

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

30 June 2022

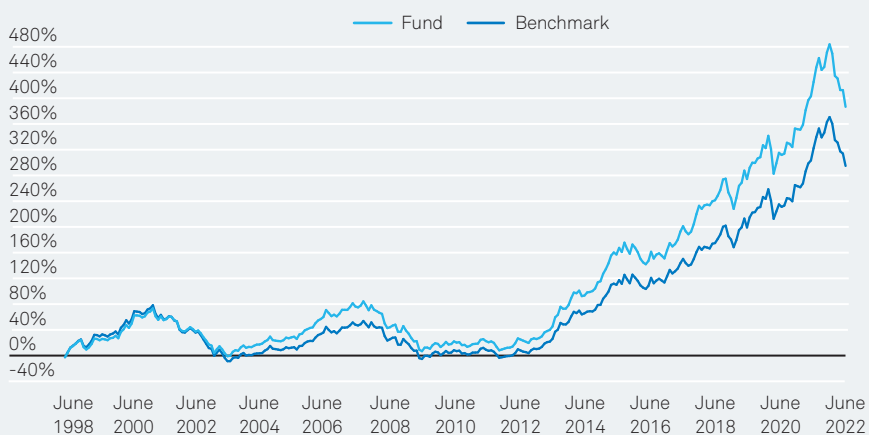
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	-5.06	-8.30	-16.62	-7.34	7.47	10.63	7.90
MSCI World ex Australia Index (unhedged in AUD)	-4.64	-8.42	-16.13	-6.52	7.83	10.12	7.43
Outperformance (Gross of Fees)	-0.42	0.13	-0.49	-0.82	-0.36	0.51	0.47
BlackRock Advantage International Equity Fund ² (Net of Fees)	-5.09	-8.41	-16.84	-7.80	6.95	9.95	5.81
MSCI World ex Australia Index (unhedged in AUD)	-4.64	-8.42	-16.13	-6.52	7.83	10.12	5.77
Outperformance (Net of Fees)	-0.46	0.01	-0.71	-1.28	-0.88	-0.17	0.05
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	-8.52	-15.00	-19.82	-13.24	5.86	7.72	8.66
MSCI World ex Australia Index (hedged in AUD)	-8.10	-15.10	-19.37	-12.51	6.36	7.33	8.44
Outperformance (Gross of Fees)	-0.43	0.11	-0.46	-0.73	-0.50	0.39	0.22
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	-8.56	-15.11	-20.04	-13.69	5.31	7.01	9.20
MSCI World ex Australia Index (hedged in AUD)	-8.10	-15.10	-19.37	-12.51	6.36	7.33	9.72
Outperformance (Net of Fees)	-0.46	-0.01	-0.67	-1.18	-1.04	-0.32	-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 June 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 15.10% in fully hedged to AUD terms in Q2 2022.

The second quarter of the year was marked by volatility, with equities and fixed income selling off on the back of recessionary concerns, high inflation, and tightening financial conditions. Global equities finished the quarter down 15.5%, with Emerging Markets outperforming Developed Market counterparts. Fixed income markets were challenged by higher yields particularly at the start of the quarter, before reclining downwards towards the end of June amidst concerns that policy tightening may hurt the economy.

In the US, the S&P 500 Index declined by 16.1% over the quarter, and by 8.3% over the month of June (in local currency terms). All sectors, including Energy, declined over the month as growth concerns weighed on investor sentiment.

The Federal Reserve (Fed) increased the policy rate by 125bps over the second quarter, as the Fed continues to battle with tightening labour markets and elevated inflationary readings. Headline inflation accelerated further in May, rising 8.6% over the year, with gasoline, food and shelter prices contributing to the increase. While the unemployment rate remained at 3.6% for the third month in a row, consumer confidence index fell sharply as consumer resiliency was tested by the future prospect of persistent inflation. Meanwhile, the Manufacturing PMI index declined from 57 to 52.7 in June, marking the slowest growth in factory activity since July 2020. Market-based interest rate expectations re-priced downwards towards the end of June, reflecting concerns that central banks may be stalling the restart with higher policy rates.

European equity markets represented through the Euro Stoxx 600 Index declined by 10.1% in the second quarter, and by 9.3% in June (in local currency terms) as ongoing concerns around Europe's heavy reliance on Russian oil and natural gas continued to raise risks of economic deceleration.

Within the European block, annual flash headline inflation hit an all-time high of 8.6% in June. Rising food and energy prices, alongside growing core inflation readings, have continued to add to concerns that high inflation may become entrenched in the region. The Euro Area economic sentiment slipped in May as consumers saw increasing headwinds to the outlook. The European Central Bank (ECB) further reiterated the possibility of a rate hike in July and an exit to negative interest rates by the end of Q3.

