

BLACKROCK AUSTRALIAN EQUITY MARKET NEUTRAL FUND

BLACKROCK®

FUND UPDATE

31 March 2021

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Equity Market Neutral Fund* (Gross of Fees)	1.98	-1.61	-1.61	-1.58	2.31	2.95	9.84
RBA Cash Rate Target	0.01	0.02	0.02	0.20	0.89	1.15	3.56
Outperformance (Gross of Fees)	1.97	-1.64	-1.64	-1.78	1.42	1.80	6.28

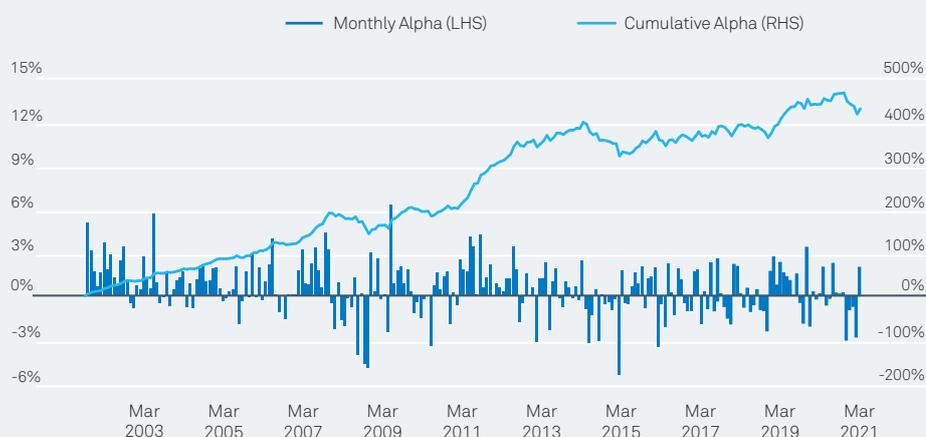
*Fund inception: 31/08/2001.

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 31 March 2021



Performance Summary

Fund v Market

The S&P/ASX200 Accumulation Index gained +4.3% in what was a rather volatile quarter. The local index started the year in a rally focusing on the strong economic and earnings recovery as we emerge from the shutdowns. The February reporting season was generally strong; however, the market saw some big moves. In expectation of the improved outlook for global growth as economies are slowly re-opening, global bond yields have surged. While this could potentially be a headwind for risk assets, it has also exacerbated the growth-to-value rotation experienced over the past few months.

As covid related restrictions eased, the Australian economy continued to recover. GDP rose +3.1% in the December quarter, taking the annual number to -1.1% (from -3.7% in September). The unemployment rate decreased in February at 5.8% from 6.3% in January. Inflation exceeded expectations with +0.9% increase for the December quarter (and +0.9% for the year) led by childcare costs and healthcare. The US dollar strengthened against most currencies on positive economic outlook and the Australian finished the quarter at a three-month low US0.77c.

Over the quarter, Financials (+12.1%) was the best performing sector as the outlook for global growth continued to improve. Communications Services (+9.0%) outperformed the local index as investors favoured more cyclical names. Similarly, Consumer Discretionary (+8.9%) benefited from the market rotation as perceived covid losers, notably in the travel and leisure industry became in demand. The rise in bond yields was a drag on Information Technology (-10.4%) with growth names usually heavily sold off during the quarter. More defensive sectors, including Utilities (-2.2%), and Health Care (-1.8%) also struggled during the period.

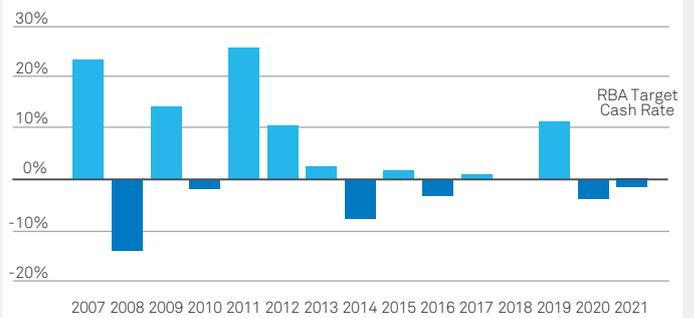
The strategy started the year with weak performance in January. The model struggled through the February reporting season with some of the moves arguably more driven by market than company earnings. Despite the strong recovery in March, the strategy underperformed during the quarter. Energy was the worst performing sector due to unfavourable positioning within oil and gas exploration names. Industrials also detracted through longs in the construction and engineering industry while a large long position in a food retailer hurt Consumer Staples. Communications Services also lagged led by unfavourable positioning in interactive media and services and diversified telecommunications services. The Financials sector contributed positively thanks to long positions in banks while longs specialty retailers added to Consumer Discretionary as the reopening of the economy became more apparent. Amongst signals, Earnings Quality was the main source of underperformance while other insights slightly added during the quarter, especially Timing.

