

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

30 June 2023

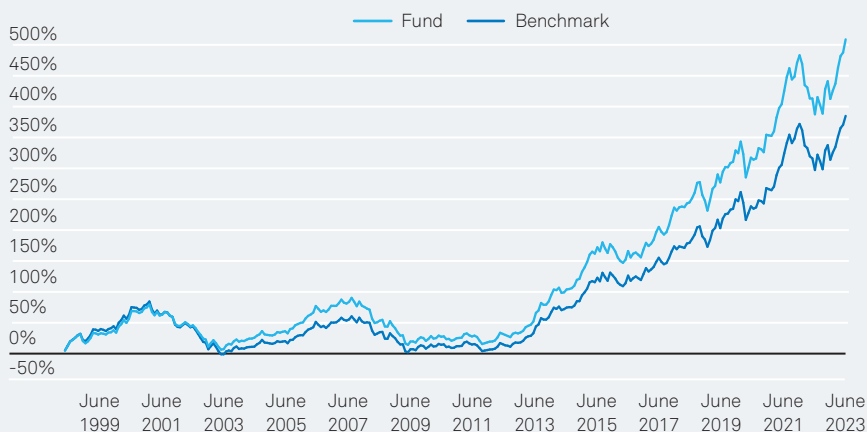
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund ¹ (Net of Fees)	3.65	8.26	18.88	24.77	13.43	11.22	6.50
MSCI World ex Australia Index (unhedged in AUD)	3.12	7.63	17.53	22.59	13.48	11.46	6.38
Outperformance (Net of Fees)	0.53	0.63	1.35	2.18	-0.04	-0.24	0.12
BlackRock Advantage Hedged International Equity Fund ² (Net of Fees)	6.10	7.61	15.91	18.57	11.33	7.91	9.65
MSCI World ex Australia Index (hedged in AUD)	5.59	7.05	14.69	16.55	11.45	8.29	10.04
Outperformance (Net of Fees)	0.52	0.55	1.21	2.01	-0.12	-0.38	-0.39

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 30 June 2023



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 7.63% in unhedged AUD terms and 7.05% in fully hedged to AUD terms in Q2 2023.

Risk assets performed strongly over the second quarter of 2023. While sentiment was buoyed by a resolution to US debt ceiling negotiations and focus on generative AI, investors saw meaningful regional and sector dispersion across markets. Global equities, as measured by the MSCI World Ex Australia Index, increased by 7.6% over Q2 in Australian dollar terms, with Developed Markets outperforming their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged) declined 0.3% over the quarter, as sticky inflation and renewed expectations of higher-for-longer rates proved headwinds for government bonds.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index increased by 8.7% over the quarter and by 6.6% in June (in local currency terms). The Information Technology sector was the best performer with the rally highly concentrated among a handful of mega-cap tech companies, although June saw initial signs of equity gains broadening out across sectors. The US Federal Reserve (Fed) increased the Fed funds rate by 25 basis points over Q2 before pausing in June, but hawkishly signaled the likelihood of additional hikes later this year. Meanwhile, core inflation rose 5.3% year-on-year in May in line with consensus estimates and the labour market remains tight despite the unemployment rate edging up to 3.7%. US politicians also reached an agreement towards the end of May to suspend the country's debt limit until 2025 and cap non-defense spending.

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 3.7% in the second quarter and by 4.3% in June (in local currency terms). Corporate reporting season for Q1 saw European earnings beat analyst expectations but remain modestly lower compared to last year. The European Central Bank (ECB) hiked twice by 25 basis points over the quarter and raised its outlook for inflation – notably the central bank now forecasts inflation for the Eurozone to remain above its 2% target through 2025. Following the June rate decision, ECB President, Christine Lagarde, also struck a hawkish tone and implied that another increase in its policy rate in July was “very likely”. Meanwhile, core inflation ticked up to 5.4% in June, while the Eurozone's largest economy, Germany, officially entered a technical recession.

