

BLACKROCK ADVANTAGE AUSTRALIAN EQUITY FUND

BLACKROCK AUSTRALIAN ALPHA TILTS FUND

BLACKROCK®

FUND UPDATE

31 March 2021

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Australian Alpha Tilts Fund* (Gross of Fees)	2.74	3.63	3.63	37.22	10.60	11.27	10.34
S&P/ASX 300 Accumulation Index	2.30	4.15	4.15	38.34	9.73	10.32	8.78
Outperformance (Gross of Fees)	0.44	-0.52	-0.52	-1.12	0.87	0.95	1.55
BlackRock Australian Alpha Tilts Fund – Class S ** (Gross of Fees)	2.74	3.64	3.64	37.24	-	-	1.05
S&P/ASX 300 Accumulation Index	2.30	4.15	4.15	38.34	-	-	1.09
Outperformance (Gross of Fees)	0.44	-0.51	-0.51	-1.09	-	-	-0.04
BlackRock Australian Alpha Tilts Fund – Class S ** (Net of Fees)	2.71	3.56	3.56	36.85	-	-	0.76
S&P/ASX 300 Accumulation Index	2.30	4.15	4.15	38.34	-	-	1.09
Outperformance (Net of Fees)	0.42	-0.59	-0.59	-1.49	-	-	-0.33
Blackrock Advantage Australian Equity Fund^ (Net of Fees)	2.70	3.54	3.54	36.64	10.01	10.58	9.37
S&P/ASX 300 Accumulation Index	2.30	4.15	4.15	38.34	9.73	10.32	8.69
Outperformance (Net of Fees)	0.40	-0.61	-0.61	-1.69	0.28	0.26	0.68

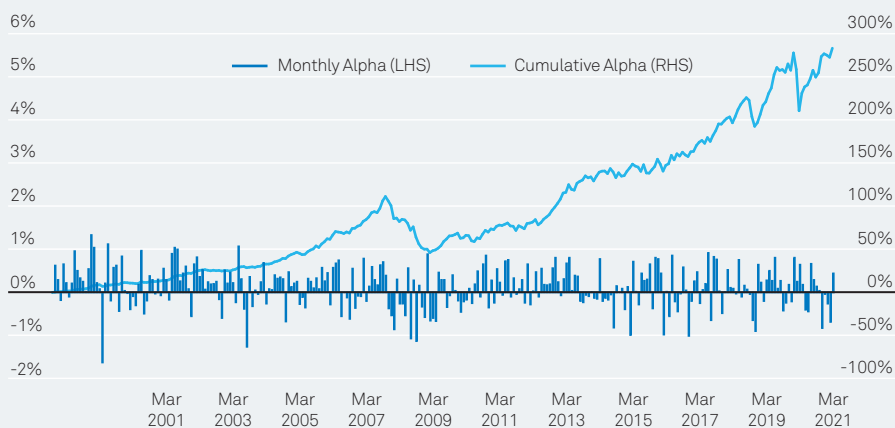
*Fund inception: 31/10/1997. **Fund inception: 31/01/2020. ^Fund inception: 31/12/1996.

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 – March 2021

Fund v Market

The S&P/ASX300 Accumulation Index gained +4.2% 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 led by the share price rally in a major telecommunication company. 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 heavily sold off during the quarter. More defensive sectors, including Utilities (-2.2%), and Health Care (-1.8%) also struggled during the period.

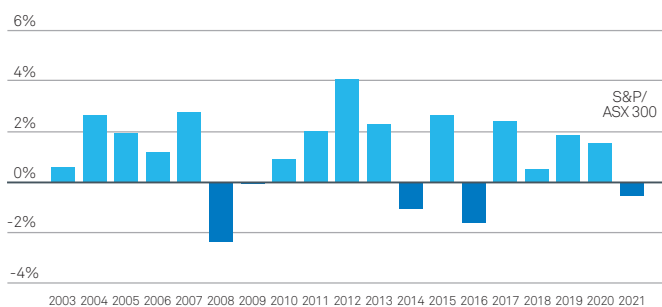
The strategy started the year with weak performance in January. The model struggled through the February reporting season with some of the moves arguably more driven by market than company earnings. Despite the strong recovery in March, the strategy underperformed during the quarter. Energy was the worst performing sector due to unfavourable positioning within oil and gas exploration names. Real Estate also detracted through overweights in REITs while a large overweight 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 overweights in banks while overweights in 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 followed by Relative Valuation while other insights slightly added during the quarter, especially Timing.

