

## BlackRock Concentrated Australian Share

## 1 &amp; 2 Models (BR0001 and BR0003)

MAR 2018

## Market Overview

The S&P/ASX200 Accumulation Index finished a volatile first quarter lower (-3.9%) as the local market was hurt by uncertainty offshore, including concerns around global trade and potentially increased tariffs. Locally the banking sector was also affected by the start of the banking Royal Commission which generated negative press for the big banks. Earnings season in the middle of the quarter was modestly positive, though increased competition in the Telecommunications sector resulted in that sector performing the worst to start 2018, whilst Health Care gained as a number of the larger firms reported positive earnings outlooks.

Australian inflation for December fell short of expectations, rising +0.5% for the December quarter compared to +0.7% for the previous quarter. Over the year the annual inflation print at +1.5% remained short of the RBA target band. GDP for the December quarter grew +0.4% taking the 2017 number to +2.4%, helped by household consumption whilst trade dragged as exports fell. Compensation of employees, and wages in the labour force data, both showed increases though the annual number continued to be historically low. The unemployment rate ticked up slightly to +5.6%, as the participation rate rose, overshadowing a solid increase in full-time jobs. The RBA once again kept rates at 1.5%, reminding observers that any return to the inflation target would be a gradual one. Over the quarter the Australian dollar was lower against the US dollar finishing at US76.7c.

The Health Care (+6.9%) sector was the best performing sector for the quarter after favourable earnings reports from a few of the larger companies. Gains were also observed in the Information Technology (+1.5%) and Consumer Staples (+0.3%) sectors, the latter helped by food companies notably in milk products. The worst performing sector for the quarter was Telecommunications (-11.0%), as competition continued to intensify in that marketplace. Whilst several other sectors also detracted including Utilities (-6.9%), Energy (-6.8%) and Financials (-5.9%) which was pulled down by underperforming bank stocks.

The best performing stock over the quarter was biotechnology firm Sirtex Medical (SRX +67.9%) after they accepted a takeover bid from a US medical device firm. Sirtex also reported well during reporting season as earnings increased. The worst performing stock over the quarter was the Retail Food Group (RFG -62.3%) after a turbulent period where they downgraded earnings again, reported lower profits, suspended dividends and announced a strategic review of their business.

## Performance as at 31 Mar 2018

	BlackRock Concentrated Australian Share 1		BlackRock Concentrated Australian Share 2		Benchmark*
	Gross	Out-performance^	Gross	Out-performance^	
1 Month	-2.99	0.78	-2.99	0.78	-3.77
3 Months	-2.28	1.58	-2.28	1.58	-3.86
6 Months	5.9	2.42	5.92	2.44	3.48
1 Year	5.22	3.23	5.24	3.24	2
2 Years (pa)	10.41	-1.57	10.44	-1.54	11.98
3 Years (pa)	2.78	-1.25	2.79	-1.24	4.03
Since inception (pa)*	6.1	-0.51	5.77	-0.85	6.62

\* S&P/ASX 200 Accumulation Index.

^Shows the difference between Portfolio Gross Return and Benchmark Return.

# Model performance inception date: 8/11/2005.

**Past performance is no indicator of future performance.** Long term performance returns show the potential volatility of returns over time. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Fluctuation may be particularly marked in the case of a higher volatility Model and the value of an investment may fall suddenly and substantially. Model portfolio composition and performance have been based on theoretical tracking of the model portfolio and are gross of fees and do not take tax positions into account. Please note, actual portfolios may not perform in the same manner as the model depicted in this document, depending on the nature of your personal portfolio and any customisations.

Rounding used in the presentation of data may result in minor variations.

## About the Model Portfolios

### Investment objective

The BlackRock Concentrated Australian Share 1 and 2 Model Portfolios ("Model Portfolios") aim to achieve capital growth by actively managing a concentrated portfolio of Australian shares and other securities and to provide investors with some tax effective income through the receipt of franked dividends.

### Investment strategy

The investment objective of the BlackRock Concentrated Australian Share 1 and 2 Model Portfolios is pursued by investing in securities listed in the S&P/ASX 200 Accumulation Index which exhibit a growth outlook (or exhibit a bias to growth characteristics). Growth securities are generally stock that achieve steady cash flow generation capability. The BlackRock Concentrated Australian Share 1 and 2 Model Portfolios are created monthly. The portfolios invest in stocks in the S&P/ASX 200 Accumulation Index that are ranked well on measures of operating growth

### Designed for investors who...

- Seek capital growth with some tax effective income; and
- Accept the risk of significant price fluctuations.

## Summary

Model Portfolio Name	BlackRock Concentrated Australian Share 1	Model Portfolio Name	BlackRock Concentrated Australian Share 2
Model Code	BR0001	Model Code	BR0003
Model inception date	4/11/2005	Model inception date	4/11/2005
Principal investment objective	Capital growth and some tax effective income	Principal investment objective	Capital growth and some tax effective income
Can derivatives be used?	Yes	Can derivatives be used?	Yes
Indicative number of stocks	20 – 30	Indicative number of stocks	20 – 30
Minimum Model investment	No fixed minimum*	Minimum Model investment	No fixed minimum*
Model Provider's Fees*		Model Provider's Fees*	
Investment Fee	0.40% p.a.	Investment Fee	0.40% p.a.
Performance Fee applicable?	No	Performance Fee applicable?	No
Benchmark Index	S&P/ASX 200 Accumulation Index	Benchmark Index	S&P/ASX 200 Accumulation Index

1. On 14 June 2012, BR0001 and BR0003 adopted the same investment strategy as BR0012. As such, the investment strategy changed from a fundamental stock selection process to one based on a range of growth characteristics.

\* Please refer to the Product Disclosure Statement for further details.