

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

30 November 2021

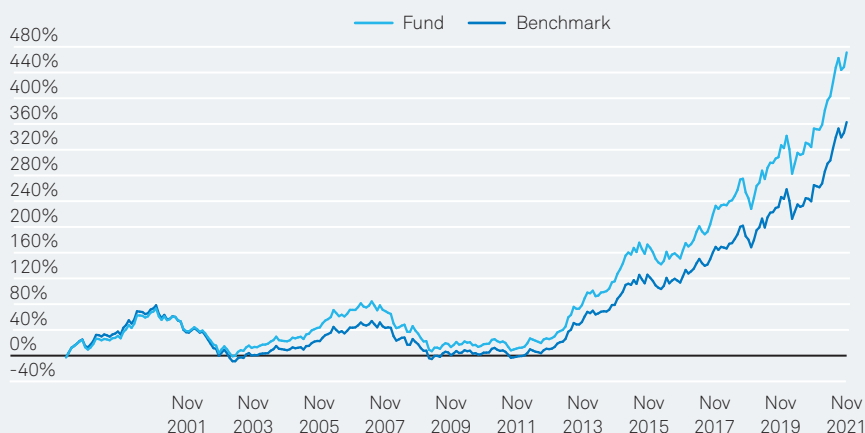
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	4.13	1.55	26.37	26.08	18.28	16.67	9.16
MSCI World ex Australia Index (unhedged in AUD)	3.70	2.21	27.44	26.81	18.19	15.70	8.67
Outperformance (Gross of Fees)	0.43	-0.65	-1.07	-0.72	0.09	0.96	0.49
BlackRock Advantage International Equity Fund ² (Net of Fees)	4.09	1.43	25.83	25.49	17.66	15.90	6.68
MSCI World ex Australia Index (unhedged in AUD)	3.70	2.21	27.44	26.81	18.19	15.70	6.62
Outperformance (Net of Fees)	0.39	-0.78	-1.61	-1.31	-0.52	0.20	0.07
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	-1.15	-0.73	18.16	22.55	15.18	14.59	10.06
MSCI World ex Australia Index (hedged in AUD)	-1.57	-0.13	19.15	23.26	15.27	13.78	9.83
Outperformance (Gross of Fees)	0.42	-0.60	-0.99	-0.71	-0.09	0.82	0.23
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	-1.19	-0.86	17.61	21.94	14.54	13.79	10.57
MSCI World ex Australia Index (hedged in AUD)	-1.57	-0.13	19.15	23.26	15.27	13.78	11.08
Outperformance (Net of Fees)	0.38	-0.73	-1.54	-1.32	-0.73	0.01	-0.51

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 November 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 3.70% in unhedged AUD terms but declined 1.57% in fully hedged to AUD terms in November. Most global sharemarkets declined over the month (in local currency terms), but currency movements boosted unhedged international equity returns.

November was a volatile month for financial markets. Risk sentiment dropped with the emergence of the Omicron variant of COVID-19, which added significantly to investor uncertainty. Concerns around the rate of transmission of this new virus strain, the degree to which it evades prior immunity to other variants and whether it causes more (or less) severe disease than the Delta variant drove markets. Government responses to the new Omicron variant are unclear although some countries have already tightened mobility restrictions. November was also marked by the UN climate conference – COP26 – where global leaders discussed their climate commitments and assessed ways for coordinating efforts to combat climate change going forward.

Most global sharemarkets finished the month in the red (in local currency terms). Developed market equities and emerging market counterparts declined particularly sharply towards month-end when concerns regarding the Omicron variant first emerged. High inflation in the US, Europe and parts of Asia also remained a key topic amongst investors. Developed market government bond yields reversed some of their losses from October as rates retreated after rising in previous months.

US equities represented through the S&P 500 Index declined 0.7% in November. Strong Q3 corporate profits pushed the S&P 500 to a new peak in early November, however, hawkish comments from Federal Chair Jerome Powell and the emergence of the new Omicron variant prompted sharp selloffs towards the end of the month. Technology and Consumer Discretionary were the top performing sectors in the US with Financials, Communications and Energy declining most.