Investment Insights

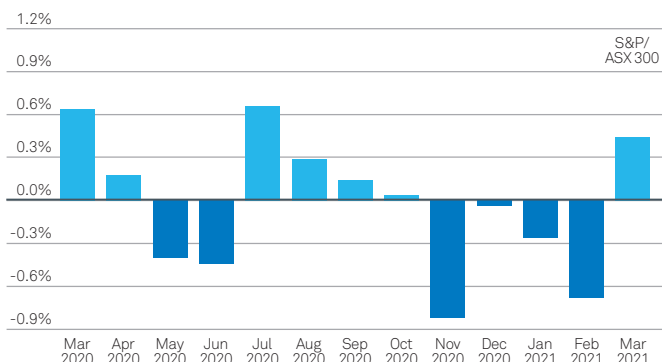
The stock positions in the portfolio are based on combinations of our signals, which exhibited the following performance characteristics over the quarter:

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

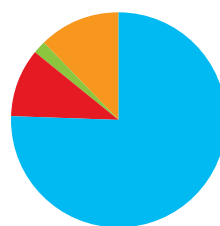
Yearly Alpha, Gross of Fees (%)



Monthly Alpha, Gross of Fees (%)



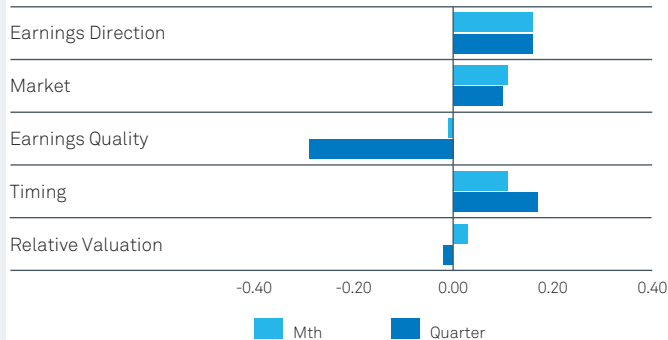
Risk Contributions (%)



Active Risk: 1.00%

Portfolio Beta: 0.99

Insight Performance (%)



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

Sector Exposure (%)

Sector	Weight
ENERGY	3.23
MATERIALS	20.37
INDUSTRIALS	5.84
CONSUMER DISCRETIONARY	8.93
CONSUMER STAPLES	5.12
HEALTHCARE	10.43
FINANCIALS EX A-REIT	29.32
A-REIT	6.31
INFORMATION TECHNOLOGY	4.72
COMMUNICATIONS SERVICES	3.22
UTILITIES	1.00

Top Contributors / Detractors

Contributors	Detractors
Australia and New Zealand Banking	Ampol Ltd
Harvey Norman Holdings Ltd	Coles Group Ltd
Technology One Ltd	Lynas Rare Earths Ltd
The A2 Milk Company Ltd	National Australia Bank Ltd
Westpac Banking Corporation Corp	Woodside Petroleum Ltd

Top 10 Holdings

Stock
Commonwealth Bank of Australia
CSL Ltd
BHP Billiton Plc (GB)
Westpac Banking Corporation Corp
Australia and New Zealand Banking
National Australia Bank Ltd
Woolworths Group Ltd
Fortescue Metals Group Ltd
Coles Group Ltd
Macquarie Group Ltd Def

Stock Selection

On a market adjusted basis, amongst the top contributors for the quarter were an overweight position in Westpac Banking Corp (WBC) and an underweight position in A2 Milk Company (A2M). Amongst the largest detractors were overweight positions in Coles (COL) and Ampol (ALD).

Top Contributors

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

A2M – The underweight position in dairy and infant formula producer A2 Milk Company came from negative views in Timing, Market and Earnings Direction insights. Due to the uncertainty resulting from Covid and rising geopolitical tensions between Australia and China, management announced multiple earnings downgrades to the half year results and reduced full year guidance for 2021.

Top Detractors

COL – The overweight 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.

ALD – The overweight position in Australian petroleum company Ampol was led by positive Earnings Direction and Market insights. The share price fell in January after it completed a \$300m buyback at a 14% discount. The company also reported full year earnings down from the

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previous year as demand for fuel had been impacted by the travel bans due to the pandemic.

Investment Objective

The Fund aims to outperform the S&P/ASX 300 Accumulation Index before fees over rolling three-year periods, while maintaining a similar level of risk as its benchmark.

Fund Strategy

The highly risk-controlled strategy 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 broad exposure to the Australian equity market.
- ▶ Seek a fund that uses a proven, risk-controlled scientific process, to maximise its potential to deliver competitive returns to investors.
- ▶ Have a long term investment horizon.

Fund Details

Blackrock Advantage Australian Equity Fund	
APIR Code	BAR0814AU
Fund Size	136 mil
Buy/Sell Spread	0.15%/0.15%
Management Fee	0.45%p.a.

BlackRock Australian Alpha Tilts Fund	
APIR	BGL0006AU
Fund Size	613 mil
Buy/Sell Spread	0.15%/0.15%
Number of Stocks in Fund	206
Number of Stocks in Benchmark	300
Tracking Error	1.55%

BlackRock Australian Alpha Tilts Fund – Class S	
APIR	BLK6723AU
Fund Size	196mil
Buy/Sell Spread	0.15% / 0.15%