While the UK equity market outperformed most other major Developed markets, it still declined by 3.7% over the quarter and 5.5% over June (in local currency terms). The Bank of England (BoE) hiked rates by 50bps over the period as UK inflation soared to 9.1% in May, the highest reading in more than 40 years. The unemployment rate rose slightly to 3.8% in the three months through April, marking the first increase in over a year. Meanwhile, consumer confidence fell to its lowest historic levels as consumers battled with renewed economic fears and experienced the squeeze from negative real wage growth. The deterioration in sentiment is in spite of the Chancellor's announced fiscal measures to help offset rising household costs alongside a '25% Energy profits Levy' on UK energy firms to ease the cost of living crisis. The UK manufacturing PMI fell further to 52.8 in June, as new orders contracted at the fastest rate in two years.

Asian equities rebounded over the quarter, driven by the rebound in activity across China. Specifically, Chinese equities, as represented by the CSI 300, rose 7.3% in the second quarter, after declining by over 15% in the first quarter. Economic data within China have appeared to bottom, with retail sales and industrial production figures for May surprising on the upside. The official manufacturing PMI rose to 50.2 in June, marking the first time it has crossed the 50 expansionary threshold since February. Chinese banks cut key interest rates for long-term loans with the five-year loan prime rate reduced to 4.45% alongside more than 140 billion yuan in tax relief offered to companies and consumers to offset the heavy impact of COVID lockdowns.

Japanese equities, as represented by the TOPIX Index, declined by 3.7% over the quarter and by 2.1% in June (in local currency terms), as the economy battles with slowing manufacturing growth and rising inflation. The Bank of Japan (BOJ) continued to maintain its stance of defending its yield target despite core consumer prices rising 2.1% y/y in May, ahead of the BOJ's 2% target.

Strategy Commentary

The strategy outperformed its benchmark as Value-oriented signals benefited, with quality taking a backseat. Sentiment signals also positioned successfully again over Q2, with significant alpha coming broadly from the strategy's Macro Thematic signals as well.

Fundamental signals overall scored mildly positively due to a contribution from Value-oriented metrics. Measures observing balance sheet ratios, preferring companies with positive Value characteristics, were among the most successful for the model. A signal betting against stocks with high skewness of returns again benefited, with May's trend within European financials continuing to play well as policy shifts continue to drive reversals. In a theme that played out throughout the quarter, quality signals detracted, albeit mildly. Despite success from some traditional Earnings Quality insights, like one preferring companies with lower levels of equity dilution, other signals preferring firms demonstrating innovations in green technology and low levels of ESG controversies detracted.

Sentiment signals were strong contributors throughout Q2 with Trend-oriented signals in particular performing strongly. A newly introduced signal that tilts into industries based on observed performance in downturn environments also performed strongly.

Macro signals recovered meaningfully in May but stumbled in June, with the model correctly positioning for the policy normalization theme that played out in May. This played out especially through a continued successful underweight in Consumer Staples and an overweight to Energy names as inflation sensitivity continues to headline as one of the dominant drivers of markets. In June, rising concerns that policy tightening would ultimately choke growth, ran against positioning from contrarian stock selection insights and the broader pro-inflation/short duration stance expressed by Macro signals, which has persisted since the outset of the year. The strategy particularly faced pain from misalignment of its thesis of policy normalization as a single-minded policy view on inflation dominated markets.

Top Active Holdings

Overweight	Underweight
AGILENT TECHNOLOGIES INC	AMAZON COM INC
METLIFE INC	TESLA INC
INTEL CORPORATION CORP	PROCTER & GAMBLE
JPMORGAN CHASE & CO	VERIZON COMMUNICATIONS INC
JOHNSON & JOHNSON	THERMO FISHER SCIENTIFIC INC

Top Holdings

Holding	Weight %
APPLE INC	4.79
MICROSOFT CORP	4.59
JOHNSON & JOHNSON	1.81
ALPHABET INC CLASS A	1.70
ALPHABET INC CLASS C	1.65
JPMORGAN CHASE & CO	1.54
EXXON MOBIL CORP	1.52
VISA INC CLASS A	1.45
BANK OF AMERICA CORP	1.28
AMAZON COM INC	1.23

Country Exposure

Country	Weight %
Austria	0.18
Belgium	0.18
Canada	4.18
Denmark	0.93
Finland	0.48
France	2.72
Germany	3.79
Greece	0.00
Hong Kong	0.97
Ireland	0.09
Israel	0.79
Italy	0.57
Japan	4.69
Netherlands	1.88
New Zealand	0.00
Norway	0.93
Portugal	0.11
Singapore	0.15
Spain	0.53
Sweden	0.57
Switzerland	1.33
United Kingdom	2.81
US	72.13

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	97 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	531
Number of Stocks in Benchmark	1456
Tracking Error (3 Years p.a.)	1.43%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	196 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	557 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	275 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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