

BLACKROCK STYLE ADVANTAGE FUND (AUST)

BLACKROCK®

FUND UPDATE

30 April 2021

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Style Advantage Fund (Aust) (Gross of fees)	-0.19	2.44	4.07	-7.91	-8.86	-	-4.62
Bloomberg AusBond Bank Bill Index	0.00	0.00	0.01	0.07	1.06	-	1.29
Outperformance (Gross of Fees)	-0.20	2.44	4.06	-7.97	-9.92	-	-5.91
BlackRock Style Advantage Fund (Aust) (D-Class) (Net of fees)	-0.24	2.31	3.69	-8.66	-9.51	-	-5.45
Bloomberg AusBond Bank Bill Index	0.00	0.00	0.01	0.07	1.06	-	1.29
Outperformance (Net of Fees)	-0.24	2.30	3.68	-8.73	-10.57	-	-6.74

Fund inception is 30-Nov-2016. The investment strategy set out in this fund update commenced on the inception date of 30-Nov-2016. Performance information in this fund update is only shown from the inception of the fund and is short term in nature. Performance returns over this period may not be indicative of the long term performance. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Performance for periods greater than one year is annualised. Gross performance is calculated gross 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. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees, performance fees and expenses.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Style factor performance - Month to date*

Carry		Value		Momentum		Defensive	
Fixed Income Carry	↑	Equity Value	↓	Equity Momentum	-	Equity Quality	↑
FX Carry	↓	Equity Markets Value	↓	Equity Markets Momentum	↑	Equity Low Volatility	-
Equity Markets Carry	↑	FX Value	↓	FX Momentum	-		
		Fixed Income Value	↑	Fixed Income Momentum	↓		
Negatively detracting	↓	*Style factor performance is broadly classified as negatively detracting, neutral, or positively contributing.					
Neutral	-	For illustrative example only. This is not a securities recommendation. This represents fund performance versus benchmark as at date of publication.					
Positively contributing	↑						

Market Overview

Most financial markets advanced over April. Risk sentiment stayed elevated on expectations of a powerful economic restart underway, an improving macro picture supported by additional fiscal spending and a broadening vaccine rollout. Corporate earnings results were also broadly encouraging, with several large US and European companies reporting positive earnings surprises. Key risk-on assets such as equities and commodities experienced a strong rally in April, but also defensive assets such as sovereign bonds and gold recorded positive performance after a difficult previous quarter.

Regionally, developed market equities continued to outperform their emerging market counterparts. Developed markets are leading both a rebound in global Purchasing Managers Index's (PMIs) as well as the progress on COVID-19 vaccine deployment. The speed of vaccine rollout has had an impact on near term growth dynamics, with US equities poised for a significant pick-up in growth given the activity restart. US equity markets led the rally whereas Japanese equities reversed some of their gains from previous months.

Fund Performance – April 2021

The BlackRock Style Advantage Fund (Aust) declined slightly in April (-0.2%, after fees), but remains positive on a year-to-date basis (+3.7%, after fees). Factor performance was mixed in April and differed across asset classes. Value insights pared back from a strong prior runup and Momentum lagged, but Quality and Carry strategies continued to grind higher.

Style factors performed best within fixed income markets, driven by Carry and Value. Positioning across developed rate markets was responsible for most of the gains in this asset class. For example, a long US duration position worked well after yields retreated from their March highs. Long Australian rates versus short Eurozone was also beneficial.

Style factor performance within single-name equities (i.e. individual shares) was slightly negative over the month. Value underperformed in April after several months of outperformance. Equity Quality performed well, while Low Volatility and Momentum strategies recorded muted performance.

Style factors performance within Equity Markets (i.e. the derivatives book) was negative in April. A strong showing from both Momentum and Carry was offset by the underperformance in Value. Specifically, short positioning across Swedish and UK equities weighed on performance. Long exposure to Japanese equities also detracted.

Style factor performance within currencies was the largest detractor in April, driven by FX Carry and FX Value. Long/short positioning across EM countries was responsible for most of the underperformance within this asset class. For example, long Indian rupee and short positions in the Korean won and Taiwanese dollar hurt performance.

Asset class performance attribution (%)*

Asset class	MTD Contribution	QTD Contribution	YTD Contribution
Equity Markets	-0.29	-0.29	0.64
Single Name Equities	-0.15	-0.15	1.74
Fixed Income	0.64	0.64	0.90
Currencies	-0.57	-0.57	1.29
Other**	0.18	0.18	-0.51

*Attribution is from Aladdin

**Other captures performance attribution that cannot be attributed to the four categorisations above.

About the Fund

Investment Objective

The Fund aims to deliver returns that are 7% per annum above those of the Bloomberg AusBond Bank Bill Index, before fees, over rolling 3-year periods.

Fund Strategy

Style investing has been used for decades to enhance returns. The existence of such returns can be explained by a reward for bearing exposure to certain risks or due to structural or behavioural anomalies.

Reward for bearing risk refers to the concept that investors are paid a premium for being exposed to more risk than the market portfolio. For example, value and momentum are likely to experience periods of short-term underperformance at certain points in the business cycle. Long-run excess returns can be earned if investors are willing to accept short-term volatility.

Structural anomalies are caused by the existence of investment constraints preventing investors from making decisions purely on investment merits.

Behavioural anomalies have been extensively documented in academic literature; in essence, investors appear to make investment decisions that could not be justified under a hypothesis of pure rationality, which in turn causes asset prices to diverge from their fundamental values.

Through the application of systematic trading strategies, as implemented via our style factor strategies, the Underlying Fund seeks to capture a positive return linked to the persistence of these anomalies.

The investment strategy of the Underlying Fund allocates to a variety of style factor strategies, which are broad persistent drivers of returns with historically low correlation to traditional asset classes and a differentiated return profile to traditional long-only strategies. Through diversification across styles, the investment strategy seeks to achieve consistent returns in major asset classes including but not limited to equities, bonds and currencies. At the same time the investment strategy seeks to limit downside risk by dynamically managing overall exposure during market turmoil.

The style factors which may be used include, but are not limited to:

- ▶ **Value** will focus upon investments that appear relatively cheap with an aim to benefit from outperformance relative to expensive assets.
- ▶ **Momentum** will focus on investments with relatively strong medium-term performance and will aim to benefit from the tendency that an asset's recent relative performance will continue in the short term.
- ▶ **Carry** focuses on higher-yielding investments and aims to benefit from the higher returns provided by these assets relative to lower-yielding assets.
- ▶ **Defensive** refers to investments with low-risk characteristics that aim to benefit from the tendency for lower risk, higher quality assets to generate higher risk-adjusted returns than higher risk, lower quality assets.

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Fund Details

BlackRock Style Advantage Fund (Aust)	
Fund Size	\$30,437,529
Buy/Sell Spread	N/A
Liquidity	Daily
Minimum Initial Investment Institutional	\$500,000
Minimum Initial Investment D Class	\$50,000
Domicile	Australian Unit Trust
Custodian	J.P. Morgan Chase Bank
Management Fee	0.65%
Performance Fee	10%