

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 January 2024

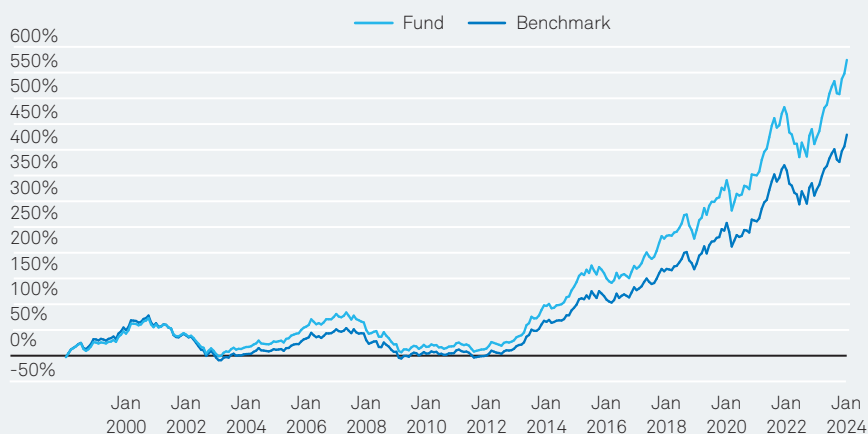
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund ¹ (Net of Fees)	4.07	10.80	4.07	27.95	13.87	13.80	6.75
MSCI World ex Australia Index (unhedged in AUD)	4.52	11.16	4.52	25.09	13.62	13.68	6.61
Outperformance (Net of Fees)	-0.45	-0.35	-0.45	2.86	0.25	0.12	0.15
BlackRock Advantage Hedged International Equity Fund ² (Net of Fees)	1.35	13.90	1.35	19.77	8.63	10.58	9.84
MSCI World ex Australia Index (hedged in AUD)	1.77	14.23	1.77	16.54	8.21	10.47	10.15
Outperformance (Net of Fees)	-0.42	-0.33	-0.42	3.23	0.41	0.11	-0.31

¹ Fund inception: 31/12/1997. ² 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 31 January 2024



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 4.52% in unhedged AUD terms and 1.77% in fully hedged to AUD terms in January 2024.

Robust economic data continued to support risk assets in January. However, performance diverged across sectors and geographies amid changes in policy expectations and a resurgence in geopolitical concerns. Global equities, as measured by the MSCI World Ex Australia Index (hedged), ended the month up 1.8% in Australian dollar terms and Developed Market equities outperformed their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), finished down 0.3% over the month.

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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index rose by 1.7% in January (in local currency terms), with the Information Technology sector outperforming. Three major developments have helped spur stocks higher since late 2023, including that of the US Treasury announcing it would borrow less than it previously estimated, strong economic growth coupled with resilient corporate earnings raising hopes for a soft economic landing, and a growing disinflationary narrative supporting sentiment. However, hopes for imminent rate cuts were dashed towards month end when Fed Chairman, Jerome Powell, suggested policy easing may not be as forthcoming as initially expected. On the data front, core inflation of 2.9% year-on-year for December was the slowest increase since March 2021. Meanwhile, US stocks are now reporting year-over-year growth in earnings for Q4 – with more companies beating estimates and by a wider margin – compared to earlier in the reporting cycle.

European equities, as represented through the Euro Stoxx 50 Index, gained 2.9% across the month (in local currency terms). The Eurozone narrowly avoided a shallow recession in the final quarter of 2023, with GDP expanding by 0.1% year-on-year to beat expectations. The European Central Bank (ECB) left interest rates unchanged over the month and continues to remain data dependent. Market expectations for an early interest rate cut began to fade after inflation posted a year-over-year increase of 2.9% in December, up from 2.4% in November.

In the UK, the FTSE 100 Index underperformed its developed market peers and fell by 1.3% over the month (in local currency terms). The Bank of England (BoE) continued to hold its policy rate steady at 5.25% in January and, similar to the US Fed, wants to see more evidence of cooling wage pressures. That may make the BOE relatively slower to cutting rates with Chief Economist, Huw Pill, noting that any cuts are “still some way off”. Meanwhile, headline inflation unexpectedly reaccelerated over December and printed at 4.0% year-over-year.

China's CSI 300 Index declined by 6.3% across January (in local currency terms), underperforming most other major markets. Although the country recorded 5.3% annualised economic growth for Q4 to beat expectations, China's economy has faltered amid an underwhelming post-Covid restart and ongoing structural economic challenges. Policy support, including that of the larger-than-expected reduction in the reserve requirement ratio, failed to lift sentiment against the backdrop of a protracted property crisis which saw the indebted property giant Evergrande liquidated.

Japanese equities, as represented by the Nikkei 225 Index, rose by 8.4% (in local currency terms) over the month, outperforming most other sharemarkets. The Bank of Japan (BoJ) left policy unchanged in January, although many market participants expect it could end its yield curve control measures and begin rate hikes in 2024. Although services inflation is accelerating, the BoJ will need to be convinced that wages growth – which was just 0.2% annualized in November – is consistent with its 2% inflation target. Moreover, Tokyo core CPI rose only 1.6% year-on-year over the month which was below economist forecasts.

Top Active Holdings

Overweight	Underweight
D R HORTON INC	JPMORGAN CHASE & CO
BANK OF AMERICA CORP	META PLATFORMS INC CLASS A
SIEMENS N AG	UNITEDHEALTH GROUP INC
NOVO NORDISK CLASS B	BROADCOM INC
MARATHON PETROLEUM CORP	TESLA INC

Top Holdings

Holding	Weight %
MICROSOFT CORP	5.78
APPLE INC	5.71
NVIDIA CORP	3.42
AMAZON COM INC	3.16
NOVO NORDISK CLASS B	1.74
VISA INC CLASS A	1.63
JOHNSON & JOHNSON	1.61
MASTERCARD INC CLASS A	1.57
NESTLE SA	1.55
BANK OF AMERICA CORP	1.53

Country Exposure

Country	Weight %
Austria	0.13
Belgium	0.00
Canada	1.39
Denmark	2.12
Finland	0.00
France	1.47
Germany	3.74
Greece	0.00
Hong Kong	0.79
Ireland	0.00
Israel	0.45
Italy	2.07
Japan	8.34
Netherlands	0.35
New Zealand	0.00
Norway	0.23
Portugal	0.00
Singapore	0.10
Spain	0.74
Sweden	0.23
Switzerland	4.59
United Kingdom	2.61
US	70.66

Strategy Commentary

The strategy underperformed in January driven by the Sentiment complex amid several adverse stock specific and earnings events.

Within Sentiment, faster moving signals such as mobile app usage and demand for jobs online were among the bottom contributors leading to positioning on the wrong side of earnings-related events. On the other hand, smart money signals continued 2023 positive streak and finished as one of the top contributors during the month.

The Fundamental complex finished flat. Traditional Quality signals were additive while non-financial measures focused on employee benefits and board diversity detracted. Long term Value signals, as well as measures that utilize CDS valuation, detracted from performance. Traditional valuation insights evaluating R&D contributed positively.

Macro Themes signals were the bright spot for the period. Underweights in Health Care, and Real Estate contributed positively while positioning in Communication Services detracted from performance during January. Underweights in luxury names also hurt performance.

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 Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	269 mil
Number of Stocks in Fund	350
Number of Stocks in Benchmark	1424
Tracking Error (3 Years p.a.)	1.44%
Management Fee	0.50% p.a.
BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	82 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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