

# BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

**BLACKROCK®**

FUND UPDATE

28 February 2021

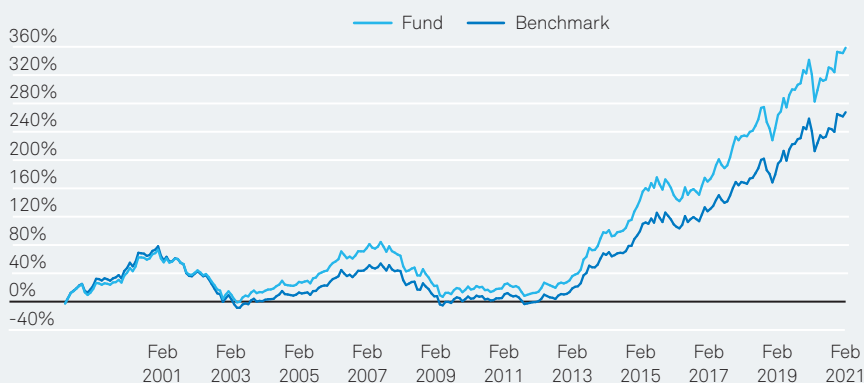
## Investment Performance (%)

	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)	1.68	1.27	1.50	8.90	11.03	13.33	8.17
MSCI World ex Australia Index (unhedged in AUD)	1.64	0.68	1.18	7.79	11.11	12.32	7.59
Outperformance (Gross of Fees)	0.04	0.59	0.32	1.11	-0.08	1.01	0.58
BlackRock Advantage International Equity Fund <sup>2</sup> (Net of Fees)	1.64	1.15	1.42	8.36	10.34	12.51	5.92
MSCI World ex Australia Index (unhedged in AUD)	1.64	0.68	1.18	7.79	11.11	12.32	5.78
Outperformance (Net of Fees)	0.00	0.47	0.24	0.58	-0.77	0.19	0.14
BlackRock Scientific Hedged International Alpha Tilts Fund <sup>3</sup> (Gross of Fees)	2.69	5.92	2.12	24.29	9.40	14.24	9.58
MSCI World ex Australia Index (hedged in AUD)	2.65	5.32	1.81	23.46	9.67	13.36	9.26
Outperformance (Gross of Fees)	0.04	0.60	0.31	0.83	-0.27	0.87	0.31
BlackRock Advantage Hedged International Equity Fund <sup>4</sup> (Net of Fees)	2.65	5.79	2.04	23.66	8.67	13.36	10.16
MSCI World ex Australia Index (hedged in AUD)	2.65	5.32	1.81	23.46	9.67	13.36	10.59
Outperformance (Net of Fees)	0.00	0.47	0.23	0.20	-1.00	0.00	-0.43

<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 28 February 2021



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

## Performance Summary

### Market Review

The MSCI World Ex Australia Index gained +1.64% in unhedged AUD terms and +2.65% in fully hedged to AUD terms in February 2021.

Most global equity markets recorded somewhat positive performance in February, while other asset classes such as fixed income and listed infrastructure declined over the month. Global COVID-19 infection numbers improved and the vaccination rollout continued. The rise in longer-term government bond yields was a major topic amongst investors in February, and unsettled both equity and fixed income markets especially towards the end of the month. Bond volatility spiked to the highest level since April of last year, spilling over to other asset classes. Whilst still very low from a historical perspective, bond yields have risen meaningfully over the last two months on the back of higher inflation expectations and optimism regarding the return to normalcy.

The S&P 500 Index traded in a choppy fashion but finished the month 2.8% higher. Most US companies have now reported their fourth-quarter earnings, with the results largely positive. Corporate earnings have generally surprised to the upside and are growing again after three consecutive quarters of year-on-year declines. Forward-looking earnings guidance has also been revised upwards for several companies. On the macro side, investors are expecting the US Congress to approve Joe Biden's rescue plan of approximately \$1.9 trillion. Once restrictions are lifted, the additional stimulus cheques and unemployment benefits could lead to a significant acceleration in consumption – seen as a positive for equity markets. However, investors are concerned about inflation, given the size of the stimulus package combined with already loose monetary conditions. The US Federal Reserve ("Fed") kept its guidance on asset purchases unchanged in its January meeting, stressing that it would be "some time" before it considers tapering. Economic momentum in the US is solid with the February composite PMI coming in at 59.5, above January's 58.8, led by the service sector which had previously been a drag due to lockdown restrictions. The US labour market also showed signs of improvement, with the unemployment rate dropping 0.4% to 6.3%.

European equity markets recorded positive performance in February. Some European companies reported quarterly earnings and the results were generally encouraging – in line with their US counterparts. About three quarters of companies beat earnings forecasts, which is relatively high compared to historic results. On the political front, the European Parliament has given the go-ahead for an US\$815 billion (672.5 billion euro) recovery package of loans and grants to help member nations recover more quickly from the pandemic. EU member nations can submit their national recovery and resilience plans for assessment by the European Commission (EC). These plans are expected to set out national reforms and public investment projects, which would then be supported by Europe's Recovery and Resilience Facility (RRF) if approved. Financial markets saw this development as a positive in driving reforms and economic growth in the region, with Italian and Spanish sharemarkets amongst the best performers in February.

