

BLACKROCK GLOBAL EQUITY SIGNALS FUND

BLACKROCK®

FUND UPDATE

31 December 2020

Investment Performance (%)

	MTD	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Global Equity Signals Fund (Gross of Fees)	0.67	7.30	4.99	4.99	-	-	9.95
Benchmark*	0.27	6.99	4.80	4.80	-	-	9.32
Outperformance (Gross of Fees)	0.40	0.32	0.19	0.19	-	-	0.63
BlackRock Global Equity Signals Fund (Net of Fees)	0.67	7.30	4.91	4.91	-	-	9.78
Benchmark*	0.27	6.99	4.80	4.80	-	-	9.32
Outperformance (Net of Fees)	0.40	0.32	0.11	0.11	-	-	0.45

* Fund inception date: 05/04/2018.

* The benchmark comprises the MSCI World ex Australia Net TR Index (Hedged in AUD), MSCI World ex Australia Net TR Index (Unhedged in AUD) and MSCI World Diversified Multiple-Factor Net TR Index (Unhedged in AUD).

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.

Performance Summary

Market Overview

Sharemarkets across the globe enjoyed strong returns in the fourth quarter of 2020, with many indices reaching new all-time highs following a year that contained a global pandemic, record-breaking recession and a contentious US presidential election. Risk appetite improved over the quarter as the US election came to an end and positive COVID-19 vaccine news stoked investor optimism. On November 9th, Pfizer-BioNTech announced that its clinical trial has returned preliminary results suggesting that its vaccine is over 90% effective in preventing COVID-19 (well above expectations). A few days later, another drug maker - Moderna - also reported strong trial results. This was followed by news of a third potential COVID-19 vaccine candidate developed by the company AstraZeneca in partnership with the University of Oxford. Within weeks the Pfizer-BioNTech vaccine was approved in Europe and the US - with the vaccine administered to the first patient in the UK on December 8th. Later in December, the US Food and Drug Administration (FDA) authorized the country's second vaccine (Moderna), clearing the way for millions of doses to be released in the US within weeks. Other countries, including Australia, are also planning to approve a COVID-19 vaccine in the weeks ahead triggering hope that mass immunization could bring an end to the global pandemic and speed up the economic recovery.

Although broad market indices enjoyed stellar performance over the quarter, there was a lot happening under the surface. The positive vaccine developments triggered sharp rotations and major swings in financial markets. Cyclical sectors and industries that had previously suffered relatively weaker performance outperformed significantly, while technology stocks underperformed. Small-cap stocks rallied, while the generic Momentum factor (a metric that captures positively trending stocks) experienced one of the sharpest and deepest drawdowns in history in November. Financial markets appeared relatively unfazed by the resurgence in COVID-19 cases in various parts of the world. The higher infections and new more-transmissible variants of the virus prompted more stringent and longer restrictions throughout the world, but investors appeared to look through these near-term challenges.

US

In the US, the S&P 500 Index gained over 12% over the quarter reaching new all-time highs along the way. The US presidential election took place in early November, which led to an initial relief rally. Market attention quickly moved to the positive vaccine news, which continued to

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drive financial markets higher. Yet, the number of COVID-19 cases and hospitalisations in the US increased significantly over the quarter and several US states introduced tighter restrictions to mitigate the spread of the virus. Investors focused on the encouraging vaccine news instead and sentiment remained positive. Economic data was mixed and the recovery in the US economy appeared to be losing some momentum towards year-end amidst the renewed restrictions in activity. In late December, President Donald Trump signed a new \$900 billion fiscal package (including support for the unemployed and direct payments to households) following months of negotiations among lawmakers. This was an important development as the US has tolerated more joblessness than other major economies, even with the previous unprecedented government support.

Europe

European equity markets also advanced strongly over the quarter, with the Euro Stoxx 600 Index gaining approximately 11%. Similar to the US, COVID-19 cases remained high in Europe and the renewed lockdown restrictions were starting to have an effect on economic indicators. For example, restaurant bookings collapsed reflecting the closure of pubs and restaurants in certain regions. Electricity demand and mobility indicators also declined significantly. Yet, investors were clearly looking through these near-term challenges and were quick to price in a broader economic recovery which is expected to take place in 2021. The EU has raced to authorize COVID-19 vaccinations, with England leading the way as the first nation to pass the Pfizer-BioNTech vaccine in early December. The UK and EU finally reached a post-Brexit agreement on December 24th setting out rules and guidelines regarding trade and other political measures. The deal predominantly covers the goods-trade between the two sides but also reflects a large change to the status quo and eases some concerns of Brexit-weary investors. The UK FTSE 100 Index gained almost 11% over the quarter, roughly in line with its European peers – but still behind over the year (down 12% in 2020).

Asia

Asian equity markets also enjoyed strong performance over the quarter. Positive investor sentiment and increased risk appetite helped drive sharemarkets higher in the region. A strong Chinese economy and a weaker US dollar also helped. Macro data confirmed that China's economy is operating at levels seen before the pandemic and the country is further ahead in the recovery process compared to its Western counterparts. Strong demand for China's exports and healthy domestic spending has been driving the Chinese economy – leading to growth rates well above those seen in other countries. China is the only major economy that is expected to record positive annual economic growth in 2020, according to the latest forecasts by the International Monetary Fund (IMF).

