RECOMMENDED

Product Assessment

BlackRock Advantage International Equity Fund

Report data as at 28 Feb 2023
Rating issued on 30 Nov 2022

APIR Code
BAR0817AU

Asset / Sub-Asset Class
International Shares
Global (Unhedged)

Investment Style
Neutral

Investment Objective
To outperform the MSCI World ex-Australia Index (unhedged) by 2% p.a. (after fees) over rolling three-year periods, whilst maintaining a similar level of investment risk to the index.

Zenith Assigned Benchmark
MSCI World ex Aust $A

Net Returns (% p.a.)

	5 yrs	3 yrs	1 yr
Fund	9.27	7.91	-0.03
Benchmark	10.12	8.37	-0.21
Median	8.84	7.30	-1.33

Income (% p.a.)

	Income	Total
FY to 30 Jun 2022	4.96	-7.80
FY to 30 Jun 2021	0.43	26.88
FY to 30 Jun 2020	1.68	4.57

Fees (% p.a., Incl. GST)
Management Cost: 0.50%
Performance Fee: N/A

VIEWPOINT

The Fund, managed by BlackRock Investment's (BlackRock) San Francisco-based Systematic Active Equity (SAE) team, provides investors with a quantitatively-driven international equities exposure. The SAE team employs a quantitatively-driven investment process that continues to evolve and adapt to changing market environments. Zenith has a high regard for the depth and experience of the SAE team, considering it to be a competitive advantage for the Fund.

BlackRock employs over 19,800 staff located in over 36 countries across the world, with approximately $US 7.96 trillion in funds under management as at 30 September 2022. As at the same date, BlackRock's SAE team managed $US 53 billion in international equities strategies.

The SAE team, which is co-located in San Francisco and London, consists of over 90 dedicated investment professionals. Co-Heads of Investments (SAE) Raffaele Savi and Jeff Shen lead the SAE team, with Kevin Franklin responsible for managing the portfolios of the global investment strategies. The research is structured to identify stocks exhibiting attractive valuations, positive market sentiment and positive macroeconomic themes. Zenith has met with several SAE team members and has a high regard for their investment insights and robust research agenda. Furthermore, we believe that SAE team is one of the most well-resourced teams in the market, which is a competitive advantage for the Fund.

BlackRock's proprietary research forms the basis of its investment insights. Generally, these insights fall into three broad categories being company fundamentals, market sentiment and macro themes. Zenith considers BlackRock's security selection process to be well structured and differentiated in terms of its approach towards identifying unique data sources, which results in focused research and the timely implementation of model enhancements.

BlackRock aims to build a highly diversified, benchmark aware portfolio of securities displaying the best risk-adjusted returns. The stock selection model is updated daily with the expected excess returns for each security incorporated into a portfolio optimisation process. The optimisation process also considers trading costs, benchmark information, risk parameters and a multi-dimensional risk model.

Zenith believes BlackRock's portfolio construction approach is logical and implemented in a consistent manner. Furthermore, BlackRock's quantitatively-driven process removes emotional and cognitive biases, ensuring a disciplined and repeatable investment framework.

FUND FACTS

- Highly-diversified portfolio holding between 500 and 1,000 stocks
- Excludes companies involved in controversial/nuclear weapons and tobacco
- Portfolio turnover expected to be 100% p.a. to 200% p.a.
- Zenith has assigned the Fund a responsible investment classification of **Integrated**

ABSOLUTE RISK (SECTOR)

VERY HIGH
HIGH
MODERATE
LOW
VERY LOW

RELATIVE RISK (FUND WITHIN SECTOR)

Geared
Active - Benchmark Unaware
Active - Benchmark Aware
Index - Enhanced/Fundamental
Index

INCOME DISTRIBUTIONS PER

MONTH QUARTER 6 MONTH ANNUM

INVESTMENT TIMEFRAME

1-2 YRS 3-4 YRS 5-6 YRS 7+ YRS

APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, international equities also afford portfolio diversification benefits.

