BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE **29 February 2024**

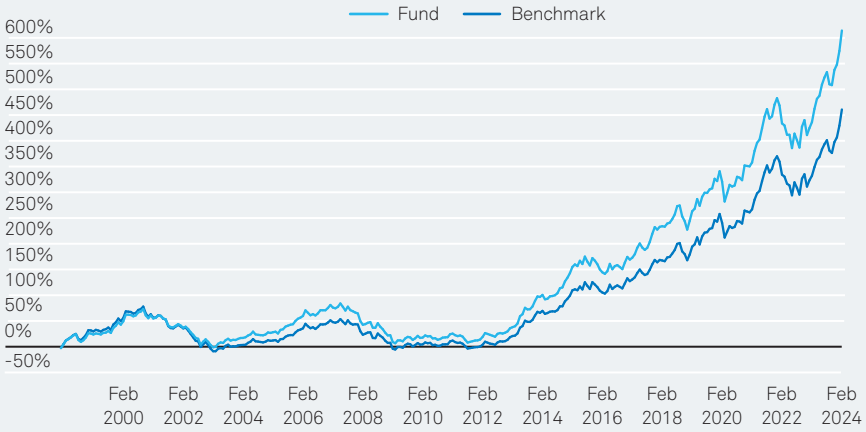
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund[1] (Net of Fees)	5.83	11.87	10.14	32.57	15.41	13.89	6.96
MSCI World ex Australia Index (unhedged in AUD)	5.92	12.74	10.71	29.79	15.19	13.75	6.82
Outperformance (Net of Fees)	-0.09	-0.87	-0.58	2.78	0.22	0.14	0.15
BlackRock Advantage Hedged International Equity Fund[2] (Net of Fees)	4.56	9.85	5.97	27.28	9.30	10.87	10.03
MSCI World ex Australia Index (hedged in AUD)	4.68	10.73	6.53	24.03	8.92	10.74	10.35
Outperformance (Net of Fees)	-0.12	-0.88	-0.56	3.25	0.38	0.13	-0.32

[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 29 February 2024



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 5.92% in unhedged AUD terms and 4.68% in fully hedged to AUD terms in February 2024.

Global equity markets continued to rally strongly over February, alongside positive corporate earnings and bullish sentiment regarding artificial intelligence (AI). However, sovereign bond yields broadly rose as investors pushed out the timing and magnitude of central bank rate cuts – resulting in negative returns for most fixed income asset classes. Global equities, as measured by the MSCI World Ex Australia Index (hedged), ended the month up 4.7% in Australian dollar terms, while Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), declined 0.8%.

Visit **BlackRock.com.au** for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index rose by 5.3% in February (in local currency terms), to reach new highs with the Magnificent Seven (namely Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) driving overall market returns. Strong earnings results for Q4 2023 underpinned sentiment and saw investors downplay US core inflation, which printed above consensus at 3.9% annualised for January. In a closely-watched release, US chipmaker, Nvidia, significantly beat lofty earnings forecasts driven by strong growth in its AI-related businesses. On the other hand, meeting minutes by the US Federal Reserve (Fed) struck a hawkish tone and showed most participants worried about acting "too quickly to ease the stance of policy" – implying the Fed sees greater risks of inflation remaining sticky above their target. As a result, markets priced out their expectations of rate cuts this year and now reflect a more muted easing cycle in 2024.

European equities, as represented through the Euro Stoxx 50 Index, gained 5.0% over the month (in local currency terms), benefitting from the AI-fuelled rally and expectations that interest rates have peaked in the region. With the majority of European companies having now reported their earnings for Q4 2023, most missed expectations with earnings down 13% year-on-year. The European Central Bank's (ECB) January meeting minutes also underscored unease over premature easing, citing that the risk of cutting policy rates too early outweighed that of cutting rates too late. Markets continued to dial back expectations of ECB rate cuts after inflation fell less than expected in February at 2.6% year-on-year.

