

# BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

# BLACKROCK®

FUND UPDATE

31 December 2021

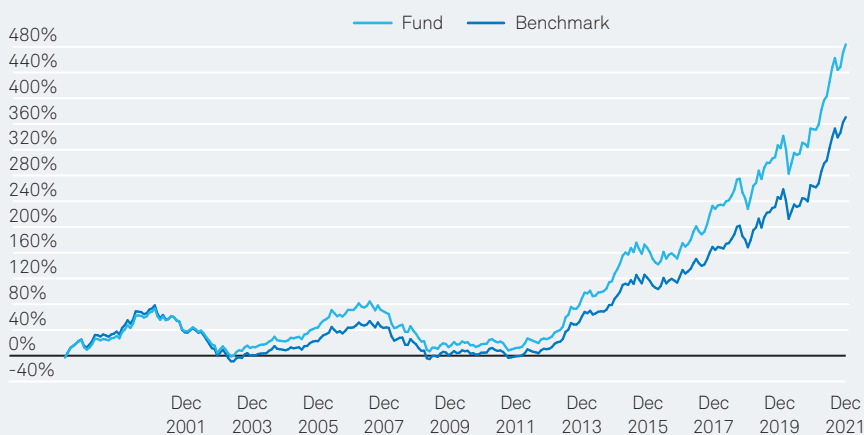
## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund <sup>1</sup> (Gross of Fees)	2.19	7.30	29.14	29.14	21.10	16.21	9.25
MSCI World ex Australia Index (unhedged in AUD)	1.68	7.19	29.58	29.58	20.58	15.08	8.72
Outperformance (Gross of Fees)	0.51	0.11	-0.44	-0.44	0.52	1.13	0.52
BlackRock Advantage International Equity Fund <sup>2</sup> (Net of Fees)	2.15	7.17	28.54	28.54	20.50	15.45	6.75
MSCI World ex Australia Index (unhedged in AUD)	1.68	7.19	29.58	29.58	20.58	15.08	6.67
Outperformance (Net of Fees)	0.47	-0.01	-1.04	-1.04	-0.09	0.37	0.09
BlackRock Scientific Hedged International Alpha Tilts Fund <sup>3</sup> (Gross of Fees)	4.47	8.02	23.44	23.44	20.54	15.00	10.28
MSCI World ex Australia Index (hedged in AUD)	3.97	7.90	23.88	23.88	20.21	14.01	10.02
Outperformance (Gross of Fees)	0.50	0.12	-0.45	-0.45	0.33	0.99	0.26
BlackRock Advantage Hedged International Equity Fund <sup>4</sup> (Net of Fees)	4.42	7.88	22.82	22.82	19.89	14.20	10.78
MSCI World ex Australia Index (hedged in AUD)	3.97	7.90	23.88	23.88	20.21	14.01	11.26
Outperformance (Net of Fees)	0.45	-0.01	-1.06	-1.06	-0.32	0.19	-0.48

<sup>1</sup> Fund inception: 15/04/2004. <sup>2</sup> Fund inception: 31/12/1997. <sup>3</sup> Fund inception: 15/04/2004. <sup>4</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 December 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 7.19% in unhedged AUD terms and 7.90% in fully hedged to AUD terms over the last quarter of 2021.

The last quarter of the year was a volatile one for financial markets. The emergence of the Omicron variant of COVID-19 pushed global case numbers to new highs, adding significantly to investor uncertainty over the period. Despite the tightening of restrictions in some regions, central banks pushed ahead with their normalization plans and took on a more hawkish tilt. Recent data supported the notion that the Omicron variant has a milder effect on the population and hospitalization rates appeared manageable. Investors looked through the noise and volatility in markets and pushed equity prices higher over the period. Nonetheless, concerns around a slowdown in global growth, geopolitical tension, inflation and supply chain constraints remain elevated into 2022.

Most developed market equities finished the quarter positive after a moderate correction in November. Emerging markets equities were slightly down, weighed by China as the country continues to undergo regulatory change to provide a more stable backdrop for long-term growth in 2022. High inflation continues to be a key topic in the US, Europe, parts of Asia and New Zealand. Developed market government bond indices, including New Zealand bonds also experienced a volatile period and finished the year down as rates continued to advance amidst upward trending inflation.

In the US, the S&P 500 Index gained 11% over the quarter (in local currency terms). Despite hawkish Federal Reserve (Fed) comments and the emergence of the Omicron virus weighing on investor sentiment, strong corporate earnings growth helped generate positive equity returns over the period. In terms of sectoral moves, Real Estate and Technology stocks outperformed over the quarter, with the S&P 500 setting a dividend payment record, signaling a move past the COVID recovery.

On the policy front, the US Fed adopted a more hawkish stance on the back of a tightening US labor market and ongoing inflationary pressures. The Fed doubled the pace of tapering and signaled three rate hikes in 2022. It also indicated that its balance sheet run-off will likely start sooner and the run-off amounts will likely be larger. US GDP growth expanded at an annual rate of 2.3% in Q3, outpacing estimates of 2.1% despite record COVID-19 cases and hospitalizations. Strong consumer demand and a sharp rise in wages was coupled with a drop in the unemployment rate to 3.9% in December, a pandemic low. However, the US economy is still 3.6 million jobs short of pre-pandemic levels, indicating that many are still reluctant to return to the workforce given the prevalence of both the Delta and Omicron variants of COVID-19 within the economy. This was furthered by a fall in the December flash services PMI, signaling a loss of momentum into 2022.