Fund Performance – Q4 2020

The BlackRock Global Equity Signals Fund gained 7.30% (after fees) over the fourth quarter of 2020, which brings the year-to-date return to +4.91%. International sharemarkets rallied strongly over the quarter as positive news of an effective COVID-19 vaccine stoked investor optimism. The Australian dollar appreciated, which offset performance from unhedged international equities somewhat.

Although broad equity indices enjoyed stellar performance over the quarter, there was a lot happening under the surface. The positive vaccine news triggered sharp rotations and major swings in financial markets. Cyclical sectors and industries that had previously suffered relatively weaker performance outperformed significantly over the quarter, while technology stocks underperformed. There were also major rotations in style factors. For example, Value shares (i.e. companies that appear to be trading at inexpensive levels) rallied following several months of underperformance – led by financial and energy stocks. Small-cap stocks (i.e. the size factor) also outperformed strongly. Improved risk appetite and the cyclical nature of small-cap stocks propelled these companies higher over the period. On the other hand, Momentum stocks (i.e. those that have been trending higher) underperformed significantly, with Momentum experiencing one of the sharpest and deepest drawdowns in history in November. Quality stocks (i.e. firms with healthy balance sheets and strong cash flows) performed roughly in line with the broader market over the period.

Top Holdings

Holding	Weight %
APPLE INC	3.63
MICROSOFT CORP	2.36
AMAZON COM INC	1.95
INTEL CORPORATION CORP	1.24
WALMART INC	1.12
TEXAS INSTRUMENT INC	1.10
FACEBOOK CLASS A INC	0.79
TARGET CORP	0.79
RIO TINTO PLC	0.75
MICRON TECHNOLOGY INC	0.74

Country Exposure

Sectors	Weight %
United States	68.88
Japan	7.15
United Kingdom	4.50
Canada	3.42
France	3.06
Switzerland	2.33
Germany	2.27
Netherlands	1.47
Hong Kong	1.29
Sweden	1.11
Australia	0.99
Denmark	0.73
Italy	0.70
Spain	0.57
Belgium	0.45
Finland	0.30
Singapore	0.19
New Zealand	0.17
Ireland	0.13
Israel	0.11
Norway	0.11
Portugal	0.03
Austria	0.03
Greece	0.00

About the Fund

Investment Objective

The Fund aims to provide investors with exposure to developed market equities utilising indexing techniques and style factors subject to constraints.

Fund Strategy

The Fund aims to provide investors with the performance of its composite benchmark, before fees and the cost of hedging.

The composite benchmark, as shown in the below table, comprises a portfolio of published indexes that provide exposure to international developed stock markets. The composite benchmark index is subject to periodic review and may change.

Index name	Composite benchmark index weight
MSCI World ex Australia Net TR Index (Hedged in AUD)	20%
MSCI World ex Australia Net TR Index (Unhedged in AUD)	40%
MSCI World Diversified Multiple-Factor Net TR Index (Unhedged in AUD)	40%

To achieve its objective the Fund will gain exposure to a mixture of the following index strategies:

- ▶ full replication, which aims to purchase every security in the index, while considering transaction costs; and
- ▶ optimisation, that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the index the strategy aims to track. The securities selected are expected to have, in aggregate, investment characteristics (based on factors such as market capitalisation and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the index. Therefore, the securities comprising an optimisation strategy may or may not include all of the securities in the index and the weighting of such securities may differ to the weighting of securities in the index.

The Fund will access the index strategies and gain exposure to the composite benchmark by investing in units of the following funds (Underlying Funds) each of which is managed by BlackRock:

- ▶ **iShares Hedged International Equity Index Fund**, which employs a full replication strategy that aims to track the performance of the MSCI World ex Australia Net TR Index (Hedged in AUD). A passive currency hedge is applied, which seeks to minimise the effect of currency fluctuations on returns by converting the currency exposure of the index into Australian dollars.
- ▶ **iShares Wholesale International Equity Index Fund**, which employs a full replication strategy that aims to track the performance of the MSCI World ex Australia Net TR Index (Unhedged in AUD); and
- ▶ **iShares Edge MSCI World Multifactor ETF**, which employs an optimisation strategy that aims to track the performance of the MSCI World Diversified Multiple-Factor Net TR Index (Unhedged in AUD) (Factor Index).

Should be considered by investors who...

- ▶ Seek broad exposure to the international equity market at low cost.
- ▶ Seek a fund that applies smart indexing techniques to provide additional value add.
- ▶ Seek factor-driven outperformance over the long term in a portfolio of global developed market stocks with a similar profile and risk to the broad market.
- ▶ Target four drivers of return in their international equities exposure: Quality (financially healthy firms), Value (inexpensive stocks), Size (smaller companies) and Momentum (trending stocks).
- ▶ Seek cost-efficient access to a rules-based factor investing strategy.
- ▶ Have a long term investment horizon.

Fund Details

BlackRock Global Equity Signals Fund (Class D Units)	
APIR	BLK5937AU
Fund Size (A\$)	302 mil
Buy/Sell Spread	0.10%
Management Fee	0.22%
Liquidity	Daily
Domicile	Australian Unit Trust
Minimum Initial Investment	A\$500,000
Minimum investment for subsequent applications	None
Custodian	J.P.Morgan Chase Bank

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