

# BLACKROCK GLOBAL CORE EQUITY FUND (AUST)

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## FUND UPDATE

30 June 2024

### Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Global Core Equity Fund (Aust) (Class D) (Net of Fees)	2.85	-0.11	11.16	-	-	-	12.78
BlackRock Global Core Equity Fund (Aust) (Class S) (Net of Fees)	2.86	-0.07	11.23	-	-	-	12.92
MSCI All Country World Index NET (in AUD)	1.80	0.49	13.72	-	-	-	17.72
Outperformance (Net of Fees) (Class D)	1.05	-0.59	-2.56	-	-	-	-4.94
Outperformance (Net of Fees) (Class S)	1.06	-0.56	-2.49	-	-	-	-4.79

<sup>1</sup> Fund inception: 7/24/2023.

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.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

## Global Core Equity June 2024

### Market Overview

Global equity markets nudged higher in June, with the MSCI ACWI registering a positive return amid AI-driven market indices reaching all-time highs, fuelled by growing investor optimism regarding the economic outlook across Europe, Asia and America.

All eyes continued to focus on inflation data and the consequent expectations for rate cuts; thus U.S. consumer price index (CPI) falling in May to 3.3%, indicating a slight easing of inflation sent both the S&P 500 index and tech-focused index Nasdaq to all-time highs.

The narrowness of the market continued though, with AI-themed areas dominating. Whilst there was more broadening from AI-themed companies, NVIDIA was once again was the top contributor of the MSCI ACWI, reaching \$3.3 trillion market cap. Its share price has now tripled over the past year.

In Europe, the European Central Bank (ECB) reduced key interest rates by 25 basis points early in the month, but a rise in year-on-year eurozone inflation to 2.6% led to speculation that the cut may have been premature. In the UK inflation fell to 2.0% in May, leading to heightened expectations around future rate cuts. The Bank of England (BoE) remains optimistic, raising its second-quarter growth forecast to 0.5%, an upward revision from its May 2024 prediction of 0.2%. The UK will hold elections in early July with polls anticipating a Labour majority. In France, after suffering a loss at the European Union (EU) elections, President Emmanuel Macron called a snap election to be held between 30 June and 7 July, with this announcement creating political uncertainty for affecting the European markets. Following the news, France's CAC 40 index fell by 6.4% in June. Moody's also warned of France's increased fiscal risk, while Citigroup downgraded European stocks from overweight to neutral, due to rising political risks.

In Asia, China's consumer inflation remained stable with the consumer price index (CPI) rising 0.3% in May from a year earlier, matching a gain in April, while the decline in producer prices slowed down. Moody's also raised China's growth forecast to 4.5%, up from 4.0% previously. In Japan, the yen, which has lost more than one-third of its value since early 2021, fell to a 38-year low against the US dollar.

Overall, the global equity landscape continues to be fragmented, with a narrow group of technology stocks driving U.S. and global indices to all-time highs, and then on the other side political uncertainty and inflation concerns weighing on European markets.

During the month, once again the Information Technology sector delivered most of the returns, with Communication Services and Healthcare also contributing, while Industrials, Materials and Utilities underperformed. From a regional perspective, the US stood out delivering the most significant returns in the month.

## Performance Overview

- The fund outperformed the benchmark over the month
- Stock selection in energy and financials contributed the most to relative performance. Lack of exposure to utilities also contributed.
- Stock selection in consumer staples and industrials detracted the most from relative performance. Lack of exposure to communication services also detracted.

## Stocks

As the market continued to be dominated by the AI theme, the largest contributors to performance were all companies with exposure to AI.

