BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BlackRock

FUND UPDATE **31 August 2024**

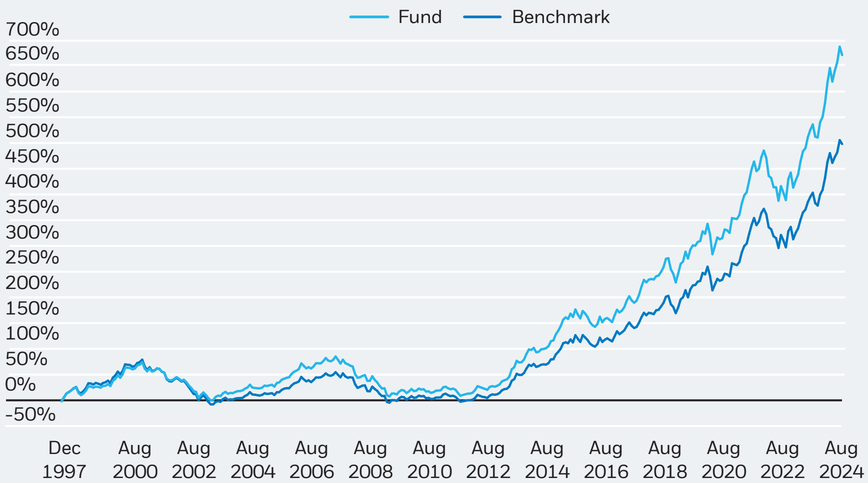
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund[1] (Net of Fees)	-2.08	4.01	18.11	20.63	10.46	13.45	7.11
MSCI World ex Australia Index (unhedged in AUD)	-1.24	4.44	17.55	18.83	9.61	13.05	6.93
Outperformance (Net of Fees)	-0.84	-0.42	0.55	1.80	0.85	0.40	0.18
BlackRock Advantage Hedged International Equity Fund[2] (Net of Fees)	0.85	4.82	17.16	24.43	7.48	12.26	10.30
MSCI World ex Australia Index (hedged in AUD)	1.75	5.33	16.72	22.66	6.51	11.88	10.57
Outperformance (Net of Fees)	-0.90	-0.50	0.44	1.77	0.97	0.38	-0.26

[1] Fund inception: 31/12/1997. [2] Fund inception: 04/04/2003.

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 August 2024



Visit **BlackRock.com.au** for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Commentary

The MSCI World Ex Australia Index declined -1.24% in unhedged AUD terms and gained 1.75% in fully hedged to AUD terms in August 2024.

Global markets experienced a tumultuous August. Risk assets sold off early in the month amid economic growth concerns and a surprise policy hike by the Bank of Japan, before recovering most of their losses by the end of the month. Global equities, as measured by the MSCI World Ex Australia Index (hedged), finished the month up 1.7% in Australian dollar terms, while fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), gained 1.0% amid rising expectations of upcoming rate cuts.

In the US, the S&P 500 Index rose by 2.4% in August (in local currency terms) despite intra-month volatility, with Consumer Staples and Real Estate sectors among the best performers. The US labour market took the spotlight as unemployment jumped to nearly a three-year high and printed at 4.3% over July. This weaker data triggered US recession fears and contributed to the market turmoil early in August. However, equities were buoyed by US Federal Reserve (Fed) Chair, Jerome Powell's, comments at the Jackson Hole symposium where he signalled a high likelihood of a rate cut in September alongside improving US inflation data. Meanwhile, the market rally in the 'Magnificent Seven' stocks took a breather with Nvidia's corporate earnings for Q2 beating expectations by a narrower margin.

European equities, as represented through the Euro Stoxx 50 Index, gained 1.8% in August (in local currency terms) amid investor optimism of further rate cuts by the European Central Bank (ECB). On the inflation front, Eurozone core inflation moderated to 2.8% annualised over August. However, services inflation continues to prove sticky and ECB Executive Board Member, Isabel Schnabel, noted that "policy should proceed gradually and cautiously". European corporate earnings season for Q2 also concluded over the month. Although more companies upgraded than downgraded their earnings guidance, those firms with downgrades were punished significantly while upgrades were only modestly rewarded.

In the UK, the FTSE 100 Index ended the month up 0.9% (in local currency terms). The Bank of England (BoE) implemented a first rate cut in over four years to reduce the official key rate to 5.0% in August. British headline inflation surprised to the downside over July with CPI rising by only 2.2% year-on-year – which was below both economist expectations and BoE forecasts – and driven by a decline in services and core goods prices. As a result, investors are expecting additional rate cuts this year, however BoE Governor, Andrew Bailey, has cautioned against easing monetary policy settings "too quickly or by too much".