In the UK, the FTSE 100 Index lost 0.3% over the quarter but gained 1.4% in June (in local currency terms). The Bank of England (BoE) surprised markets by re-accelerating the pace of interest rate increases – hiking rates by 50 basis points in June – to bring its policy rate to 5.00%. British core inflation increased over Q2, beating expectations to rise by 7.1% year-on-year in May, which represents the highest level in over 30 years. There are still no clear signs that inflation has peaked in the UK. Alongside robust wage growth, investors are predicting that the BoE could hike rates multiple times by year end.

Asian equities were mixed over Q2. China's CSI 300 Index declined by 4.0% over the quarter but rose by 2.1% in June (in local currency terms), with the country's economic restart losing momentum. In contrast to their global counterparts, the People's Bank of China (PBoC) lowered key lending rates in June amid increasing growth concerns, which also led to speculation of a potential fiscal stimulus response. China's official manufacturing Purchasing Managers' Index (PMI) data continues to show evidence of the weak economic rebound, with factory activity shrinking across the period, while business confidence also hit an eight-month low. Late in June, reports of potential new restrictions by US officials on semiconductor chip exports to China further weighed on sentiment.

Japanese equities, as represented by the Nikkei 225 Index, gained 18.5% over the quarter and rose by 7.6% in June (in local currency terms). The rally has seen Japanese stocks materially outperform their developed market peers over 2023, underpinned by a stronger economic outlook and optimism for corporate reform which has driven a pick-up in foreign investor inflows. The Bank of Japan (BoJ) kept policy unchanged over the quarter with its ultra-supportive stance sustaining inflation above the central bank's target after decades of disinflation. A leading indicator of nationwide prices, Tokyo core inflation, rose to 3.2% year-on-year in June. Economists also expect the impact of higher wages may eventually put further upward pressure on inflation, with Japanese workers having negotiated large pay raises earlier this year.

Top Active Holdings

Overweight	Underweight
AMETEK INC	JPMORGAN CHASE & CO
NOVARTIS AG	MERCK & CO INC
MERCEDES-BENZ GROUP N AG	TESLA INC
WALMART INC	ASTRAZENECA PLC
PROCTER & GAMBLE	ROCHE HOLDING PAR AG

Top Holdings

Holding	Weight %
APPLE INC	5.16
MICROSOFT CORP	5.06
AMAZON COM INC	3.04
NVIDIA CORP	2.68
PROCTER & GAMBLE	1.54
ALPHABET INC CLASS A	1.50
NOVARTIS AG	1.39
WALMART INC	1.37
CHEVRON CORP	1.31
VISA INC CLASS A	1.28

Country Exposure

Country	Weight %
Austria	0.36
Belgium	0.76
Canada	2.39
Denmark	1.12
Finland	0.00
France	3.50
Germany	3.05
Greece	0.00
Hong Kong	1.14
Ireland	0.02
Israel	0.05
Italy	0.71
Japan	7.89
Netherlands	1.03
New Zealand	0.00
Norway	0.01
Portugal	0.00
Singapore	0.40
Spain	1.56
Sweden	0.11
Switzerland	2.83
United Kingdom	1.62
US	71.46

Strategy Commentary

The strategy portfolio outperformed in the second quarter 2023. Sentiment and Themes drove positive performance while Fundamentals were flat.

As the market breadth broadened in June there was a rebound in performance. This was led by bottom-up Sentiment insights. Faster moving insights using NLP text analysis, online sales and web traffic were among the top performers.

Macro Themes performance was mixed during the quarter but finished positive. On one hand, strongest gains across the macro insights were centred around signals focused on more granular themes such as AI beneficiaries, and stocks with adverse exposure to the challenges across the US banking industry and commercial real estate. However, pro-inflation/defensive themes which were winners over 2022 and industry selection continued to struggle for traction against frequent rotation in leadership, most notably in Health Care.

Within Fundamentals, traditional valuation and anti-growth signals which were amongst the top performing signals in 2022 struggled during this period; underperforming earlier in the quarter before recovering through June. Quality measures evaluating companies' financing were also additive over the period while ESG insights struggled as investors focused on macro dynamics and AI.

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	277 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	86 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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