INC
NESTLE SA	ASML HOLDING NV
CHEVRON CORP	TESLA INC

### Top Holdings

Holding	Weight %
MICROSOFT CORP	5.19
APPLE INC	4.96
AMAZON COM INC	3.42
NVIDIA CORP	3.18
NESTLE SA	1.68
CHEVRON CORP	1.62
WALMART INC	1.54
NOVARTIS AG	1.49
ALPHABET INC CLASS C	1.41
ALPHABET INC CLASS A	1.39

### Country Exposure

Country	Weight %
Austria	0.01
Belgium	0.43
Canada	0.77
Denmark	0.87
Finland	0.00
France	2.72
Germany	2.92
Greece	0.00
Hong Kong	0.99
Ireland	0.02
Israel	0.23
Italy	1.31
Japan	8.79
Netherlands	0.18
New Zealand	0.00
Norway	0.00
Portugal	0.00
Singapore	0.09
Spain	1.34
Sweden	0.00
Switzerland	4.79
United Kingdom	1.50
US	73.04

## Strategy Commentary

Strategy performance was mixed over August, Sentiment gained slightly, while Themes and Fundamentals finished flat to negative.

Within Sentiment, individual signal performance was mixed but ended positive overall. Insights constructed from analysis of conference calls, on-line job postings and corporate access all posted flat to negative returns over the month. However, smart money, brand sentiment, and analyst-based insights offset those results.

Macro themes signals drove overweights in Nvidia and Amazon, which were amongst the top contributors to positive returns in August. Nvidia blew away consensus expectations on the top and bottom line and announced an additional share buyback, while Amazon posted its biggest earnings beat since its report for the fourth quarter of 2020 and issued optimistic guidance. Detractors included tactical signals, as well as a macro insight looking at Chinese industries.

In stock selection, Fundamental Value and Quality insights aligned most with escalating concerns around the impact of higher rates on valuations and growth. Within the Value complex these were signals that looked at book-to-price and forecasted earnings per share. Within Quality, insights focused on profitability continued their positive streak. However, these gains were eased by Quality signals that seek to predict dividends and those that look at company disclosures.

## 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	263 mil
Number of Stocks in Fund	369
Number of Stocks in Benchmark	1458
Tracking Error (3 Years p.a.)	1.40%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	86 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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