

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

30 June 2021

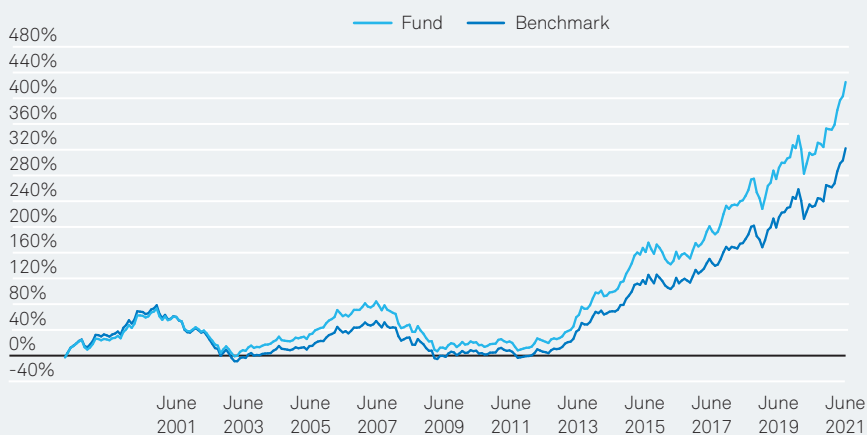
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	4.38	9.11	16.20	27.47	14.60	15.88	8.86
MSCI World ex Australia Index (unhedged in AUD)	4.71	9.33	16.25	27.50	14.50	14.73	8.30
Outperformance (Gross of Fees)	-0.33	-0.22	-0.05	-0.03	0.10	1.15	0.55
BlackRock Advantage International Equity Fund ² (Net of Fees)	4.34	8.99	15.94	26.88	13.94	15.07	6.43
MSCI World ex Australia Index (unhedged in AUD)	4.71	9.33	16.25	27.50	14.50	14.73	6.32
Outperformance (Net of Fees)	-0.36	-0.34	-0.31	-0.63	-0.56	0.35	0.11
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	2.08	7.35	14.07	35.49	13.36	15.44	10.09
MSCI World ex Australia Index (hedged in AUD)	2.40	7.56	14.17	35.75	13.46	14.44	9.80
Outperformance (Gross of Fees)	-0.32	-0.21	-0.10	-0.26	-0.10	1.00	0.28
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	2.04	7.22	13.79	34.83	12.66	14.59	10.62
MSCI World ex Australia Index (hedged in AUD)	2.40	7.56	14.17	35.75	13.46	14.44	11.08
Outperformance (Net of Fees)	-0.36	-0.34	-0.38	-0.92	-0.80	0.15	-0.46

¹ Fund inception: 15/04/2004. ² Fund inception: 31/12/1997. ³ Fund inception: 15/04/2004. ⁴ 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 2021



Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Review

The MSCI World Ex Australia Index gained 9.33% in unhedged AUD terms and 7.56% in fully hedged to AUD terms over the second quarter of 2021.

Most financial markets gained over the quarter, as reopening optimism and the accelerated vaccine rollout continued to drive positive performance across markets. This dynamic continues to be supported by ongoing government support from a monetary and fiscal perspective.

Within equities, developed economies had a particularly positive quarter. Governments in most developed markets have eased COVID-related mobility restrictions and activity levels have picked up alongside strong consumption growth, particularly in the US. However, upbeat market sentiment saw pockets of concern due to the spread of the highly transmissible Delta variant, inflation spikes and central bank narratives. The increased spread of the Delta variant has caused renewed virus flare-ups in parts of the world, along with new mobility restrictions in certain countries. Emerging economies continued to lag on the vaccination front, and EM equities underperformed their developed counterparts over the quarter.

US equities gained 8.5% over the quarter (in local currency terms). The US earnings season was significantly stronger than expected and macro data continued to point towards a quick economic recovery. The reopening of the US economy and a sharp rebound in activity has led to a spike in inflation. Headline Consumer price index (CPI) touched +5% in the May report and Core CPI reached +3.80% on a year over year basis. These record setting inflation prints fuelled market debate as to whether the uptick in inflation is transitory given the attribution to supply constraints and reopening sensitive components of CPI. Although the US Federal Reserve (Fed) did not alter its policy at the June meeting, the shift in tone regarding the future path of the federal funds rate turned the meeting into a significant market event. The Fed signalled two interest rate hikes in 2023, a shift compared to expectations of zero rate hikes. On the fiscal side, President Biden reached a deal on the Bipartisan Infrastructure Framework agreeing to a US\$1.2 billion infrastructure package.

On the economic front, US GDP grew strongly at an annualised rate of 6.4% during Q1 2020. Data from the US labour market was positive, with non-farm payrolls showing 850,000 jobs were added in June alone. Business indicators were also strong, with the ISM services index gaining over the quarter.

European equities rose in June leaving gains for the quarter at +4.8%. Within the European block, the broadening of the powerful restart of economic activity could be felt through the strong rebound in economic growth as the rate of vaccination accelerated, and mobility restrictions were lifted. Leading economic indicators have reached highs in many regions. Euro Area Industrial Production beat expectations and grew 0.8% in April, only marginally below its pre-COVID peak. The Euro Area composite PMIs were up to 59.5 in June, ahead of expectations, and at multi-year high levels. However, supply chain issues continue to constrain the Euro Area economy's output and international travel restrictions impacted COVID sensitive sectors such as travel and leisure. Despite the improving economic outlook, the European Central Bank (ECB) policymakers confirmed that that easy financing conditions would be maintained, allaying fears around the potential removal of policy support.

