

### BlackRock Concentrated Australian Share

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

SEP 2018

#### Market Overview

The S&P/ASX200 Accumulation Index posted a small gain (+1.5%) for the third quarter, most of it recorded in July. The monthly run of outperformance for Australian equities came to an end as the ASX declined in September. In global equities, trends diverged as the US market continued to make progress while many international and emerging markets lost ground. A duller earnings outlook and looming political risks created less enthusiasm about Europe, while Japanese equities lacked a clear catalyst to propel performance. Concerns also that a trade war could do serious damage by disrupting global supply chains, with investors also worried by US sanctions against Iran, tensions with Turkey, and Italian politics.

Once again the RBA decided to hold the cash rate at 1.5%. Weak core inflation outcomes and tight financial conditions suggested that inflation would not recover to target within a reasonable timeframe. Though based on the most recent GDP data, the economy delivered above-trend growth. Labour market data showed the unemployment rate remained low at 5.3%, whilst domestic wage growth was still low at +2.1%. The central bank had less concern on housing or the recent rise in mortgage rates. The Australian dollar fell heavily against most major currencies as it depreciated to a more than two-year low to US71.0c as fears over an escalation in the trade conflict between the United States and China dominated concerns.

The Communication Services sector (+15.2%) was the best performing sector for the quarter, mainly from contribution by telecommunication network companies. Information Technology (+12.8%) also performed well, predominantly through a few payment and software companies. The Utilities sector (-5.7%) was the worst performing sector for the quarter as it was pulled down by power and electricity firms. Other sectors that fell included Materials (-2.8%) and Consumer Staples (-2.2%).

The best performing stock for the quarter was Afterpay Touch Group (+92.0%), growth expected to continue as management works towards expanding its international operations. The worst performing stock for the quarter was Speedcast International (-35.0%). The firm announced to acquire Globecom for USD 135 million.

#### Performance as at 30 September 2018

	BlackRock Concentrated Australian Share 1		BlackRock Concentrated Australian Share 2		Benchmark*
	Gross	Out-performance <sup>^</sup>	Gross	Out-performance <sup>^</sup>	
1 Month	-3.89%	-2.63%	-3.88%	-2.62%	-1.26%
3 Months	0.17%	-1.36%	0.18%	-1.35%	1.53%
6 Months	9.87%	-0.27%	9.87%	-0.26%	10.13%
1 Year	16.35%	2.39%	16.38%	2.41%	13.97%
2 Years (pa)	11.42%	-0.18%	11.45%	-0.14%	11.60%
3 Years (pa)	11.31%	-0.80%	11.32%	-0.79%	12.11%
5 Years (pa)	6.47%	-1.73%	6.47%	-1.72%	8.19%
Since inception (pa)*	6.63%	-0.51%	6.31%	-0.84%	7.15%

\* S&P/ASX 200 Accumulation Index.

<sup>^</sup>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.