

# BLACKROCK WHOLESALE AUSTRALIAN SHARE FUND

BLACKROCK®

FUND UPDATE

31 March 2021

## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Wholesale Australian Share Fund* (Net of Fees)	3.09	3.13	3.13	34.72	8.97	9.71	8.58
S&P/ASX 300 Accumulation Index	2.30	4.15	4.15	38.34	9.73	10.32	8.63
Outperformance (Net of Fees)	0.79	-1.02	-1.02	-3.62	-0.76	-0.61	-0.05

\* 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

### 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.

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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

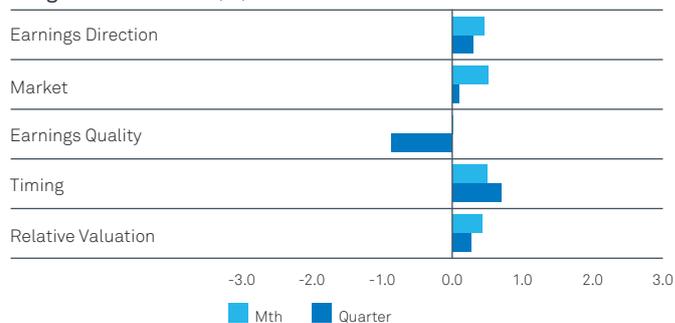
The strategy started the year with weak performance in January. The model struggled through the February reporting season with some of the moves arguably more driven by market than company earnings. Despite the strong recovery in March, the strategy underperformed during the quarter. Energy was the worst 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.

### Insight Performance (%)



Past performance is not an indicator of future performance  
Source: BlackRock.

### Sector Exposure (Long/Short Strategy)

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 (Long/Short Strategy)

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 Strategy)

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 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	60 mil
Buy/Sell Spread	0.275%/0.275%
Management Fee	0.95% p.a.

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