The Zenith 'International Shares - Global (Unhedged)' sector consists of long-only funds that invest in global equity markets. The sector incorporates both benchmark-aware and benchmark-unaware strategies that focus predominantly on larger capitalisation stocks. The sector is one of the most competitive fields in the investment landscape, based on the number of managers and strategies available to investors.

Zenith benchmarks all funds in this sector against the MSCI World ex-Australia Index (Unhedged), which corresponds with the benchmark employed by most funds in the sector. The index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weighting. The index consists of approximately 1,454 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States) with the United States currently representing approximately 71% of the index; Japan and the United Kingdom being the next largest constituents, with approximately 6% and 4%, respectively. Although the index excludes emerging and frontier markets, many funds retain the mandate flexibility to invest in emerging markets.

The global share market, as represented by the MSCI World ex-Australia Index, is far more diverse in terms of sector and stock exposures than the Australian market. Many sectors not well represented in the Australian market, such as information technology and communication services, are well represented in the global index, with approximate weights of 21% and 11%, respectively. In addition, the largest 10 stocks represent approximately 19% of the global index, reflecting the greater breadth and less top-heavy nature of the global universe.

The Unhedged classification indicates that funds in this universe are currency unhedged, resulting in their returns being broadly affected by fluctuations in the Australian Dollar (AUD) versus other global currencies. Returns of unhedged funds are positively impacted by a depreciating AUD, whilst an appreciating AUD will negatively impact returns.

PORTFOLIO APPLICATIONS

International equities provide investors with broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency movements are considered. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities are blended with domestic equities and other asset classes such as fixed income to improve portfolio diversification.

BlackRock actively searches for investment opportunities to produce excess returns using a quantitatively-driven, long-only stock selection process. Given the quantitative, style-neutral nature of the Fund, Zenith recommends that it is used as part of a diversified international equities portfolio. The Fund is expected to blend well with fundamental managers utilising a range of investment approaches, including those with value and growth-style investment methodologies.

The Fund's currency exposure remains unhedged, which may suit investors seeking an international equity investment with exposure to fluctuations in the Australian dollar. For investors who are concerned about the short-term risks associated with fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

The Fund's portfolio turnover is expected to be 100% p.a. to 200% p.a., which Zenith considers to be high. BlackRock was not able to provide any insight on the proportion of expected turnover attributed to the resizing of existing positions and that which is due to initiating and closing positions. Given this expected level of turnover, the majority of the Fund's returns are expected to be delivered via the realisation of capital gains in income distributions, rather than through capital appreciation in the unit price. In addition, realised capital gains are highly unlikely to be eligible for the capital gains tax discount, which can have a further negative impact on the after-tax outcomes for high tax rate paying investors. As such, holding all else equal, the Fund may be more appealing to investors who are nil/low tax rate payers or high marginal tax rate payers who invest through tax-effective vehicles such as a superannuation fund.

RISKS OF THE INVESTMENT

SECTOR RISKS

The broad risks of investing in global equities include:

MARKET DOWNTURN: Global equities based products face the risk of a significant downturn across global equities markets, which could lead to periods of negative performance. Zenith believes this risk can be significantly reduced by investors adopting a medium to long-term (7+ years) investment time frame.

SPECIFIC SECURITY RISK: This is the risk associated with an individual security. The price of shares in a company may be affected by unexpected changes in that company's operations, such as changes in management or the loss of a significant customer.

LIQUIDITY RISK: This is the risk that a security or asset cannot be traded quickly enough due to insufficient trading volumes in the market. When trading volumes are low, sellers can significantly impact the price of a security when attempting to quickly exit a material position.

STYLE BIAS RISK: Global equity managers typically employ a growth, value or neutral-style approach to investing, with each style potentially conducive to certain market conditions. As with market risk, investors should adhere to the Fund's recommended investment time frame to mitigate the impact of short-term market movements and style impact.

CAPACITY RISK: High levels of funds under management (FUM) can present additional challenges to a global equity manager, as high FUM has the potential to hamper the manager's ability to trade efficiently and/or be forced to disclose substantial shareholdings to the market (most common in smaller companies).