The expected re-election of Jerome Powell as Federal Chair for a further four years eased some uncertainty over US monetary policy, however, rhetoric by the policy committee describing the current inflationary environment as no longer 'transitory' prompted further speculation that the taper of the central bank's \$120 billion asset purchase program could be accelerated. On the other hand, the uptick in the number of COVID-19 cases and the emergence of the Omicron variant caused some to argue that further policy accommodation is needed to keep the economic recovery on track.

From an economic data front, a fall in the flash PMI in November indicated a slowdown in the manufacturing and services sectors despite a growth in retail sales over the same period. Consumer demand continues to be unmatched by labour shortages and raw material delays, prompting a rise in October's inflation (CPI) by 0.9%, well ahead of consensus. Furthermore, a disparity between the spike in personal income and personal expenditure signalled household eagerness to spend more despite a dramatic deceleration in job creation and unemployment benefit uptake.

President Joe Biden's bipartisan US\$550 billion infrastructure bill to stimulate the domestic economy was passed by the US Senate in November. Nevertheless, much anticipation remains over the US debt ceiling, with obligations expected to arise in late December.

European equity markets represented through the Euro Stoxx 600 Index detracted over 4.3% in November, reversing the previous month's gains. The emergence of a fourth COVID-19 wave, reintroduction of mobility constraints and persistently high inflation rates weighed on sentiment as energy and financial sectors led losses late in the month.

Within the European block, annual inflation grew to 4.9%, well above consensus and the European Central Bank's (ECB) targeted rate. High energy prices and supply chain disruptions added heavily to the latest inflation reading, although the ECB maintained its transitory stance after announcing the planned end to its emergency bond purchases program in March 2022. Employment data generally improved across the Euro area and was supported by a growth in the composite PMI for the first time in three months, with a resilient services sector buoyed by new business growth and consumer spending.

The UK equity market as measured by the FTSE Index detracted 2.2% over the month. Emergence of the Omicron variant forced the reintroduction of international and regional mobility restrictions, adversely impacting the travel and leisure sectors. Interest rate uncertainty promoted a decline in the financial sector with markets pricing in a reversal of the Bank of England's expected increase in base lending costs. Economic momentum in the UK remained strong until late November with consumer confidence and retail sales increasing at a greater rate than the Eurozone. The end of the government's furlough scheme promoted a record increase in UK payroll workers and a drop in the unemployment rate to 4.3%. Despite remaining firmly in expansionary territory, the UK's Composite PMI declined in November as concerns regarding fast-growing parts of the services sector heightened given their sensitivity to tighter pandemic restrictions.

Asian equities also declined in November, in line with their global peers. Chinese equities detracted, however, outperformed the broader Asian market. China's exports continued to grow for three months running, outperforming expectations on the back of strong demand from Europe and global markets ahead of the holiday season. Manufacturing PMI rebounded to 50.1 points, representing a slight expansion in manufacturing activity for the first time in two months. Whilst easing power crunches have helped deliver consistent growth in supply markets, the overseas surge in demand for goods is expected to taper as subdued factory activity and high production costs are expected to weigh on manufacturers and consumers respectively. China continued to follow a zero-tolerance/low-tolerance policy after the emergence of the Omicron variant, stoking fears of a prolonged slowdown in domestic markets and an increase in transportation costs for global peers.

Japanese equities continued to detract in November and declined -3.7% for the month. Despite initially reopening the domestic economy in early November, a weakened yen and subsequent rise in import prices dampened sentiment and weighted on corporate profits and household purchasing power towards the end of the month. Newly elected Prime Minister Kishida's unveiling of a record US\$490 billion spending package represented a shift in the Liberal Democratic Party's (LDF) fiscal conservative stance and is expected to support Japan's reflationary monetary policy in delivering significant GDP gains in 2022. Despite a downturn in the local stock market, Japan's Manufacturing PMI moved into expansionary territory (a score above 50), representing the fastest pace of expansion since January 2018. However, critical supply bottlenecks remain an issue with cost pressures, materials shortages and delivery delays pushing input prices to a new peak.