Within the UK, concerns over the more contagious Delta variant prompted action and the full easing of lockdown measures was delayed further. Whilst infections increased to higher levels, the hospital admission rate proved resilient, largely attributed to the advanced vaccination programs and efficacy. On the monetary policy front, the Bank of England (BoE) left interest rates and quantitative easing unchanged at the June meeting, however, the central bank acknowledged that inflation had been higher than expected.

Asian equities generally gained over the quarter but underperformed most of their global peers. There was a high level of dispersion across countries and sectors, partly driven by the differentiated pace of vaccination rollout and mobility restrictions implemented by governments in the area. Inflation was also a key concern in some Asian countries amidst rising raw material prices and production bottle necks to meet the growing global demand for goods and services.

Headline PMIs in Asia fell, as signs of a mixed economic recovery emerge, with northern countries increasing output, whilst the south struggles with rising cases and supply-side bottlenecks. Further evidence of soft data from China with business activity shown to be weaker than expectations across purchasing manager indices (PMI's). In India, COVID-19 cases have peaked and started to decline again, although this has yet to come through in the economic data. For example, India's services PMIs remained very soft and posted a reading of 41.2 in June (well below 50, which represents a contraction).

Japanese equities declined 1% over the quarter. Macro data was mixed and the vaccine rollout continued to prove challenging for Japanese officials, as take-up remained low. Inflation stayed subdued in Japan, which is in stark contrast to inflation elsewhere. Policy rates were unchanged, and the deadline of COVID-related programs was also extended by six months to March 2022 amid the on-and-off State of Emergency operations so far this year.

Strategy Commentary

The international stock selection strategy had a strong quarter in absolute terms; however, it slightly underperformed its benchmark over the period. Cross Border Thematics detracted while Momentum and Sentiment added. Geographically, the US was the major region detracting followed by Europe while Japan and Far East Asia added. Looking at sectors, HealthCare was the main source of underperformance due to a large overweight in healthcare providers and services in the US and unfavourable positioning in pharmaceuticals in Europe. Energy also lagged through unfavourable positioning in energy equipment and services in the US. Consumer Discretionary added thanks to overweights in Europe and North America while overweights in the marine industry in Denmark benefitted the Industrials sector.

Positive contributors to performance included overweight positions in Intuit and Shopify.

Intuit – The American financial software Intuit saw its share price rally after the company released its latest results with sales jumping 39% through April. It was also helped by the generally strong performance of the tech stocks in June. The overweight position was a result of favourable views across Quality and Cross Border Thematics insights.

Shopify – The Canadian ecommerce company Shopify has benefitted from the strong growth of ecommerce during the pandemic and recently confirmed partnerships with Facebook and Google which boosted the share price further. The overweight position was driven by generally positive views Momentum, Sentiment and Cross Border Thematics.

Detractors from performance included overweight positions in Intel Corp and Deere & Co.

Intel Corp – Despite lower revenue for the previous quarter, US payment company Mastercard beat market expectations with its latest results. Management pointed at strong ecommerce sales helping the results while weak international travels remained a headwind. The overweight position was a result of positive views across Value, Sentiment and Momentum insights.

Deere & Co – The American agricultural equipment manufacturer Deere & Co had outperformed the broader market in recent quarters on improved outlook for demand with the expected recovery of the economy before investors took profits ahead of the latest results, despite reporting record profits. The overweight position was driven by positive Sentiment and Momentum insights.

Top Active Holdings

Overweight	Underweight
TJX INC	MICROSOFT CORP
JOHNSON & JOHNSON	NESTLE SA
INTUIT INC	BANK OF AMERICA CORP
ROYAL BANK OF CANADA	ASML HOLDING NV
APPLE INC	EXXON MOBIL CORP

Top Holdings

Holding	Weight %
APPLE INC	4.86
MICROSOFT CORP	2.80
AMAZON COM INC	2.59
ALPHABET INC CLASS A	1.59
JOHNSON & JOHNSON	1.57
UNITEDHEALTH GROUP INC	1.46
ALPHABET INC CLASS C	1.39
FACEBOOK CLASS A INC	1.32
ACCENTURE PLC CLASS A	1.09
ROYAL BANK OF CANADA	1.05

Country Exposure

Country	Weight %
Austria	0.04
Belgium	0.39
Canada	4.75
Denmark	0.91
Finland	0.12
France	2.42
Germany	3.20
Greece	0.00
Hong Kong	1.47
Ireland	0.20
Israel	1.15
Italy	0.11
Japan	5.61
Netherlands	1.02
New Zealand	0.02
Norway	0.34
Portugal	0.00
Singapore	0.12
Spain	0.00
Sweden	2.43
Switzerland	1.68
United Kingdom	3.82
US	70.20

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 Scientific International Alpha Tilts Fund	
APIR	BGL0047AU
Fund Size	129 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	579
Number of Stocks in Benchmark	1504
Tracking Error (3 Years p.a.)	1.59%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	272 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	721 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	369 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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