

BLACKROCK WHOLESALE AUSTRALIAN SHARE FUND

BLACKROCK®

FUND UPDATE

30 September 2023

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Wholesale Australian Share Fund* (Net of Fees)	-2.63	0.38	3.77	12.05	8.68	5.86	8.22
S&P/ASX 300 Accumulation Index	-2.89	-0.84	3.48	12.92	10.78	6.62	8.37
Outperformance (Net of Fees)	0.26	1.22	0.29	-0.87	-2.10	-0.76	-0.15

* The actual inception of the Fund is 31 December 1993, however the Fund changed from a Fundamental Strategy to a Scientific (quantitative)

Strategy on 14 June 2012. Please note that performance information displayed on BlackRock website from the date of the Fund's actual inception up to and including 14 June 2012 has been calculated for the fundamental strategy, whilst performance on and after 14 June 2012 has been calculated for the scientific strategy.

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.

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).

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

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.

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.

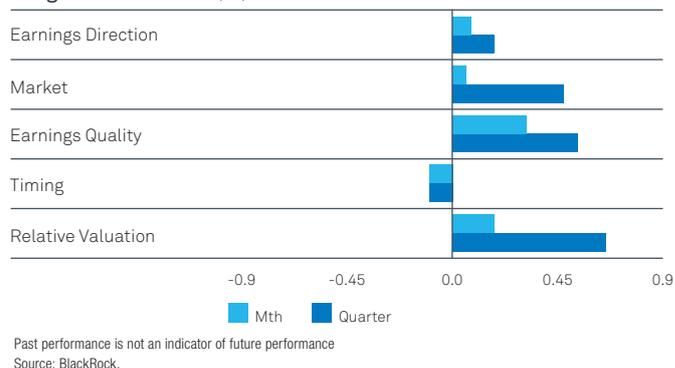
COH – The long position in hearing company Cochlear was driven by favourable Earnings Quality, Earnings Direction and Market insights. In August the firm reported at the top end of guidance on higher revenues as the market continued to recover post-COVID. Second half growth was strong with the company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

Insight Performance (%)



Sector Exposure (Long/Short Strategy)

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

Contributors/Detractors (Long/Short Strategy)

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 Strategy)

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

About the Fund

Investment Objective

The Fund has two aims: to achieve capital growth over the long-term through investment in Australian shares and other securities and to provide investors with some tax-effective income through the distribution of franking credits. Overall, we aim to achieve this goal by outperforming the S&P/ASX 300 Accumulation Index ("Benchmark") over rolling five year periods.

Fund Strategy

The Fund, through its underlying investments, employs a "long/short" investment strategy. Unlike "long only" investments, which have just one source of return; that is buying stocks that are expected to rise in value, long/short strategies have two sources of prospective return. A fund that employs a long/short investment strategy can generate returns by owning stocks that the manager expects will rise in value (long). At the same time the fund can, sell (short) stocks that are expected to decrease in value.

In implementing the underlying index strategy BlackRock takes a full replication approach which means that wherever practical, we seek to hold every stock in the S&P/ASX 300 Accumulation Index, but will trade in less liquid stocks over time to minimize transaction costs.

To further counteract the impact of transaction costs we employ low-risk enhancement techniques in an attempt to add value and replicate more closely the return of the S&P/ASX 300 Accumulation Index. These low risk portfolio enhancement activities include the use of

- ▶ dividend reinvestment plans;
- ▶ futures to efficiently reinvest dividend distributions; and
- ▶ trading strategies to manage changes to the S&P/ASX 300

Should be considered by investors who ...

- ▶ Seek to gain competitive returns
- ▶ 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 Wholesale Australian Share Fund	
APIR	PWA0823AU
Fund Size	31 mil
Buy/Sell Spread	0.275%/0.275%
Management Fee	0.95% p.a.

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