Strategy Commentary

The international stock selection strategy had a positive month in absolute terms and outperformed its benchmark. All insights added during the month, especially Sentiment. Geographically, all regions outperformed. Cross Border Thematics detracted in North America, however, this was more than offset by strong performance of Cross Border Thematics and Sentiment in Europe and Japan. Looking at sectors, HealthCare was amongst the top contributing sectors thanks to underweights healthcare equipment and supply in the US. Financials also added through underweight in European banks, especially in Spain while Materials benefitted from favourable positioning chemical names in Europe. Conversely, Consumer Staples detracted through unfavourable positioning within the food and beverages industry in the US.

Positive contributors to performance included an overweight position in Apple and an underweight position in Paypal Holdings.

Apple – The American tech giant Apple rallied as investors remained bullish on its growth prospects, through innovation such as augmented reality products and self-driving vehicle technology notably, which could see a boost in demand for Apple products. The overweight position was a result of favourable Momentum insight views.

Paypal Holdings – American payment company Paypal saw its share price down 20% in November. The third-quarter earnings report showed decelerating growth rates – compared to last year's strong earnings during the pandemic and investors are becoming more concerned about the increased competition in the sector. The underweight position was driven by generally negative views across most insights, especially Sentiment, Momentum and Quality.

Detractors from performance included an underweight position in Qualcomm and an overweight position in SAP.

Qualcomm – American semiconductor producer Qualcomm saw its share price rally after management announced ambitious growth targets. Despite ongoing tensions with Apple, the company has diversified beyond just phones and should benefit from the strong demand for all types of chips. The underweight position was a result of negative Cross Border Thematics insight views.

SAP – German software company SAP SE underperformed during the month. The share price had slipped following its earnings results in October, highlighting lower profit and licencing take up concerns. However, management upgraded its guidance on positive outlook for the sector and the firm. The overweight position was driven by positive Momentum and Sentiment insights.

Top Active Holdings

Overweight	Underweight
INTUIT INC	META PLATFORMS INC CLASS A
S&P GLOBAL INC	NESTLE SA
SERVICENOW INC	MASTERCARD INC CLASS A
JOHNSON & JOHNSON	WALT DISNEY
APPLE INC	HOME DEPOT INC

Top Holdings

Holding	Weight %
APPLE INC	5.54
MICROSOFT CORP	4.20
AMAZON COM INC	2.39
ALPHABET INC CLASS A	1.68
ALPHABET INC CLASS C	1.60
JOHNSON & JOHNSON	1.59
TESLA INC	1.53
NVIDIA CORP	1.50
ASML HOLDING NV	1.24
INTUIT INC	1.23

Country Exposure

Country	Weight %
Austria	0.18
Belgium	0.04
Canada	4.73
Denmark	0.47
Finland	1.37
France	2.44
Germany	3.34
Greece	0.00
Hong Kong	0.58
Ireland	0.19
Israel	0.54
Italy	0.12
Japan	5.08
Netherlands	2.13
New Zealand	0.03
Norway	0.92
Portugal	0.11
Singapore	0.01
Spain	0.38
Sweden	1.20
Switzerland	1.36
United Kingdom	2.57
US	72.22

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	126 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	541
Number of Stocks in Benchmark	1488
Tracking Error (3 Years p.a.)	1.62%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	255 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	729 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	357 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

IMPORTANT INFORMATION: Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**). This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material. Any potential investor should consider the latest product disclosure statement, prospectus or other offer document (**Offer Documents**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. Offer Documents can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances Offer Documents are also available on the BIMAL website at www.blackrock.com.au. BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL. © 2021 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

BLACKROCK[®]