AUSTRALIAN DOLLAR (AUD) CURRENCY RISK: The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. For funds that maintain an unhedged currency exposure, an appreciating AUD is likely to have a negative impact on a fund's total return. Conversely, an unhedged fund is likely to benefit relative to hedged global equities funds in periods where the AUD depreciates. Zenith believes that, over the long-term, the currency impact on performance will be minimal and, therefore, does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors concerned about the short-term risks associated with fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

INVESTMENT MODEL RISK: Quantitative investment approaches typically perform better in 'normal' market environments, where mean reversion and momentum factors tend to produce stronger results. The historical nature of some quantitative inputs results in an inability to react quickly to changing markets. BlackRock continually explores, researches and tests new predictive factors to enhance the investment process. Investors should be aware that there could be periods in which the process experiences difficulties and, consequently, the Fund underperforms.

COMPETITION RISK: Fund managers that draw upon quantitatively and technologically-derived investment insights are at risk of their competitive edge being eroded over time as competitors replicate successful investment strategies. This may restrict a model's efficacy and profit-generating ability as competitors employ similar strategies. BlackRock mitigates this risk by continuously innovating and conceiving new investment signals, thereby allowing proprietary investment signals to remain unique.

KEY PERSON RISK: In Zenith's opinion, key person risk is not a major concern for the Fund. Given the quantitatively-driven nature of the investment process, there is not an over-reliance on any particular individual on a day-to-day basis.

Notwithstanding this, there are several individuals within the SAE team who have contributed materially to BlackRock's quantitative models. Zenith believes that the departure of these individuals could potentially have a flow-on effect on the continued development and enhancement of BlackRock's models.

CAPACITY RISK: Excessive levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, limiting outperformance potential.

The capacity of the Fund is subject to the discretion of BlackRock and consistently monitored. However, given the systems in place at BlackRock, Zenith is disappointed that a capacity limit has not been set. To be in line with industry best practice, we believe BlackRock should conduct a comprehensive capacity and liquidity assessment to determine an appropriate limit for the strategy. However, we acknowledge that at current levels of FUM, capacity should not be an issue over the short term.

QUALITATIVE DUE DILIGENCE

ORGANISATION

BlackRock was established in 1988 as the investment management group within the private equity firm Blackstone Group. Following a number of ownership changes, BlackRock merged with Merrill Lynch Investment Management (MLIM) while retaining the BlackRock name. In 2009, BlackRock acquired Barclays Global Investments (BGI) and merged the two businesses.

BlackRock employs approximately 19,800 staff located in over 36 countries across the world, with approximately $US 8.59 trillion in funds under management, as at 31 December 2022.

As at 31 October 2022, BlackRock's SAE team managed $US 53 billion in international equities strategies, $A 255 million of which was in the Fund.

INVESTMENT PERSONNEL

Name	Title	Tenure
Rafaelle Savi	Co-Head of Investments-Systematic Active Equity	17 Yr(s)
Jeff Shen	Co-Head of Investments-Systematic Active Equity	18 Yr(s)
Kevin Franklin	Portfolio Manager	12 Yr(s)

The Fund is managed by BlackRock's Systematic Active Equity (SAE) team, which is co-located in San Francisco and London. The SAE team is responsible for implementing a range of international active strategies within BlackRock.

The SAE team consists of over 90 dedicated investment professionals and is led by Co-Heads of Investments (SAE) Raffaele Savi and Jeff Shen, with Kevin Franklin responsible for managing global investment strategies. The team comprises former career academics, market and industry experts, economists, quantitative researchers and IT technologists.

The research of the team is used to identify stocks exhibiting attractive valuations, positive market sentiment and positive macroeconomic themes. Zenith has met with several researchers within the SAE team and has a high regard for their investment insights and robust research agenda. Furthermore, we believe that the SAE team is one of the most well-resourced teams in the market, which is a competitive advantage for the Fund.

Compensation consists of an industry standard competitive base salary, plus an annual bonus. Bonuses are dependent on the performance of all of the firm's strategies, business profitability and individual qualitative metrics. Overall, Zenith believes that the alignment measures in place are conducive to achieving desired portfolio outcomes and promotes long-term performance.

Overall, Zenith has a high regard for the depth and structure of the SAE investment team. In addition, we believe the team's strong commitment to innovation and its close relationship with Stanford University ensures the Fund is well placed to remain ahead of its competition.

INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

The Fund's investment objective is to outperform the MSCI World ex-Australia Index (unhedged) by 2% p.a. (after fees) over rolling three-year periods, whilst maintaining a similar level of investment risk to the index. In order to achieve its objective, BlackRock expects to incur an active risk, as measured by a Tracking Error, of between 2.5% p.a. and 3.0% p.a. over rolling three-year periods.

BlackRock's investment philosophy is predicated on total performance management, which seeks to balance risks, returns and costs in a systematic and repeatable manner. The scale of BlackRock's operations is such that the Fund is able to leverage its extensive resources, including internal crossing networks and trade optimisation software, to improve risk-adjusted returns.

In creating a highly diversified portfolio, BlackRock seeks to systematically exploit market inefficiencies that have been validated by its research, whilst ensuring that risks relative to the benchmark are adequately compensated.

In June 2015, BlackRock removed the country and currency selection components from the Fund's investment process. Zenith believes the removal of these components allows the Fund to be driven purely by stock selection, which we view positively.

Zenith retains a high level of conviction in the Fund's systematic investment process, believing that BlackRock is one of the better-resourced managers. As such, Zenith believes that the Fund is well positioned to deliver upon its return objectives over the stated investment timeframe.

SECURITY SELECTION

The Fund's investment universe includes all securities listed on stock exchanges of the countries within the MSCI World (ex Australia) Index.

BlackRock's proprietary research forms the basis of its investment insights. Generally, these insights fall into three broad categories:

Company Fundamentals

This involves using clean company fundamental financial data to build valuation models for each company within the investment universe and considering industry-specific factors. BlackRock employs a relative valuation approach that is designed to isolate mispricings in the same sector. As such, different valuation metrics are applied depending on the idiosyncrasies of each sector. This can include placing higher weightings on specific valuation metrics and excluding other metrics in the same sector.

In addition to relative valuation, BlackRock assesses the quality and sustainability of earnings of each company in the investment universe. BlackRock employs a wide range of factors including discretionary accounting decisions made by management and business operating efficiency. BlackRock measures management quality and shareholder friendliness, believing this helps identiy management teams that operate efficiently, implement conservative accounting and focus on profitability. BlackRock estimates that 20% to 40% of the Fund's return is attributable to company fundamentals.

Market Sentiment

Given the importance of future earnings and growth forecasts to company earnings, BlackRock has a quantitative model that identifies the link between changes in analyst forecasts and equity returns. BlackRock's research shows that there is a strong predictive relationship between analyst earnings estimate revisions and price. In addition, BlackRock believes that careful analysis of management activity, publicly-available reports, news media and notes can impact stock price movement. BlackRock estimates that 20% to 40% of the Fund's return is attributable to market sentiment.

Macro Themes

This is undertaken by identifying trends and creating baskets of stocks with positive exposures to these trends. These baskets of stocks are traded together based on the development of a theme. BlackRock estimates that 20% to 40% of the Fund's return is attributable to macro themes.

Researchers and portfolio managers collectively decide on the optimal weights assigned to each strategy, with the weights subject to change over time as market environments change. BlackRock leverages its size and resources to explore innovative sources of data for its models. Alternative data sources and model inputs allow BlackRock to reduce exposure to factors with diminishing efficacy and avoid overcrowded factor positions. Zenith believes BlackRock's ability to fund and source these alternative data feeds differentiates it from many of its smaller competitors.

Through combining these investment insights, BlackRock calculates the expected excess returns for each stock in the investment universe on a daily basis. The excess returns are used to identify the relative attractiveness of stocks within the investment universe.

Given the quantitative nature of BlackRock's process, the firm's research effort is focused on discovering new model signals and/or enhancing existing model signals. Zenith has had broad discussions with BlackRock regarding its forward-looking research development agenda and the model additions and enhancements that have been made in recent years. Overall, Zenith is impressed by the quality of BlackRock's research staff and the comprehensive nature of its research agenda. In addition to the research that BlackRock performs on the return-forecasting models, it undertakes considerable research on risk models, optimisation techniques and implementation issues.

