

# BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

# BLACKROCK®

FUND UPDATE

31 March 2022

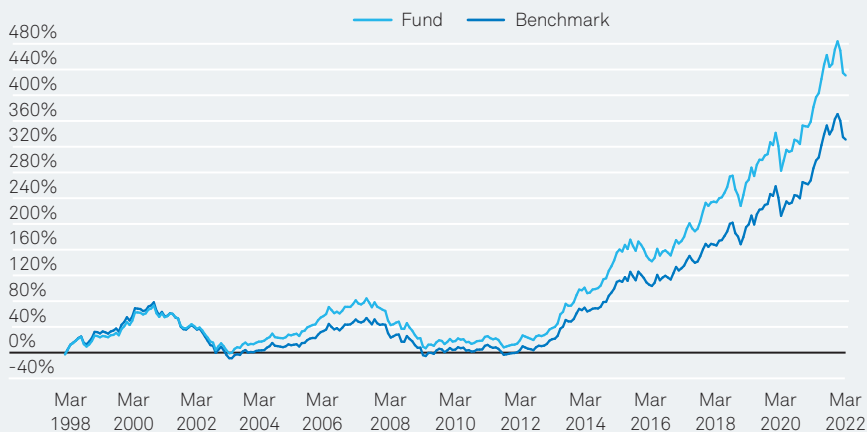
## Investment Performance (%)

	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)	-0.75	-9.08	-9.08	10.25	12.85	13.59	8.53
MSCI World ex Australia Index (unhedged in AUD)	-0.89	-8.42	-8.42	11.60	12.93	12.88	8.07
Outperformance (Gross of Fees)	0.14	-0.66	-0.66	-1.35	-0.07	0.71	0.47
BlackRock Advantage International Equity Fund <sup>2</sup> (Net of Fees)	-0.79	-9.20	-9.20	9.72	12.31	12.87	6.26
MSCI World ex Australia Index (unhedged in AUD)	-0.89	-8.42	-8.42	11.60	12.93	12.88	6.21
Outperformance (Net of Fees)	0.09	-0.78	-0.78	-1.89	-0.61	-0.01	0.05
BlackRock Scientific Hedged International Alpha Tilts Fund <sup>3</sup> (Gross of Fees)	3.02	-5.68	-5.68	9.57	13.36	12.19	9.77
MSCI World ex Australia Index (hedged in AUD)	2.88	-5.02	-5.02	10.85	13.58	11.60	9.56
Outperformance (Gross of Fees)	0.14	-0.66	-0.66	-1.28	-0.22	0.59	0.21
BlackRock Advantage Hedged International Equity Fund <sup>4</sup> (Net of Fees)	2.98	-5.80	-5.80	9.01	12.78	11.43	10.28
MSCI World ex Australia Index (hedged in AUD)	2.88	-5.02	-5.02	10.85	13.58	11.60	10.80
Outperformance (Net of Fees)	0.10	-0.78	-0.78	-1.84	-0.80	-0.17	-0.52

<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 March 2022



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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

## Performance Summary

### Market Commentary

The MSCI World Ex Australia Index declined 8.42% in unhedged AUD terms and 5.02% in fully hedged to AUD terms over the first quarter of the year.

The first quarter of the year was a volatile one for financial markets. Russia's invasion of Ukraine, accelerating inflation, exacerbated global energy shock and rate hikes across global central banks added significantly to investor uncertainty over the period. Supply-driven inflation and commodity prices surged following the sanctioning of Russia, with risk assets extending their sharp rebound off the year's lows. Emerging markets were also weighed down by a new round of Omicron cases and broader geopolitical tensions. The U.S yield curve briefly inverted during the period, prompting recessionary concerns as central banks rhetoric turned more hawkish.

Most global sharemarkets finished the month in the red (in local currency terms). Developed market equities and emerging market counterparts (to a greater degree) declined steeply in a classic risk off move over the period.

Developed market government bond indices were volatile, with strong upside pressure on both short-end and long-end yields driven respectively by expectations for faster monetary tightening and inflationary concerns. Most global bond indices experienced a volatile period and finished the quarter down as rates continued to advance amidst upward trending inflation.

In the US, the S&P 500 Index detracted -4.6% over the quarter (in local currency terms) in line with broader market selloffs as investor's adopted a strict 'risk off' stance given the ongoing invasion of Ukraine by Russia. Energy was the only sector to make gains over the period with Technology and Communications detracting sharply.

On the policy front, the US Federal Reserve (Fed) raised interest rates by 0.25%, in line with market expectations, with further rate hikes expected to rapidly reduce the size of the Fed's \$9.0 trillion balance sheet. Markets have priced in a further six increases for the remainder of the year given record inflationary readings. Russia's invasion of Ukraine has placed additional strain on food and energy prices, with inflation accelerating to 7.9% in February, the highest reading since 1982. The US labour market remained resilient over the period with the unemployment rate falling to 3.8% and average hourly earnings growing by 0.5% in February. The flash services and manufacturing PMI reading in March increased to an eight-month high, with business activity more robust than expected.

