

# BLACKROCK AUSTRALIAN EQUITY MARKET NEUTRAL FUND

**BLACKROCK®**

FUND UPDATE

30 September 2023

## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Equity Market Neutral Fund* (Gross of Fees)	1.25	4.85	5.59	3.75	-0.65	2.44	8.85
RBA Cash Rate Target	0.33	1.02	2.79	3.51	1.40	1.21	3.34
Outperformance (Gross of Fees)	0.92	3.83	2.81	0.24	-2.04	1.23	5.50

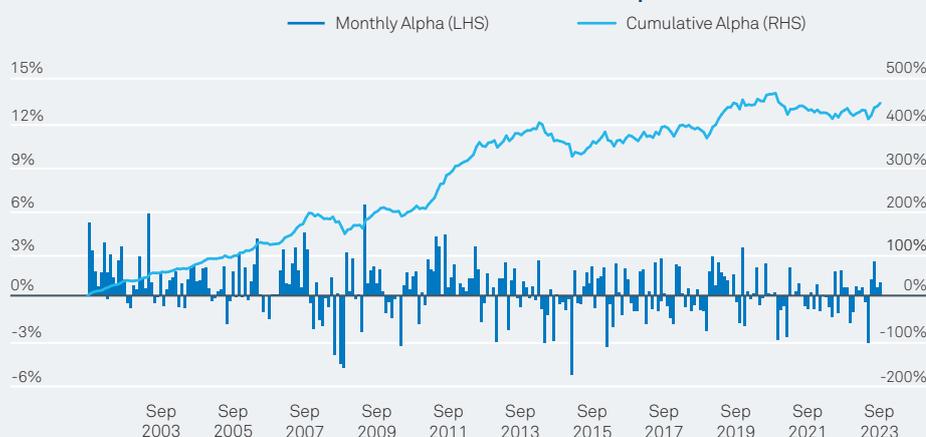
\*Fund inception: 31/08/2001.

Past performance is not a reliable indicator of future performance. Gross returns are calculated before fees and taxes and assume reinvestment of distributions. 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. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees, performance fees and expenses.

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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

## Fund Performance (Gross of Fees) to 30 September 2023



## Performance Summary – September 2023

### Fund v Market

The S&P/ASX200 Accumulation Index had a negative third quarter to the end of September, registering a -0.77% decline.

Throughout the quarter we saw encouraging signs of inflation coming down, however, the latest monthly read in September came in higher than expected at 5.2% Y/Y. The RBA has held the cash rate at 4.1% since July as it continues to assess the lagged effects of monetary policy on the economy. Retail spending has proved a little volatile over the month, generally trending down, but boosted during certain periods, for example during the FIFA Women's World Cup. Results from CBA during the quarter highlighted the consumer remains resilient, but the picture is different across age groups with the younger cohort seeing a larger reduction in savings and spending. Elsewhere, unemployment is staying low (3.7%), however, an underperforming Aussie dollar is adding to inflation pressures and adding to considerations that new RBA Governor, Michele Bullock, may take into account for her first rate decision in October.

Energy was the best performer over the quarter (+11.1%), with Woodside and Santos the main drivers, benefitting from fears around global oil and gas supplies. Elsewhere, Consumer Discretionary (+5.4%), also had a good month with index heavyweight Wesfarmers contributing significantly. The biggest detractor was Health Care (-8.6%) dragged lower by CSL who had a poor quarter after updating the market on timelines to pre-covid profitability, which was not received well. Materials (-2.4%), Consumer Staples (-5.9%), Information Technology (-5.8%), and Real Estate (-3.2%) were also poor performers for the quarter.

The strategy delivered a strong quarter for alpha. Gains were made across a number of sectors, including shorts in Information Technology, short miners in Materials, favourable positioning in Industrials, longs in Health Care names, and longs in specialty retailers within Consumer Discretionary. Shorts in Communication Services led to that sector detracting the most. Nearly all insight groups added led by company fundamentals (Relative Valuation and Earnings Quality insights).

### Investment Insights

The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

- ▶ Relative Valuation signals were positive,
- ▶ Market signals were positive,
- ▶ Earnings Direction signals were positive,
- ▶ Earnings Quality signals were positive,
- ▶ Timing signals were negative.

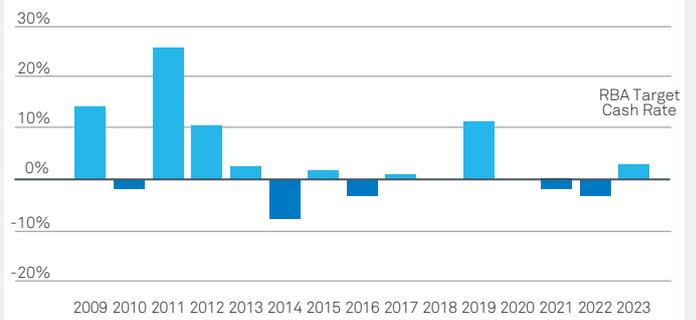
#### Contributors/Detractors

Contributors	Detractors
IRESS LTD	GUD HOLDINGS LTD
PREMIER INVESTMENTS LTD	RESMED INC
PRO MEDICUS LTD	BOSS ENERGY LTD
CHARTER HALL LONG WALE REIT	GROWTHPOINT PROPERTIES AUSTRALIA LTD
DE GREY MINING LTD	QANTAS AIRWAYS LTD

