

BLACKROCK INTERNATIONAL ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

31 March 2021

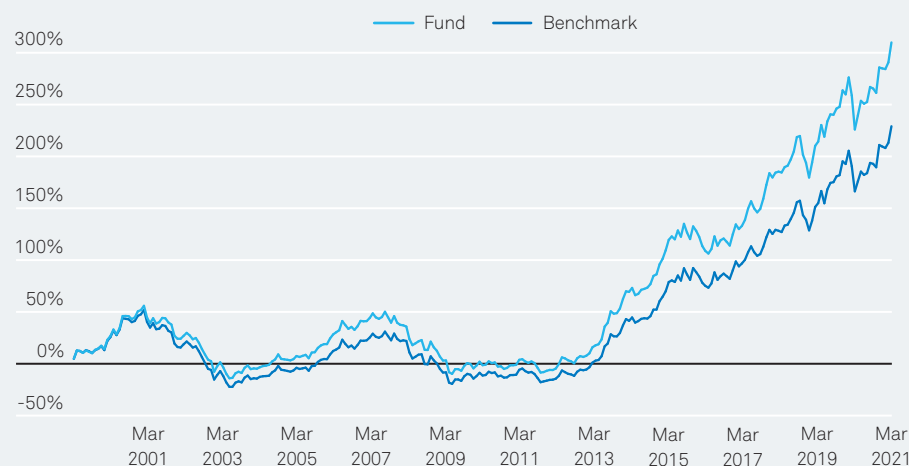
Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock International Alpha Tilts Fund ¹ (Gross of Fees)	4.93	6.51	6.51	25.74	12.94	14.71	6.50
MSCI World ex Australia Index (unhedged in AUD)	5.09	6.33	6.33	23.55	13.16	13.67	5.46
Outperformance (Gross of Fees)	-0.16	0.18	0.18	2.19	-0.22	1.04	1.04
BlackRock Hedged International Alpha Tilts Fund ² (Gross of Fees)	4.06	6.27	6.27	50.86	11.59	14.01	8.47
MSCI World ex Australia Index (hedged in AUD)	4.26	6.15	6.15	48.70	12.06	13.16	7.81
Outperformance (Gross of Fees)	-0.20	0.13	0.13	2.16	-0.47	0.85	0.66

¹ Fund inception: 31/10/1998. ² Fund inception: 27/03/2001.

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 March 2021



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained +6.33% in unhedged AUD terms and 6.15% in fully hedged to AUD terms over the first quarter of the year.

Financial markets experienced mixed performance in the first quarter of 2021. A broad risk-on rally buoyed equities, energy and high yield credit, given the accelerated economic restart that is underpinned by progress on the vaccine rollout, continued US fiscal stimulus support and accommodative monetary policy around the globe. More defensive assets such as Sovereign bonds and gold struggled amidst this more optimistic backdrop.

Within the equities composite, developed markets outperformed their emerging markets counterparts. A pickup in virus cases in emerging markets, challenges with the vaccine rollout and limitations in terms of policy support weighed on financial markets in the region. European

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

equities were amongst the best performers over the quarter. From a sector perspective, more cyclical sectors – especially, energy, financials and industrials have led the rally, with ‘Value’ stocks outperforming ‘Growth’ stocks.

In the US, the S&P 500 Index gained over 6% this quarter. One of the key headlines coming out of the US was the staggering US\$1.9 trillion of additional fiscal stimulus. The bill was approved by Congress in early March and was seen as the first major win for President Biden. This large coronavirus relief package secured a flurry of new federal spending and a temporary yet dramatic increase in anti-poverty programs aimed to help millions of Americans still struggling amid the pandemic. It is considered one of the largest economic rescue packages in US history and has caused economic and inflation forecasts to be revised up for the year. In addition, the vaccine rollout has gathered pace in the US and many investors expect the local economy to bounce back strongly in 2021. This development was supported by earnings outlook data from various US corporations and macro indicators that showed significant improvements in the US services sector and labour market. Corporate earnings results over the quarter were also broadly positive. The US Federal Reserve Bank (‘Fed’) re-affirmed its highly accommodative stance, which was well received by financial markets, diffusing concerns around inflation-led intervention. The minutes of the Fed’s March meeting confirmed that officials thought it would still be “some time” before substantial further progress would be made on its inflation and employment goals – and thus before it would start to flag an eventual tapering of its bond purchases.

