

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

30 April 2022

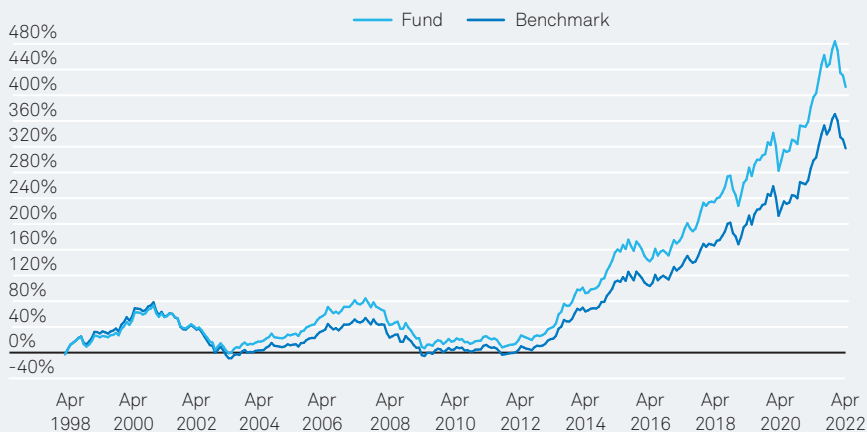
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	-3.38	-9.98	-12.15	3.18	9.73	11.82	8.29
MSCI World ex Australia Index (unhedged in AUD)	-3.17	-9.33	-11.32	4.73	10.07	11.37	7.84
Outperformance (Gross of Fees)	-0.22	-0.65	-0.84	-1.55	-0.34	0.45	0.45
BlackRock Advantage International Equity Fund ² (Net of Fees)	-3.43	-10.10	-12.31	2.68	9.21	11.12	6.08
MSCI World ex Australia Index (unhedged in AUD)	-3.17	-9.33	-11.32	4.73	10.07	11.37	6.05
Outperformance (Net of Fees)	-0.26	-0.77	-0.99	-2.06	-0.86	-0.25	0.04
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	-7.64	-8.05	-12.89	-2.76	8.83	9.95	9.24
MSCI World ex Australia Index (hedged in AUD)	-7.44	-7.40	-12.09	-1.36	9.30	9.61	9.04
Outperformance (Gross of Fees)	-0.20	-0.65	-0.80	-1.40	-0.48	0.33	0.20
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	-7.69	-8.18	-13.05	-3.27	8.27	9.21	9.77
MSCI World ex Australia Index (hedged in AUD)	-7.44	-7.40	-12.09	-1.36	9.30	9.61	10.30
Outperformance (Net of Fees)	-0.25	-0.78	-0.96	-1.91	-1.03	-0.41	-0.53

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 April 2022



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Commentary

The MSCI World Ex Australia Index declined 3.17% in unhedged AUD terms and 7.44% in fully hedged to AUD terms in April 2022.

Tightening financial conditions saw equity and bond markets selling off concurrently in April, with multi-decade high inflation rates, hawkish central bank rhetoric and slowing global growth only serving to weigh on investor sentiment. Global equities finished the month in the red, declining by 8.0% in local currency terms, with Developed markets underperforming their Emerging market counterparts. Fixed income markets similarly sold off as yields climbed throughout the month amidst more hawkish expectations around the pace and magnitude of monetary policy tightening.

In the US, the S&P 500 Index detracted 8.7% over the month (in local currency terms), underperforming most other developed markets as growth sectors like Technology and Communications detracted sharply against the backdrop of rising interest rates.

According to the Fed's median dot plot, the policy rate is expected to rise further to 1.9% in 2022 and 2.8% in 2023 as the Fed battles with a tightening labour market and record inflationary readings. Supply-chain disruptions from Russia's invasion of Ukraine and the strict lockdowns in China have only served to exacerbate price pressures, with inflation accelerating to 8.5% in March, the highest reading since 1981. Meanwhile, concerns around growth have also begun to emerge, with real GDP falling by an annual rate of 1.4% in the first quarter amid a widening trade deficit and a fading of government stimulus spending. The saving grace was a resilient consumer, with tight labour markets underpinning consumer confidence. In April, the unemployment rate fell further to 3.6% and average hourly earnings grew by 0.4%.