China's CSI 300 fell by 3.3% in August (in local currency terms). Chinese equities have underperformed most major markets over 2024, as property sector concerns and weak investor confidence remain headwinds. Despite authorities' stimulus efforts, economic data continued to disappoint with official Purchasing Managers' Index (PMI) results – which measures business activity and sentiment – reaffirming the sluggish performance of the Chinese economy. This follows relatively weak GDP growth for Q2 which printed below forecasts at 4.7% year-on-year. In particular, declining property and equity values appear to be impacting consumer consumption and has led to disinflationary pressures across the Chinese retail sector.

Japanese markets, as represented by the Nikkei 225 Index, finished August down 1.1% (in local currency terms) following its strong performance earlier in the year. The Bank of Japan's (BoJ) perceived shift in its policy framework in late July saw a sharp unwind in the yen carry trade – where investors borrow in the lower-yielding yen and invest in higher-yielding assets – and a historic three-day sell-off in equities. In particular, the central bank noted the possibility of additional rate hikes and discussed the Japanese yen as a factor in setting policy. However, BoJ Deputy Governor, Shinichi Uchida, later softened this stance and stated that the central bank won't raise rates "when financial and capital markets are unstable" – allowing stocks to partially recover losses. Meanwhile, Tokyo core inflation, a leading indicator of nationwide prices which excludes volatile fresh food costs, rose 2.4% year-on-year in August.

Top Active Holdings

Overweight	Underweight
BANK OF AMERICA CORP	TESLA INC
NOVARTIS AG	UNITEDHEALTH GROUP INC
CIGNA	BROADCOM INC
ABB LTD	EXXON MOBIL CORP
HCA HEALTHCARE INC	HOME DEPOT INC

Top Holdings

Holding	Weight %
APPLE INC	5.99
MICROSOFT CORP	5.39
NVIDIA CORP	4.95
AMAZON COM INC	3.07
JOHNSON & JOHNSON	1.66
WALMART INC	1.59
BANK OF AMERICA CORP	1.57
MASTERCARD INC CLASS A	1.56
ALPHABET INC CLASS A	1.53
NOVARTIS AG	1.49

Country Exposure

Country	Weight %
Austria	0.08
Belgium	0.00
Canada	1.73
Denmark	1.37
Finland	0.24
France	1.73
Germany	2.37
Greece	0.00
Hong Kong	0.99
Ireland	0.00
Israel	0.67
Italy	1.47
Japan	5.53
Netherlands	0.69
New Zealand	0.00
Norway	0.40
Portugal	0.00
Singapore	0.24
Spain	2.35
Sweden	0.06
Switzerland	2.78
United Kingdom	4.30
US	72.98

Strategy Commentary

The strategy underperformed the benchmark over August. All of the insight groups detracted led by Macro Themes.

Trend following Macro insights were at the centre of the underperformance at the beginning of August reversing strong YTD gains. Momentum pain was more prevalent at the industry level than across stock selection. This was aligned with thematic trades such as GLP1 and AI struggling. However, these insights recovered through the month as investor sentiment improved with better-than-expected US retail sales data easing recessionary fears.

About half of the losses over the month can be attributed to YTD winners with overweight positions in IT and specifically Semiconductors at the core of the underperformance. Positioning in Japan and specifically overweights in Japanese Financials contributed to losses over the month. Note that these were YTD winners as well and while they initially outperformed the Japan stock market as the BOJ hiked rates, they then underperformed as the Nikkei 225 crashed on 2 Aug and 5 Aug, and were unable to recoup the losses when the stock market rebounded on 6 Aug, likely due to gradual erosion of expectations for additional BOJ rate hikes which compounded unwinding of positions.

Sentiment signals also detracted during August. A signal using Large Language Models (LLMs) to identify themes across broker reports was one of the bottom contributors. On the other hand, momentum and informed investors insights posted strong positive returns. Smart money insights resumed their impressive YTD rally. Signals based on company management conference calls; analyst views also posted positive returns.

Fundamental signals finished flat and slightly negative. The quality complex drove losses and, while value signals provided a hedge in July, they failed to provide meaningful protection in August. Insights evaluating equity dilution were the top detractors for the period. ESG bucket was the best performing for the month with human capital and risk mitigation components leading the strong performance.

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 Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	286 mil
Number of Stocks in Fund	301
Number of Stocks in Benchmark	1354
Tracking Error (3 Years p.a.)	1.68%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	89 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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