European equity markets led the rally within the equities composite. The Euro Stoxx 600 Index gained over 10% this quarter, while German markets closed approximately 9% higher and the UK FTSE Index gained almost 5%. Within the European block, the domestic recovery story has been encouraging as evidenced by strong corporate earnings and forecasts. European manufacturing companies have benefitted from the rebound in global goods demand, while the financial sector benefitted from steeper yield curves. However, news around significant challenges with the vaccine rollout kept investors on their toes. Italy experienced political instability as Prime Minister Conte resigned. Macro data was mixed, though mostly positive. Within the UK, the vaccine rollout has been relatively successful as measured by vaccines administered per capita. A large proportion of UK companies have reported earnings figures that are ahead of expectations even though the recent lockdowns have weighed on economic activity.

Asian equities recorded mixed performance over the quarter. A stronger US dollar weighed on performance, while higher commodity prices helped commodity-heavy countries. Economic data was generally positive in the region, but investors have become increasingly concerned that higher inflation and weakness in local currencies could lead to policy tightening – seen as a negative for emerging markets. Chinese equities have had a difficult quarter, with higher volatility and negative performance overall. Japanese equities were amongst the best performers in the Asia region (up 7%), supported by strong exports and a higher cyclical exposure within the composite.

Strategy Commentary

The international stock selection strategy had a strong quarter in absolute terms; and outperformed its benchmark over the period. Value and Momentum were the main contributors amongst insights while Sentiment, Cross Border Thematics and Quality detracted. Geographically, the poor performance of Sentiment impacted the US, which was the major region detracting, however, this was more than offset by Japan and Far East Asia. Looking at sectors, HealthCare was the best performing sector thanks to overweights in healthcare providers and services in the US. Communications Services was another source of positive performance through overweights interactive media and services in the US while overweights added to the Financials sector. Personal products (overweights) in Japan and Germany were a drag on Consumer Staples while Information Technology detracted due to overweight software names in the US and Israel.

Positive contributors to performance included overweight positions in Twitter and Gap.

Top Active Holdings

Overweight	Underweight
ACCENTURE PLC CLASS A	ROCHE HOLDING PAR AG
CUMMINS INC	CISCO SYSTEMS INC
CHECK POINT SOFTWARE TECHNOLOGIES	EXXON MOBIL CORP
ROYAL BANK OF CANADA	NOVARTIS AG
BEIERSDORF AG	BROADCOM INC

Top Holdings

Holding	Weight %
APPLE INC	3.82
MICROSOFT CORP	2.88
AMAZON COM INC	2.48
FACEBOOK CLASS A INC	1.33
ACCENTURE PLC CLASS A	1.19
ALPHABET INC CLASS A	1.16
ALPHABET INC CLASS C	1.15
BERKSHIRE HATHAWAY INC CLASS B	1.09
TESLA INC	0.95
ROYAL BANK OF CANADA	0.94

Country Exposure

Country	Weight %
Austria	0.09
Belgium	0.18
Canada	4.70
Denmark	0.18
Finland	0.00
France	3.05
Germany	2.91
Greece	0.00
Hong Kong	1.76
Ireland	0.24
Israel	1.46
Italy	0.34
Japan	6.81
Netherlands	1.53
New Zealand	0.01
Norway	0.00
Portugal	0.10
Singapore	0.24
Spain	0.13
Sweden	1.29
Switzerland	1.50
United Kingdom	4.10
US	69.40

Twitter – The American social media company Twitter announced new revenue targets and the potential launch of a subscription feature which was well received by the market. Management stated that it expects to significantly increase its daily active users and double its annual revenue by the end of 2023. The overweight position was a result of favourable views across most insights, especially Momentum and Cross Border Thematics.

Gap – The US apparel giant Gap reported fourth quarter results ahead of consensus driven by strong sales (up 49%), especially online, in its activewear division, Athleta. Management also provided optimistic guidance for the full year. The overweight position was driven by generally positive views across all insights, especially positive Momentum, Relative Valuation and Sentiment.

Detractors from performance included underweight positions in Mastercard and JP Morgan.

Mastercard – Despite lower revenue for the previous quarter, US payment company Mastercard beat market expectations with its latest results. Management pointed at strong ecommerce sales helping the results while weak international travels remained a headwind. The underweight position was a result of generally negative views across Value and Momentum insights.

JP Morgan – The American financial institution JP Morgan has benefitted from the generally favourable environment for banks as the outlook for economic growth has improved. The underweight position was driven by negative Sentiment and Value insights.

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 International Alpha Tilts Fund	
APIR	BGL0001AU
Fund Size	996 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	860
Number of Stocks in Benchmark	1,526
Tracking Error (3 Years p.a.)	1.67%

BlackRock Hedged International Alpha Tilts Fund	
APIR	BGL0053AU

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