BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

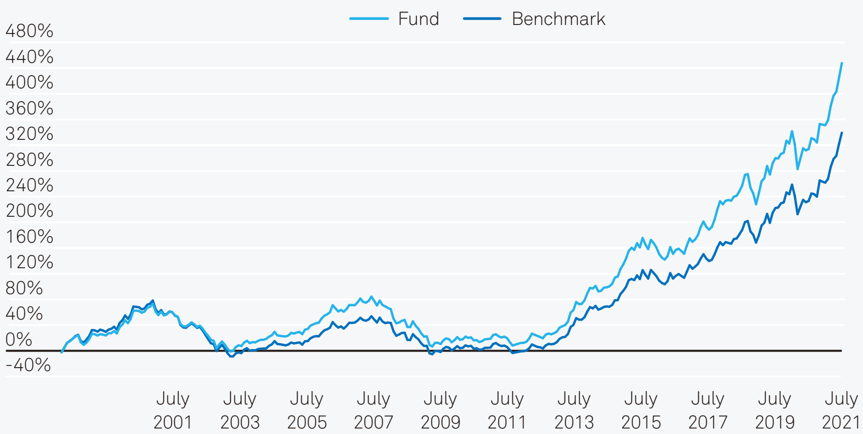
FUND UPDATE **31 July 2021**

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)	4.28	10.22	21.18	32.31	15.24	16.29	9.08
MSCI World ex Australia Index (unhedged in AUD)	4.03	10.23	20.94	31.85	15.07	15.18	8.51
Outperformance (Gross of Fees)	0.25	-0.01	0.24	0.46	0.17	1.11	0.57
BlackRock Advantage International Equity Fund[2] (Net of Fees)	4.25	10.10	20.86	31.70	14.59	15.49	6.60
MSCI World ex Australia Index (unhedged in AUD)	4.03	10.23	20.94	31.85	15.07	15.18	6.48
Outperformance (Net of Fees)	0.21	-0.13	-0.08	-0.15	-0.48	0.31	0.12
BlackRock Scientific Hedged International Alpha Tilts Fund[3] (Gross of Fees)	2.02	5.24	16.37	34.02	12.90	14.88	10.16
MSCI World ex Australia Index (hedged in AUD)	1.77	5.24	16.18	33.75	12.92	13.92	9.86
Outperformance (Gross of Fees)	0.26	0.00	0.19	0.27	-0.02	0.96	0.30
BlackRock Advantage Hedged International Equity Fund[4] (Net of Fees)	1.98	5.11	16.04	33.36	12.22	14.04	10.69
MSCI World ex Australia Index (hedged in AUD)	1.77	5.24	16.18	33.75	12.92	13.92	11.14
Outperformance (Net of Fees)	0.22	-0.13	-0.14	-0.38	-0.71	0.12	-0.45

[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 31 July 2021



Visit **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 4.03% in unhedged AUD terms and 1.77% in fully hedged to AUD terms in July.

The global economic recovery continued in July with steady progress in the COVID-19 vaccine rollout, a pick-up in mobility indicators (especially in Europe) and ongoing support from a monetary and fiscal policy perspective. However, it was a more volatile month for financial markets due to increasing concerns around rising cases of the more transmittable Delta variant and signs of a peak in economic growth, especially in the US.

Despite the volatility, developed market equities outperformed their emerging market counterparts in July. The positive performance was led by the United States (US) underpinned by a strong corporate earnings season and reassuring central bank comments. Within emerging market (EM) equities, China was a drag on markets as the government tightened regulation in a coordinated crackdown across sectors – adding to uncertainty and pulling share markets lower in the region. The Australian dollar depreciated against most currencies and in particular the US dollar.

US equities gained 2.4% over the month, on the back of a positive earnings season. Earnings delivery has been strong with a record number of companies beating both sales and earnings estimates powered by encouraging corporate guidance.

The reopening of the US economy and sharp rebound in activity has led to a spike in inflation. The headline Consumer price index (CPI) surprised to the upside for the fourth consecutive month, showing inflation of +5.4% year on year in June. Federal Reserve (Fed) Chairman Powell continued to reiterate the belief that the inflation spike is transitory in nature, as supply constraints and a rebound in travel-sensitive components of CPI contributed to much of the increase. The July FOMC meeting acknowledged progress towards the Fed's goals of maximum employment and price stability, though stated that their goal of "substantial further progress" had not yet been met. This in turn supported government bonds and helped bond yields stay low in July, despite the inflation spike.

With progress on vaccinations and strong policy support, indicators of economic activity and employment have strengthened in the US. The latest jobs report showed a significant increase in the number of jobs created, led by strong gains in some of the hardest-hit sectors such as leisure and hospitality. However, the unemployment rate ticked up slightly to 5.9% as the number of job seekers increased as well.

European equities gained less than 1% in July, even though companies reported strong earnings results. The spread of the Delta Covid-19 variant caused some concerns among investors, but governments have been hesitant to reimpose strict lockdown measures and are instead relying on vaccination progress to curb the increase in severe cases and fatalities.

The European Central Bank (ECB) revised its forward guidance on interest rate policy, saying the bank will maintain its ultra-loose policy until it has sufficient evidence that inflation can sustainably hit its goal of 2%. The bank raised its inflation target from "below, but close to 2%" to "2%" as July saw the ECB publish the outcome of the ECB Strategy Review, the first since 2003. The inflation target was revised slightly higher to a 'symmetric 2% inflation target over the medium term'. A reformulated and strengthened forward guidance on interest rates confirmed the ECB's very accommodative policy stance. The final June Euro area headline inflation print increased 0.3% to 1.9% year on year with core inflation at 0.9% year on year.