In the UK, the FTSE 100 Index underperformed its developed market peers and gained 0.5% over the month (in local currency terms). Britain slipped into technical recession as the economy contracted 0.3% during Q4 2023, recording two consecutive quarters of negative economic growth. This places the UK as the weakest performer among the G7 economies alongside Germany. Subsequently, the Bank of England's (BoE) Governor, Andrew Bailey, noted that inflation does not need to fall to the BoE's target of 2% before cutting interest rates. UK inflation steadied in January at an annualised rate of 4.0%, which was unchanged from December.

China's CSI 300 Index rose sharply over February (in local currency terms) to gain 9.4%, outperforming most other major markets, after struggling in 2023. Chinese equities bounced across the period after a slew of policy announcements and reports that President, Xi Jinping, will discuss the nation's stock market with financial regulators. However, policymakers appear to be sticking to targeted easing measures rather than aggressive stimulus to address sluggish sentiment. China's main onshore index remains near a five-year low as ongoing property concerns, geopolitical risks and sluggish growth continue to remain headwinds. Earlier in the month, inflation for January declined 0.8% year-on-year which was the biggest drop since 2009 and underscored that deflationary pressures remain persistent in China.

Japanese equities, as represented by the Nikkei 225 Index, rose by 8.0% (in local currency terms) in February and remain amongst the best performing sharemarkets in 2024, underpinned by the return of inflationary pressures coupled with robust earnings and corporate reforms. Investors are closely watching the Bank of Japan (BoJ) for signs that the central bank will end negative interest rates, although the BoJ is likely to remain cautious to avoid disrupting an exit from decades of disinflation. Japanese core consumer inflation printed at 2.0% year-on-year for January to beat economist consensus and focus now shifts to the annual wage negotiations held in March, with expectations that large firms could offer significant wage rises.

Top Active Holdings

Overweight	Underweight
APPLE INC	BROADCOM INC
SIEMENS N AG	TESLA INC
QUALCOMM INC	UNITEDHEALTH GROUP INC
D R HORTON INC	ASML HOLDING NV
NOVO NORDISK CLASS B	ADVANCED MICRO DEVICES INC

Top Holdings

Holding	Weight %
MICROSOFT CORP	5.76
APPLE INC	5.59
AMAZON COM INC	3.73
NVIDIA CORP	3.42
NOVO NORDISK CLASS B	1.75
JOHNSON & JOHNSON	1.72
MASTERCARD INC CLASS A	1.64
COSTCO WHOLESALE CORP	1.63
VISA INC CLASS A	1.53
QUALCOMM INC	1.44

Country Exposure

Country	Weight %
Austria	0.06
Belgium	0.02
Canada	1.76
Denmark	1.99
Finland	0.00
France	1.03
Germany	3.03
Greece	0.00
Hong Kong	0.76
Ireland	0.00
Israel	0.67
Italy	1.06
Japan	8.19
Netherlands	0.50
New Zealand	0.00
Norway	0.04
Portugal	0.00
Singapore	0.06
Spain	0.83
Sweden	0.19
Switzerland	3.33
United Kingdom	3.02
US	73.43

Strategy Commentary

The strategy underperformed in February as Fundamental insights underperformed with Macro Themes additive.

Within Fundamentals, both price based and fundamental insights within Value struggled. ESG signals within Quality insights continued to struggle with all underlying components posting negative returns. Though there were a few exceptions such as a signal evaluating veteran hiring.

Macro Themes signals were the bright spot for the period. Within themes, industry signals with a momentum/trend footprint such as price momentum and economic similarity were amongst best performers.

Sentiment signals were mixed. Smart money insights continued to post positive returns. While within momentum there was some dispersion; signals that looked at conference calls and brand sentiment were positive, while several of those that looked at mobile app usage and online sales detracted.

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	282 mil
Number of Stocks in Fund	335
Number of Stocks in Benchmark	1411
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	85 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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