European equity markets represented through the Euro Stoxx 600 Index detracted 1.6% over April (in local currency terms). Ongoing concerns around Europe's heavy reliance on Russian oil and natural gas continued to raise 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 headline inflation grew to an all-time high of 7.5% in April, driven by high food and energy prices, while core inflation also increased in tandem, adding to concerns that high inflation may become entrenched in the region. Eurozone economic growth slowed to 0.2% in Q1 with spiking inflationary readings and Omicron restrictions tapering demand and further raising stagflation expectations throughout the region. The European Central Bank (ECB) reiterated its focus on price stability and taming inflation, however, opened up to the possibility of a rate hike as early as July whilst confirming the conclusion of its net asset purchase program (APP) in Q3. The flash Eurozone PMI reading in April highlighted the emergence of a two-speed economy within the region as services PMI grew to 57.7 from 55.6 in March but manufacturing PMI fell to a 15-month low of 55.5.

Within the UK, equity markets finished the month with positive gains of almost 0.8%, as measured by the FTSE Index. The UK significantly outperformed most other developed markets due to its relatively higher exposure to energy and materials sectors. The Bank of England (BoE) hiked rates again by an additional 25 basis points in the first week of May as the region battles with record inflationary readings. Inflation remains the primary concern, with March's reading of 7.0% dampening consumer confidence to its lowest historical levels and driving expectations of economic contraction in Q2. Retail sales declined 1.4% month-over-month in March and the Composite PMI fell by more than anticipated to 58.2 reflecting a slowdown in services and business activity.

While outperforming developed market peers, most Asian equities still detracted over the month, 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 second consecutive time following March's reading of 49.5. 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 2.4% over the month (in local currency terms), as higher energy and raw material prices exacerbated supply chain concerns within the region. The Bank of Japan (BOJ) remains the outlier of major developed central banks in its monetary policy stance, with authorities choosing to defend its yield target despite the global shift to higher rates.

Strategy Commentary

While Value-oriented signals and Sentiment signals correctly positioned overall, performance was offset by Quality and Macro Thematic signals.

Fundamental signals overall scored positively due to a contribution from Value-oriented metrics. A signal betting against stocks with high skewness of returns benefited through gains in European financials, as policy normalization appeared to edge closer towards being on track as conflict risk premia eased. However Quality, and ESG in particular, suffered somewhat. An insight that tracks innovation in green technologies continued to suffer from the previous periods given the surge in energy markets, although this effect has been markedly reduced compared to previous months.

Sentiment signals were contributors as well. A recently introduced signal that favours names seeing increased popularity on major prime brokerage portfolios was successful from the start as the portfolio succeeded in its efforts to follow informed investors. Another signal observing trend-based insights also contributed.

Macro signals stumbled, particularly due to a turnaround in performance from the previously successful, faster-moving newer research. In particular, insights tracking inflation / rates sensitivity detracted as they incorrectly positioned against consumer facing stocks perceived to have higher input cost sensitivity.

Along the sector dimension, the portfolio benefited again from overweights to Healthcare and Energy driven by Sentiment signals, but balanced out with losses in Materials and Consumer Staples on the other end.

Top Active Holdings

Overweight	Underweight
MERCK & CO INC	UNITEDHEALTH GROUP INC
MICROSOFT CORP	PROCTER & GAMBLE
LINDE PLC	NESTLE SA
AGILENT TECHNOLOGIES INC	ROCHE HOLDING PAR AG
JOHNSON & JOHNSON	PEPSICO INC

Top Holdings

Holding	Weight %
APPLE INC	5.40
MICROSOFT CORP	4.68
AMAZON COM INC	1.87
JOHNSON & JOHNSON	1.78
ALPHABET INC CLASS A	1.71
ALPHABET INC CLASS C	1.65
VISA INC CLASS A	1.54
JPMORGAN CHASE & CO	1.54
MERCK & CO INC	1.40
BANK OF AMERICA CORP	1.37

Country Exposure

Country	Weight %
Austria	0.20
Belgium	0.17
Canada	5.38
Denmark	0.33
Finland	0.52
France	2.73
Germany	3.54
Greece	0.00
Hong Kong	0.84
Ireland	0.11
Israel	0.80
Italy	0.57
Japan	5.16
Netherlands	2.14
New Zealand	0.00
Norway	1.07
Portugal	0.15
Singapore	0.18
Spain	0.57
Sweden	0.70
Switzerland	1.24
United Kingdom	2.67
US	70.92

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	105 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	500
Number of Stocks in Benchmark	1483
Tracking Error (3 Years p.a.)	1.50%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	219 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	609 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	305 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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