From an economic data perspective, GDP rebounded strongly in the second quarter and composite purchasing market indices (PMI's) posted a reading of 60.6 which was a record high (a reading above 50 represents an expansion), with Germany leading the expansion. European growth continues to be driven by the manufacturing sector while the sequential improvement in PMIs is coming from services as restrictions are being lifted. There are continued signs that firms are struggling to meet the growth in demand with backlogs rising and supplier delivery times still close to record levels.

In the UK, the FTSE 100 Index finished July roughly flat. Concerns around the Delta variant have delayed the easing of lockdown measures. However, the rapid rollout of vaccines has meant that hospitalizations have remained relatively low. On the monetary policy front, the Bank of England continued its dovish monetary policy stance through continued low interest rates. Economic data showed a mixed picture as the composite PMI for July contracted, signalling the slowest rate of private sector expansion in four months. UK's service sector and manufacturing production experienced a slowdown in recovery amid supply shortages. UK's CPI rose to 2.3% in June year on year, causing some concern amidst the monetary policy committee at the Bank of England.

Within Asian markets, attention remained on China with further evidence of a slowdown in economic activity. The regulatory crackdown in China in the second half of July added to market worries. The increased crackdown on big tech companies and private education is part of the government's efforts to mitigate social issues and lower the cost of living. Chinese activity data disappointed but spillovers have been limited so far, with macro data remaining resilient in both Europe and the US. China's State Council surprisingly implemented a cut to the Required Reserve Ratio (RRR) of 0.5%, raising concerns about Chinese economic growth. Nonetheless, Chinese Q2 2021 GDP came in slightly stronger than expected at 1.3% for the quarter.

Most Asian equities recorded negative performance over the month. 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. In Emerging Asia, the Delta variant surge is stretching the medical infrastructure especially in countries such as Indonesia, Singapore, Malaysia and Thailand (where cases and mortality rates are high). Rising inflation was another concern in some Asian countries amidst rising raw material prices and production bottle necks to meet the growing global demand for goods and services.

Japanese equities declined over 5% in July. Concerns around the Delta variant caused Japan to impose new restrictions. The Japanese government imposed a fourth State of Emergency (SoE) in Tokyo, only one month after the last SoE was lifted and right before the Olympic games. The SoE covered the entire duration of the Olympics. Policy rates were kept unchanged during the July Bank of Japan (BOJ) meeting, in line with market expectations

Strategy Commentary

The international stock selection strategy had a strong month in absolute terms and outperformed its benchmark. All insight groups added, especially Momentum, Quality and Cross Border Thematics. Geographically, the US was the main source of outperformance whilst Europe detracted. Looking at sectors, Consumer Discretionary detracted the most due to a large overweight in internet and direct market in Germany and overweights specialty retail in Sweden and Japan. Information Technology benefited from overweights in the US, especially in the semiconductors and semiconductor equipment industry while Energy added through underweights in North America and France. Favourable positioning in interactive media and services in the US also helped Communication Services contribute positively.

Positive contributors to performance included overweight positions in Align Technology and Advanced Micro Devices.

Align Technology – The global orthodontics device manufacturer posted very strong results for the latest quarterly due to a rebound in demand for its teeth straighteners while also upgrading its guidance for the full year. The overweight position was a result of favourable views across Momentum, Cross Border Thematics and Sentiment insights.

Advanced Micro Devices – The American semiconductor company saw its share price surge 13% in July after releasing strong earnings results and increasing its guidance as it increased its market share in the data centre segment. The overweight position was driven by generally positive Sentiment views.

Detractors from performance included overweight positions in Zalando and H&M.

Zalando – The German fashion retailer has been a beneficiary of the pandemic; however, its share price was down during the month – in line with its industry peers over increased uncertainties on inflation, supply chains and the rise of covid-19 cases through Europe. The overweight position was a result of positive views across Momentum, Sentiment, Quality and Cross Border Thematics insights.

H&M – The Swedish fashion retailer H&M saw its sales surge earlier in the year as covid restrictions eased around the world, however, in July, its share price was impacted by the selloff of retail names – and its fashion industry peers – as covid cases started to rise again. The overweight position was driven by positive view across most insights, especially Relative valuation and Cross Border Thematics.

Top Active Holdings

Overweight	Underweight
ALIGN TECHNOLOGY INC	MICROSOFT CORP
INTUIT INC	FACEBOOK CLASS A INC
SOUTHERN	WALT DISNEY
FIDELITY NATIONAL INFORMATION SERV	ASML HOLDING NV
AGILENT TECHNOLOGIES INC	BANK OF AMERICA CORP

Top Holdings

Holding	Weight %
APPLE INC	4.99
MICROSOFT CORP	2.89
AMAZON COM INC	2.45
ALPHABET INC CLASS A	1.84
ALPHABET INC CLASS C	1.80
JOHNSON & JOHNSON	1.58
UNITEDHEALTH GROUP INC	1.48
INTUIT INC	1.10
INTEL CORPORATION CORP	1.08
BERKSHIRE HATHAWAY INC CLASS B	1.08

Country Exposure

Country	Weight %
Austria	0.04
Belgium	0.11
Canada	4.64
Denmark	0.86
Finland	0.25
France	2.80
Germany	3.20
Greece	0.00
Hong Kong	1.22
Ireland	0.20
Israel	1.16
Italy	0.06
Japan	5.44
Netherlands	0.91
New Zealand	0.06
Norway	0.46
Portugal	0.00
Singapore	0.08
Spain	0.00
Sweden	2.46
Switzerland	1.61
United Kingdom	3.82
US	70.63

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	132 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	480
Number of Stocks in Benchmark	1498
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	271 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	734 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	372 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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