An issue that may arise with any global research platform is that it produces broad research coverage that is not tailored for a style-specific strategy. However, Zenith does not believe this is an issue for the Fund as the portfolio management team drives research to suit its investment requirements. In addition, BlackRock has a collaborative, team-orientated culture and an investment approach that has remained consistent since inception, resulting in the investment team having a high level of familiarity with the Fund's specific investment criteria.

Zenith considers BlackRock's security selection process to be well structured. Furthermore, Zenith believes BlackRock takes a differentiated approach towards identifying unique data sources, which results in focused research and the timely implementation of model enhancements.

PORTFOLIO CONSTRUCTION

BlackRock aims to build a benchmark aware portfolio of securities displaying the best risk-adjusted returns. The resultant portfolio is expected to be highly diversified, holding between 500 and 1,000 securities.

The stock selection model is updated daily, with the expected excess returns for each security being incorporated into a portfolio optimisation process. In addition to considering excess returns, the optimisation process considers trading costs, benchmark information, risk parameters and a multi-dimensional risk model.

Consistent with its focus on minimising the transaction costs of the portfolio, BlackRock employs a proprietary transaction cost model. The model predicts execution costs based on trade size, the relationship between transaction costs and various liquidity measures including the volatility of a stock, bid/ask spreads, stock trading volumes and other stock-specific characteristics.

The optimal stock portfolio is expected to be highly diversified, with benchmark neutral exposures at the sector and country levels. Given the highly-diversified nature of the Fund, Zenith expects it to exhibit similar risk characteristics to the benchmark.

The Fund's trading adheres to a hierarchical process aimed at minimising trading costs and maintaining market anonymity. In the first instance, orders are sought to be matched internally amongst BlackRock's vast array of funds. Internally matching trades removes the costs of trading entirely and avoids the potential of information leakage and price slippage. If orders cannot be matched internally, BlackRock seeks to cross orders externally. Externally crossing orders reduces transaction costs and information leakage, although not to the extent of internal crossings. Zenith views BlackRock's extensive efforts to reduce transaction costs favourably, believing that these measures enhance returns.

The Fund's portfolio turnover is expected to be 100% p.a. to 200% p.a., which Zenith considers to be high.

The Fund is expected to be fully invested. Wherever practical, cash is equitised using index futures. Accordingly, the Fund is generally fully exposed to the international equity market, which Zenith views positively.

Zenith believes BlackRock's portfolio construction approach is logical and is implemented in a consistent manner. Furthermore, BlackRock's quantitatively-driven process removes emotional and cognitive biases, ensuring a disciplined and repeatable investment framework.

RISK MANAGEMENT

Portfolio Constraints	Description
Security Numbers	500 to 1,000
Active Stock Weight (%)	-2% to 2% (Typically)
Cash (%)	max: 5%
Tracking Error (% p.a.)	2.5% p.a. to 3% p.a. (Targeted)
ESG Constraints: Excluded Sectors - Full (F) or Partial (P)	Armaments (P), Controversial & Nuclear Weapons (F), Fossil Fuels (P), Tobacco (F)

Risk management is an important component of BlackRock's total performance management philosophy of balancing risk, returns and cost. Therefore, it is viewed as a team-wide responsibility, which alleviates Zenith's concerns regarding the Fund’s lack of formal constraints.

Researchers within the SAE team monitor the continuing efficacy of models on a daily basis. Where inconsistencies arise, they are escalated to the portfolio managers. Although BlackRock's investment process is systematic, portfolio managers reserve the right to exercise judgement upon execution of the strategy. Such instances may occur if the portfolio managers believe particular investment signals cease to produce robust and desirable outcomes. As such, portfolio manager oversight is a key component of the risk management process.

BlackRock's investment teams are supported by a specialist Risk and Quantitative Analysis team (RQA) that provides an additional layer of risk management and is independent of the portfolio management team. The team monitors the portfolio daily and serves as a check to ensure that the Fund is being managed according to guidelines. In addition, the team performs Value-at-Risk analysis, stress tests and scenario analysis on the Fund. Within the RQA there is a global head of each product/functional area as well as a regional head for each portfolio management centre.