European equity markets represented through the Euro Stoxx 600 Index detracted -9.0% over the quarter (in local currency terms), underperforming most other developed markets. Concerns around Europe's heavy reliance on Russian oil and natural gas spiked risks of economic deceleration, energy-driven inflation and dampened

consumer sentiment given the region's exposure to the ongoing conflict within Ukraine.

Within the European block, annual inflation grew to an all-time high of 7.5% in March, driven by high food and energy prices and a significant increase from February's 5.9% reading. Following a 12-billion-euro debt raising for its coronavirus recovery fund, the European Union discussed the possibility of issuing bonds to finance energy and defense spending to alleviate sharply rising energy costs. The European Central Bank (ECB) also confirmed the tapering of the pandemic emergency purchase program (PEPP) in June with a potential rate hike 'some time' after the conclusion of the asset purchase program (APP) in Q3. The flash services Eurozone PMI reading in March slightly fell to 54.5 yet remaining in positive territory as the region displayed strong economic resilience and robust demand recovery post rising COVID-19 cases in late 2021.

Within the UK, equity markets finished the quarter with positive gains of almost 2.9%, as measured by the FTSE Index. UK significantly outperforming most other developed markets due to its relatively higher exposure to energy and materials sectors, with strong contributions from the banking sector on the back of the Bank of England hiking rates by an additional 25 basis points in March. Inflation remains the primary concern within the region, with February's reading of 6.2% the highest in 30 years. Soaring food and energy prices prompted the announcement of a 6-billion-pound fiscal package to support household incomes and increase consumer purchasing power. UK Manufacturing PMI hit 13-month low given supply chain disruptions from the ongoing conflict in Ukraine, however, the Composite PMI remained broadly steady in March, surpassing expectations for a fall despite rising inflation prints.

Asian equities detracted sharply over the quarter, driven by an outbreak of the Omicron variant across China and rising commodity costs. Chinese equities particularly suffered over the period with lockdowns in Shenzhen and Shanghai forcing manufacturing plant shutdowns and a fall in the Manufacturing PMI to below 50 for the first time since late 2019. Concerns about stagflation also dampened investor confidence given the supply-side shock to commodities and subsequent impacts on inflation and reduced growth. The National Congress announced a GDP target of 5.5% for the year with further stimulus expected to support small businesses and consumers.

Japanese equities detracted 2.8% over the quarter (in local currency terms), however, rebounded in March with gains in financial related value stocks. Higher energy and raw material prices exasperated supply chain concerns within the region as manufacturing activity decreased for the first time in nearly two years. The Bank of Japan (BOJ) announced the purchase of unlimited fixed-rate government bonds to constrain yields within its target range given the rise of interest rates globally.

## Strategy Commentary

The portfolio underperformed the benchmark over the first quarter, though March was a positive month for active returns.

Macro Thematic signals detracted over the quarter, though the faster-moving more tactical insights were additive. This included one that trades based on the possibility of a stagflationary environment, driven by the current concerns around growth and inflation. Another insight that trades based on rate spreads to predict policymaker behaviour was also among the most additive signals.

Value signals were also strong overall, benefiting the most from the first month of the quarter as the yield curve shifted unexpected. Signals trading based on analyst revisions, long term reversals, and value oriented metrics were all also among the top ranked strategies for the period.

On the other hand, ESG signals deteriorated during February in response to the oil shock driven by the Russian invasion of Ukraine. The sudden spike in oil prices and rates negatively affected the traditionally quality-connected ESG names.

After a disappointing February caused by the shock of the Russian invasion of Ukraine, the model quickly adapted to the changing environment and was successful in latching onto the currents driving movements in markets. The strategy correctly identified important Sentiment ideas, with insight into short interest from smart money proving additive for the month of March.

### Top Active Holdings

Overweight	Underweight
MERCK & CO INC	PROCTER & GAMBLE
VISA INC CLASS A	NESTLE SA
MICROSOFT CORP	UNITEDHEALTH GROUP INC
AGILENT TECHNOLOGIES INC	CHEVRON CORP
COMCAST CORP CLASS A	ROCHE HOLDING PAR AG

### Top Holdings

Holding	Weight %
APPLE INC	5.00
MICROSOFT CORP	4.72
AMAZON COM INC	2.28
ALPHABET INC CLASS C	1.83
JOHNSON & JOHNSON	1.71
VISA INC CLASS A	1.57
NVIDIA CORP	1.43
TESLA INC	1.40
BANK OF AMERICA CORP	1.36
JPMORGAN CHASE & CO	1.34

### Country Exposure

Country	Weight %
Austria	0.17
Belgium	0.12
Canada	5.24
Denmark	0.32
Finland	0.87
France	2.67
Germany	3.38
Greece	0.00
Hong Kong	0.66
Ireland	0.11
Israel	0.54
Italy	0.26
Japan	5.19
Netherlands	2.00
New Zealand	0.02
Norway	1.12
Portugal	0.16
Singapore	0.21
Spain	0.76
Sweden	0.75
Switzerland	1.24
United Kingdom	2.52
US	71.70

## 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	109 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	537
Number of Stocks in Benchmark	1484
Tracking Error (3 Years p.a.)	1.53%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	237 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	622 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	331 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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