In the UK, the FTSE 100 Index gained 1.6% over the month but macro data was relatively lacklustre. The UK saw a slight increase in the unemployment rate to 5.1% in the three months to December as the country was under national lockdown restrictions. UK's composite PMI came in at 49.6. Although this was an improvement from January, it indicated that business activity remained in contractionary territory (a PMI below 50 is considered contraction territory).

Asian equity markets recorded broadly positive performance in February. The Chinese sharemarket was somewhat of an outlier and declined slightly over the month. China appears to have managed the pandemic reasonably well and was one of the very few countries globally to record positive economic growth in 2020. However, recent economic indicators suggest a slowing in momentum. For example, Chinese manufacturing and non-manufacturing PMIs slowed in February (but remained in expansion territory). A gradual withdrawal of monetary stimulus by the Chinese government and a less supportive policy stance were likely drivers of the recent softening. In Japan, the Nikkei 225 Index gained nearly 5% in February and outperformed most of its global peers. Japan's economy grew more than expected in the last quarter of 2020 (+3.0% in Q4 20), supported by strong exports. Nonetheless, Japan is poised to enter a double-dip recession in Q1 21 following the announcement of a second state of emergency earlier in the year. This includes strict lockdown restrictions following a major Covid outbreak in Tokyo and surrounding districts.

## Strategy Commentary

The international stock selection strategy gained and slightly outperformed its benchmark this month. Amongst insights, Relative Valuation and Cross Border Thematics added while Momentum detracted. Geographically, the main source of outperformance came from Relative Valuation in Japan. Asia also contributed (Momentum) while Europe and US detracted. Looking at sectors, Consumer Discretionary was the top contributing sector thanks to overweights specialty retailers in Japan and the US. Overweight interactive media & services in the US added to the Communications Services sector while overweights in banks across Europe, Canada and the US helped Financials. US software and semiconductors overweights weighed on Information Technology, the worst performing sector this month.

Positive contributors to performance included overweight positions in Twitter and Phillips 66.

**Twitter** – The American social media company Twitter announced new revenue targets and the potential launch of a subscription feature which was well received by the market. Management stated that it expects to significantly increase its daily active users and double its annual revenue by the end of 2023. The overweight position was a result of favourable across all insights, especially Momentum and Cross Border Thematics.

**Phillips 66** – The US multinational energy company saw its share price gain over +22% in February supported by the increase in the price of oil. The overweight position was driven by positive Quality, Sentiment and Cross Border Thematics insights.

Detractors from performance included overweight positions in Equinix and Beiersdorf.

**Equinix** – The American data centre REIT Equinix surprised the market with better than expected earnings for the fourth quarter however investors were concerned about the increasingly competitive environment and potential impact on pricing in the industry. The overweight position was a result of generally positive views across most insights.

**Beiersdorf** – The German care products manufacturer Beiersdorf reported a decline in sales of over 8% due to the pandemic in 2020. Despite management expecting sales recovery for 2021, the share price dropped and fell out of the DAX index. The overweight position was driven by generally positive insights, especially Momentum and Sentiment.

### Top Active Holdings

Overweight	Underweight
BRISTOL MYERS SQUIBB	JPMORGAN CHASE & CO
INTEL CORPORATION CORP	MASTERCARD INC CLASS A
UNITEDHEALTH GROUP INC	MICROSOFT CORP
PHILLIPS	EXXON MOBIL CORP
EQUINIX REIT INC	ABBOTT LABORATORIES

### Top Holdings

Holding	Weight %
APPLE INC	4.03
MICROSOFT CORP	2.78
AMAZON COM INC	2.56
ALPHABET INC CLASS C	1.61
ALPHABET INC CLASS A	1.47
VISA INC CLASS A	1.33
UNITEDHEALTH GROUP INC	1.32
FACEBOOK CLASS A INC	1.31
INTEL CORPORATION CORP	1.19
BRISTOL MYERS SQUIBB	1.12

### Country Exposure

Country	Weight %
Austria	0.04
Belgium	0.36
Canada	2.67
Denmark	1.14
Finland	0.14
France	3.69
Germany	3.53
Greece	0.00
Hong Kong	1.87
Ireland	0.19
Israel	0.91
Italy	0.52
Japan	8.19
Netherlands	1.18
New Zealand	0.00
Norway	0.16
Portugal	0.11
Singapore	0.66
Spain	0.47
Sweden	1.33
Switzerland	1.59
United Kingdom	4.01
United States	67.23

## 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	121 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	670
Number of Stocks in Benchmark	1523
Tracking Error (3 Years p.a.)	1.68%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	259 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	661 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	353 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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