European equity markets represented through the Euro Stoxx 600 Index gained 6.4% over the quarter (in local currency terms). The Utilities sector was one of the strongest performers, with Information Technology also seeing a robust advance.

Within the European block, annual inflation grew to an all-time high of 5% as high energy prices and supply chain disruptions added heavily to the December inflation figure. A rapid increase in COVID-19 infections as a result of the colder climate and contagious nature of the Omicron variant hindered growth. The IHS Markit Eurozone Services PMI declined to 53.3 in December. However, a slowdown in new businesses and reintroduction of COVID related restrictions did little to dampen December's manufacturing PMI with healthy expansion indicating strong consumer confidence. The European Central Bank (ECB) decided to end its bond purchases under its pandemic emergency purchase program (PEPP) by March 2022 however, bond buys under the Asset Purchase Program (APP) will ramp up to serve as a segue until the end of the PEPP. December also marked the end of Angela Merkel's 16-year tenure as Chancellor of Germany, with newly elected Olaf Scholz of the Social Democrats expected to introduce decarbonization and digitalization policies alongside a strong fiscal revamp from 2023 onwards.

Within the UK, equity markets finished the fourth quarter with positive gains of almost 5%, as measured by the FTSE Index. A slowdown in the UK economy, prior to the emergence of the Omicron variant, revised GDP growth figures from 1.3% to 1.1% in Q3. Despite the end of the UK furlough program, labour markets continued to tighten as the unemployment rate dropped to 4.2% and job vacancies peaked to 1.2 million, signaling further wage related price increases. Disruptions to global supply chains and high energy prices pushed the UK CPI to 5.1% year-over-year in November, the highest rate in a decade. The Bank of England subsequently raised interest rates by 0.15% to 0.25%, marking the first-rate hike in three years.

Asian equities recorded mixed performances over the quarter, driven by pandemic-related restrictions and global concerns over the spread of the Omicron variant. China's economy continued its recovery, albeit at a slower pace, with GDP growing at 4.9% in Q3, down from 7.9% in Q2. Contrary to other global banks, the People's Bank of China (PBOC) reduced lending costs through cuts to the short-term loan prime rate and reserve requirement ratio in a bid to support domestic businesses. Macro data pointed to a slowdown in China's domestic consumption, with weakened retail sales in Q3 driven by continued job uncertainty and crackdowns on real estate developers, both factors affecting consumer confidence. Chinese equities gained 1.6% over the quarter but underperformed most global peers.

## Strategy Commentary

The international stock selection strategy had a very positive quarter in absolute terms and outperformed its benchmark. Sentiment was the main driver of performance across most regions, with small detractions from Cross Border Thematics and Valuation insights. Gains were made in North America, particularly overweights in Canadian firms, and in Europe. In North America, Communication names did well whilst Financials struggled, though Financials were additive in Japan and Europe. Japanese Information Technology and European Materials companies also did well. Overall the Information Technology and Communication Services sectors did best, with contribution from Industrials and Real Estate, whilst the Consumer Discretionary, Consumer Staples and Materials sectors detracted.

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

**Apple** – The American tech giant Apple continued to rally into the end of the year after posting another strong quarterly result, as its market capitalisation approached USD3 trillion. The overweight position was driven by strong Momentum insights.

**Paypal Holdings** – American payment company Paypal trended lower over the quarter as both payment volumes and revenues slowed, whilst expenses rose. The underweight position was a result of negative views for Momentum, Cross Border Thematics, and Quality insights.

Detractors from performance included overweight positions in Takeda Pharmaceuticals and Medtronic.

**Takeda Pharmaceuticals** – Japanese biopharmaceutical firm Takeda Pharmaceutical halted its clinical program for narcolepsy due to safety concerns in a clinical trial. The small overweight position was a result of positive Momentum and Sentiment insights.

**Medtronic** – American medical device company Medtronic downgraded expectations due to a greater than expected impact of the pandemic and the resulting health care staffing challenges. Revenues still grew for the quarter and management reiterated full year EPS guidance. Most insight groups were positive, resulting in the overweight position.

### Top Active Holdings

Overweight	Underweight
AT&T INC	META PLATFORMS INC CLASS A
S&P GLOBAL INC	UNITEDHEALTH GROUP INC
SAP	HOME DEPOT INC
WALMART INC	PROCTER & GAMBLE
LOREAL SA	NESTLE SA

### Top Holdings

Holding	Weight %
APPLE INC	5.18
MICROSOFT CORP	4.77
AMAZON COM INC	2.17
ALPHABET INC CLASS C	1.66
JOHNSON & JOHNSON	1.63
NVIDIA CORP	1.57
ASML HOLDING NV	1.45
VISA INC CLASS A	1.39
TESLA INC	1.39
WALMART INC	1.30

### Country Exposure

Country	Weight %
Austria	0.15
Belgium	0.02
Canada	5.16
Denmark	0.41
Finland	1.50
France	2.50
Germany	3.93
Greece	0.00
Hong Kong	0.52
Ireland	0.12
Israel	0.54
Italy	0.04
Japan	4.64
Netherlands	2.45
New Zealand	0.02
Norway	0.83
Portugal	0.15
Singapore	0.01
Spain	0.43
Sweden	1.08
Switzerland	1.21
United Kingdom	2.40
US	71.89

## 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	125 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	474
Number of Stocks in Benchmark	1486
Tracking Error (3 Years p.a.)	1.61%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	263 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	627 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	365 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](http://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**<sup>®</sup>