Furthermore, the Investment Review Committee is comprised of the RQA, portfolio managers and senior investment staff, who review the Fund's previous monthly performance. Zenith is comforted by the fact that the RQA is independent from BlackRock's investment functions, having separate reporting lines.

Overall, Zenith believes BlackRock's approach and processes prudently assess, monitor and manage risks.

Responsible Investment Approach

BlackRock has an established Responsible Investment Policy, last updated in 2022. In addition, BlackRock is a signatory of the United Nations-supported Principles for Responsible Investment (PRI).

From April 2019, BlackRock began excluding companies involved in tobacco, controversial weapons and nuclear weapons. In addition, BlackRock considers the financial impact of environmental, social and governance (ESG) factors, such as board leadership, management quality, employee relations, product liability and development, mitigation of risk and general responsiveness to a changing operational landscape and set of societal expectations.

Furthermore, BlackRock's Investment Stewardship team is responsible for encouraging sound corporate governance practices through engagement and proxy voting.

Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regards to ESG considerations is increasingly being reflected in the company's share price. Zenith is comfortable with BlackRock's approach to ESG.

From a classification scale of:

- Impact
- Thematic
- Integrated
- Aware
- Traditional

Zenith has assigned the Fund a responsible investment classification of **Integrated**.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship International Shares - Global (Unhedged) funds surveyed by Zenith.

The Fund charges a base management cost of 0.50% p.a. with no performance fee. Prior to April 2019, the Fund's management cost was 0.89% p.a. Zenith views the fee reduction implemented by BlackRock positively.

Overall, Zenith believes the Fund's fee structure is attractive relative to peers, given its stated objectives. However, we believe that investors have not been sufficiently compensated by way of risk-adjusted performance given the fees paid over the past three years (ending 30 June 2022).

The Fund charges a buy/sell spread of 0.17% on entry and exit.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform)

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	0.50% p.a.	0.87% p.a.
	Description	
Performance Fee	N/A	
	Buy Spread	Sell Spread
Buy / Sell Spread	0.17%	0.17%

PERFORMANCE ANALYSIS

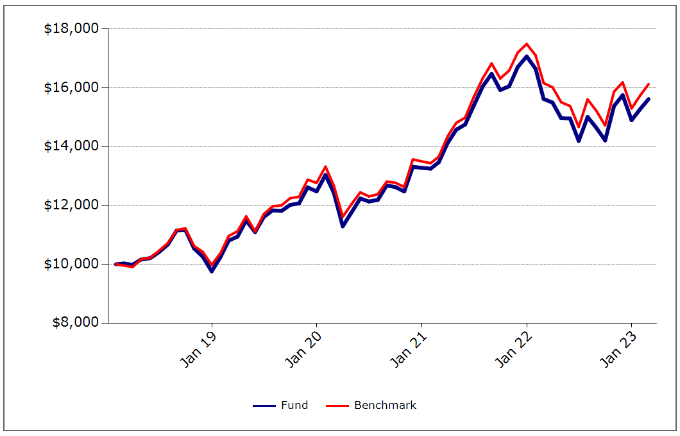
Report data: 28 Feb 2023, product inception: Jan 2000

Monthly Performance History (%, net of fees)

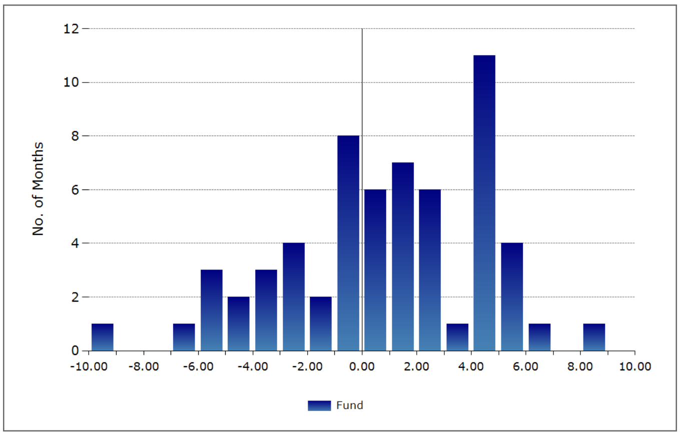
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2023	2.63	2.14											4.82	5.40
2022	-2.47	-6.16	-0.79	-3.43	-0.07	-5.10	5.76	-2.52	-2.88	8.25	2.37	-5.40	-12.71	-12.52
2021	-0.21	1.64	4.88	3.19	1.22	4.34	4.25	2.64	-3.32	0.80	4.09	2.15	28.54	29.58
2020	4.49	-4.66	-9.16	4.11	4.10	-0.83	0.43	4.07	-0.46	-1.18	6.73	-0.27	6.43	5.73
2019	5.08	5.38	1.26	5.03	-3.45	4.60	1.97	-0.15	1.71	0.45	4.51	-1.10	27.88	27.97