Investment Insights

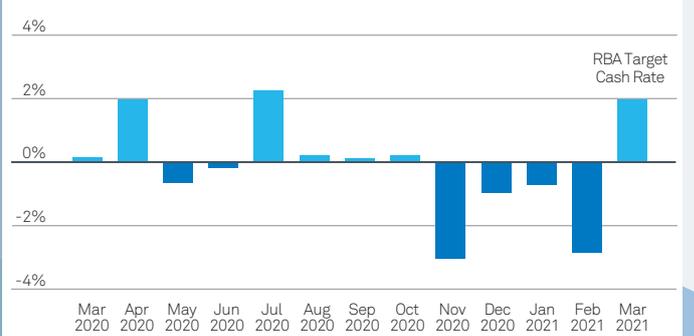
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

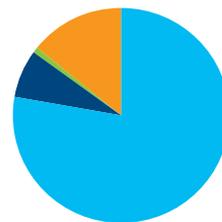
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)



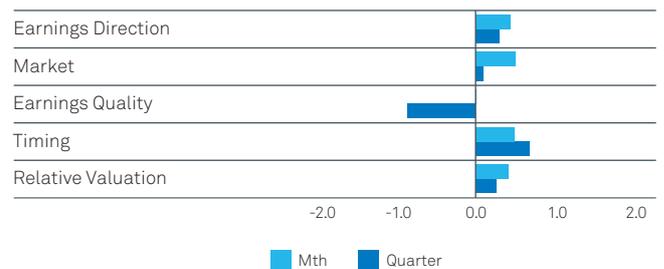
Risk Contributions (%)



Active Risk: 3.63%
Portfolio Beta: -0.02

- Specific 78%
- Industry 7%
- Act Sys 1%
- Style 14%

Insight Performance (%)



Source: BlackRock.

Sector Exposure

Sector	Active Weight(%)
Communication Services	-1.32
Consumer Discretionary	1.16
Consumer Staples	0.03
Energy	0.04
Financials	1.13
Health Care	1.97
Industrials	-3.47
Information Technology	0.88
Materials	2.54
Real Estate	-0.34
Utilities	-2.13

Contributors/Detractors

Contributors	Detractors
Westpac Banking Corporation Corp	Crown Resorts Ltd
Australia and New Zealand Banking	Ampol Ltd
Harvey Norman Holdings Ltd	Coles Group Ltd
Platinum Asset Management Ltd	Lynas Rare Earths Ltd
Westgold Resources Ltd	Regis Resources Ltd

Top Active Holdings

Long	Short
Iress Ltd	Sydney Airport Stapled Units Ltd
Aristocrat Leisure Ltd	Shopping Centres Australasia Prope
Rea Group Ltd	Commonwealth Bank of Australia
Medibank Private Ltd	BWP Trust
Australia and New Zealand Banking	Invocare Ltd

Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were long positions in Westpac Banking Corp (WBC) and Australia and New Zealand Banking Group (ANZ). Amongst the largest detractors were long positions in Coles (COL) and Resolute Mining (RSG).

Top Contributors

WBC – The long position in banking institution Westpac Banking Corp came from positive views in Timing, Relative Valuation and Market insights. Management announced a \$2 billion profit for the previous period as the outlook for banks continued to improve.

ANZ – The long position in bank Australia and New Zealand Banking Group was a result of favourable views across most insights especially Market, Earnings Quality, Earnings Direction and, Relative Valuation. In line with its peers in the banking sector, the bank benefited from the more favourable environment for banks with increased prospects of economic recovery.

Top Detractors

COL – The long position in supermarket chain Coles was through favourable views across most insights, especially Earnings Quality,

relative Valuation and Timing. The company reported strong results for the December quarter, however, management warned that sales and earnings might come under pressure as demand moderates post Covid.

RSG – The long position in gold miner Resolute Mining was led by positive, Market and Relative Valuation insights. Despite reporting good results with increased revenue by 15% thanks to the strong price of gold, the lease of one of the company's mines in Ghana was terminated and all activities and operations had to cease as a result.

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	153 mil
Buy/Sell Spread	0.50%/0.50%
Tracking Error	5.39%

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