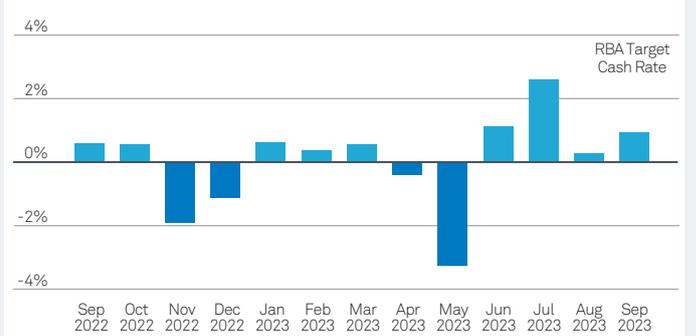
#### Top Active Holdings

Long	Short
ARISTOCRAT LEISURE LTD	INCITEC PIVOT LTD
WESTPAC BANKING CORPORATION CORP	NINE ENTERTAINMENT CO HOLDINGS LTD
WOOLWORTHS GROUP LTD	COMMONWEALTH BANK OF AUSTRALIA
COLES GROUP LTD	TPG TELECOM LTD
SPARK NEW ZEALAND LTD	ARB CORPORATION LTD

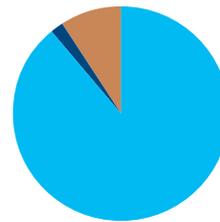
#### Yearly Alpha, Gross of Fees (%)



#### Monthly Alpha, Gross of Fees (%)



#### Risk Contributions (%)



Active Risk: 2.99%  
Active Beta: 0.01

#### Insight Performance (%)



Source: BlackRock.

#### Sector Exposure

Sector	Active Weight(%)
Communication Services	-4.12
Consumer Discretionary	-0.85
Consumer Staples	-0.73
Energy	0.02
Financials	0.16
Health Care	2.18
Industrials	-0.95
Information Technology	2.48
Materials	0.02
Real Estate	1.34
Utilities	0.00
None	0.00

## Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were long positions in Pro Medicus (PME) and Cochlear (COH). Amongst the largest detractors was a short position in GUD (GUD) and a long position in Resmed (RMD).

### Top Contributors

**PME** – The long position in medical imaging software firm Pro Medicus was taken as most insight groups were moderately positive. The company announced it was awarded a large contract from a US health care group.

**COH** – The long position in hearing company Cochlear was driven by favourable Earnings Quality, Earnings Direction and Market insights. In August the firm reported at the top end of guidance on higher revenues as the market continued to recover post-COVID. Second half growth was strong with the company expecting further profit growth; on higher revenue and improved margins.

### Top Detractors

**GUD** – The short position in automotive company GUD was a result of nearly all insight groups being negative. The company released a positive earnings result, showing both organic growth and contribution from recent acquisitions. Investors also reacting positively to the company divesting its Water division to become a pure-play automotive company.

**RMD** – The long position in medical device firm Resmed was led by favourable Market, and Relative Valuation insights. In their August earnings announcement the firm reported revenues were higher over the year but margins had contracted “due to unfavorable product mix and higher component and manufacturing costs”.

## About the Fund

### Investment Objective

The Fund aims to outperform the RBA Target Cash Rate by 8% p.a. before fees over rolling three-year periods.

### Fund Strategy

The Fund has a market neutral strategy that gains exposure to long and short positions in Australian equities. It is a highly risk-controlled strategy that employs a scientific process to identify mis-priced stocks using a range of fundamental investment insights. These insights are the result of ongoing research by BlackRock’s global team of investment professionals. The insights are broadly categorised as:

- ▶ Earnings Direction – anticipate changes in future earnings direction, which affects stock prices;
- ▶ Relative Valuation – analyse multiple measures of underlying fundamental value;
- ▶ Earnings Quality – assess the quality and sustainability of earnings;
- ▶ Market – focus on market and management behaviour that can influence stock prices; and
- ▶ Timing – consider theme and sector timing.

### Should be considered by investors who ...

- ▶ Seek to gain competitive returns, irrespective of equity market conditions
- ▶ Are seeking the risk benefits of diversification in their portfolios
- ▶ Require a Fund that applies rigor in its underlying investment philosophy and style
- ▶ Prefer a Fund with a proven track record in long-short investing
- ▶ Have a long term investment horizon.

### Fund Details

BlackRock Australian Equity Market Neutral Fund	
APIR	BGL0064AU
Fund Size	13 mil
Buy/Sell Spread	0.50%/0.50%
Tracking Error	4.62%

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