Benchmark: MSCI World ex Aust $A

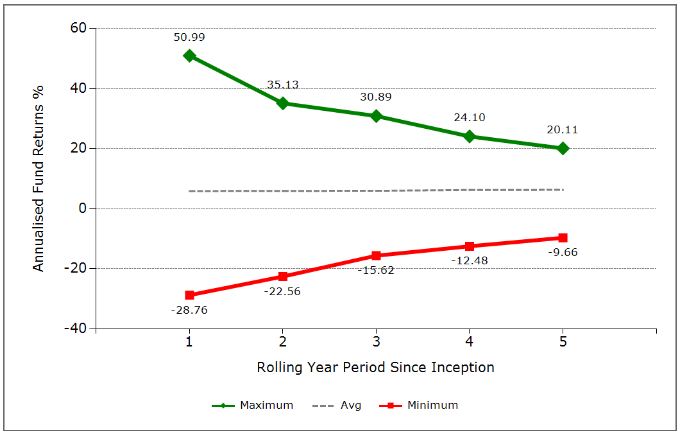
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	4.90	9.27	7.91	-0.03
Benchmark (% p.a.)	4.54	10.12	8.37	-0.21
Median (% p.a.)	4.15	8.84	7.30	-1.33
Ranking within Sector	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund Ranking	7 / 21	62 / 139	63 / 168	84 / 208
Quartile	2nd	2nd	2nd	2nd
Standard Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	12.02	12.54	13.21	14.16
Benchmark (% p.a.)	11.98	12.27	12.87	14.16
Median (% p.a.)	12.63	12.54	13.61	14.36
Downside Deviation	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Fund (% p.a.)	8.01	8.03	8.63	9.07
Benchmark (% p.a.)	8.04	7.64	8.10	8.95
Median (% p.a.)	8.14	7.87	8.91	9.11
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Sharpe Ratio - Fund	0.10	0.66	0.55	-0.13
Sortino Ratio - Fund	0.14	1.02	0.84	-0.20

All commentary below is as at 31 October 2022.

The Fund's investment objective is to outperform the MSCI World ex-Australia Index (unhedged) by 2% p.a. (after fees) over rolling three-year periods, whilst maintaining a similar level of investment risk to the index.

Although BlackRock has not met its investment objective, it has outperformed the benchmark and median manager since inception.

The Fund's risk (as measured by Standard Deviation) has been marginally above that of the benchmark since inception.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	5 yr	3 yr	1 yr
Excess Return (% p.a.)	0.36	-0.85	-0.46	0.18
% Monthly Excess (All Mkts)	52.88	45.00	50.00	58.33
% Monthly Excess (Up Mkts)	55.28	43.24	50.00	40.00
% Monthly Excess (Down Mkts)	49.57	47.83	50.00	71.43
Beta Statistics	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Beta	0.99	1.01	1.02	1.00
R-Squared	0.98	0.98	0.99	0.99
Tracking Error (% p.a.)	1.73	1.55	1.47	1.38
Correlation	0.99	0.99	0.99	1.00
Risk/Return	**Incpt.**	**5 yr**	**3 yr**	**1 yr**
Information Ratio	0.21	-0.55	-0.31	0.13

All commentary below is as at 31 October 2022.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill. The Fund has achieved this outcome since inception. In addition, over the same timeframe, the Fund has exhibited stronger outperformance consistency in rising market conditions.

The Fund's Tracking Error has remained significantly below the targeted range of 2.5% p.a. to 3.0% p.a. As such, Zenith is disappointed with this outcome and believes there may be scope for BlackRock to increase its conviction in positions to maximise the probability of achieving the Fund's investment objectives.

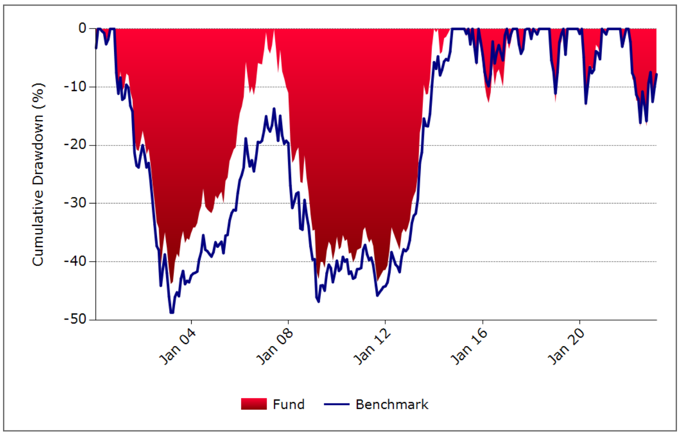
The Fund has maintained an approximate market sensitivity (as measured by Beta) of 1.0 across all assessed time periods, consistent with the investment process adopted.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-43.82	-48.74
Months in Max Drawdown	28	28
Months to Recover	51	139

Worst Drawdowns	Fund	Benchmark
1	-43.82	-48.74
2	-43.42	-16.13
3	-16.84	-12.79
4	-13.40	-11.10
5	-12.70	-9.86



All commentary below is as at 31 October 2022.

Since inception, BlackRock has demonstrated a propensity to protect investor capital in declining markets. However, more recently, the Fund has exhibited a drawdown profile in line with or more pronounced than the benchmark.

INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2022	4.96%	-12.76%	-7.80%
FY to 30 Jun 2021	0.43%	26.45%	26.88%
FY to 30 Jun 2020	1.68%	2.89%	4.57%
FY to 30 Jun 2019	1.64%	9.86%	11.50%
FY to 30 Jun 2018	1.42%	16.40%	17.82%
FY to 30 Jun 2017	1.66%	14.12%	15.78%
FY to 30 Jun 2016	1.54%	-6.26%	-4.72%
FY to 30 Jun 2015	5.10%	25.01%	30.11%
FY to 30 Jun 2014	0.59%	20.04%	20.63%
FY to 30 Jun 2013	0.77%	32.55%	33.32%

Investors should be aware that BlackRock does not target a specific level of income returns, with distributions made semi-annually in June and December where possible.

The Fund's portfolio turnover is expected to be 100% p.a. to 200% p.a., which Zenith considers to be high. BlackRock was not able to provide any insight on the proportion of expected turnover attributed to the resizing of existing positions and that which is due to initiating and closing positions. Given this expected level of turnover, the majority of the Fund's returns are expected to be delivered via the realisation of capital gains in income distributions, rather than through capital appreciation in the unit price. In addition, realised capital gains are highly unlikely to be eligible for the capital gains tax discount, which can have a further negative impact on the after-tax outcomes for high tax rate paying investors. As such, holding all else equal, the Fund may be more appealing to investors who are nil/low tax rate payers or high marginal tax rate payers who invest through tax-effective vehicles such as a superannuation fund.

REPORT CERTIFICATION

Date of issue: 30 Nov 2022

Role	Analyst	Title
Author	Elaine Du	Associate Investment Analyst
Sector Lead	Quan Nguyen	Head of Equities
Authoriser	Bronwen Moncrieff	Head of Research

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RATING HISTORY

As At	Rating*
30 Nov 2022	Recommended
24 Nov 2021	Recommended
25 Nov 2020	Recommended
27 Nov 2019	Recommended
11 Apr 2019	Recommended
28 Nov 2018	Recommended

Last 5 years only displayed. Longer histories available on request.

*In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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