- **ServiceNow**, the cloud-based company that provides software services, was the main contributor to relative performance during the month. While many tech stocks experienced a significant sell-off in late June, ServiceNow demonstrated its strong current market position. The company has been developing its AI platform for business transformation for years, positioning it well in the growing AI market. In June, the team added capital to ServiceNow through share price weakness, as the team is confident in the company's long-term trajectory.
- **Applied Materials**, the American semiconductor equipment manufacturing company, also contributed to relative performance. The company reported solid fiscal second-quarter results, with net revenue of \$6.65 billion, exceeding analysts' estimates. Applied Materials introduced a portfolio of new products and solutions designed for the advanced patterning requirements of chips. We believe the company continues to benefit from the expectations of continued high demand for semiconductor manufacturing equipment.
- **Amazon**, the U.S.-based e-commerce giant, also contributed. Amazon's strong performance was driven by its impressive Q1 results. Amazon broke out on 26th June to reach a \$2 trillion market cap, further boosting investor confidence. The company unveiled earlier its own generative AI strategy, which now includes plans to invest over \$100 billion in AI centres.
- Not owning **Nvidia** has clearly hurt the relative performance of the fund, however we are equally mindful that we do have exposure in the portfolio to the theme of AI, and these names are contributing to relative performance as described above. The company's success is fuelled by the ongoing AI boom, which has made it a top pick among investors and propelled it to become the world's most valuable company for a short period of time, with a valuation of over \$3 trillion. Our investment process means we continuously review our conviction in names we don't own; the quality (or not) attributes of a company, as well as its valuation.
- **Howmet Aerospace**, a leading player in the casting industry, also detracted during the period. Although the stock price did experience a recent dip during the month, on the back of market concerns about its inventory levels, the company's year-to-date performance shows a robust gain, highlighting the company's potential for growth. We remain confident in the company's long-term prospect, hence the recent volatility around the stock has not affected materially our investment thesis.

- **Beiersdorf**, the German skin company, with leading brands such as NIVEA, Eucerin, also detracted during the month. The Capital Markets Day event, which typically provides insights into a company's strategy and outlook, failed to meet investor expectations, leading to a 2% drop in share price. Beiersdorf maintained its existing medium-term guidance, which may have disappointed investors hoping for more ambitious targets. Beiersdorf noted that the second quarter of 2024 continued to show weakness in the luxury skincare segment in China and a slowdown in the US skincare market. Our longer term view is unchanged on the company. We believe the business still has a lot of opportunity to growth outside of Europe.

## Outlook

The first half of this year has been dominated once again by AI, an industrial revolution in technology that has sent shockwaves through markets and driven significant earnings revisions in narrow segments of the overall market. While many low/non dividend paying mega cap companies like Nvidia have dominated those returns, the fund has benefited elsewhere across the technology supply chain and we continue to find attractive fundamental opportunities where our vantage point as global investors helps us identify mis-priced opportunities. The market's focus on AI through the lens of compute, power and data has led to a dramatic re-appraisal of growth across certain subsectors of hardware and semi's, data centres, power suppliers and those businesses with significant data that could benefit from new AI models in presenting to clients. While promising, outside of Ad tech advancements in targeting, we are yet to see meaningful applications of AI in software with a return on investment attached which, in combination with traditional prudence in new technology adoption from corporates, means that we've seen a large bifurcation in the performance of hardware and software. This is an area in which we remain highly focused.

The first half of this year has been driven once again by a narrow group of large-cap technology companies with Nvidia dominating those returns. We are also conscious that within that narrow group, it has been hardware, and the market's anticipation of AI driving material data centre buildout that has dominated the sector's performance. We anticipate there could be a narrative shift going forward from hardware companies training AI models, to the pace of adoption at an enterprise model. This could pose a risk to the growth for the hardware supply chain, whilst also offering opportunities for software names who can help to facilitate broader adoption. When looking at global markets overall, any debate about the pace of growth within the semiconductor value chain could increase the appeal of other more defensive equities, resulting in market broadening.

As we anticipated, interest rates have remained higher for longer thus far in 2024, echoing 2023; in both years we have assumed 6 rate cuts at the start of the year, with expectations progressively falling as the year goes on. We currently expect the Fed will likely cut rates in Q4 2024, but believe the US election will be key to this outlook. Polls currently suggest the Republicans are likely to win the Presidential election, which could imply more sticky inflation going forward given their policies on immigration and tariffs related to trade. Tighter restrictions on immigration could reduce the rate of labour force growth, potentially slowing the rate of growth more broadly. As a result, finding quality equities with secular growth drivers in our view is key.

Lately, we have seen some disappointing economic data, such as new order numbers and some bellwether companies reporting weakness, whilst simultaneously input cost inflation is continuing to normalise. This aligns with our anticipation of an economic slowdown, but we do not expect this to lead to a recession. We continue to look to invest in a balanced portfolio to navigate this, avoiding any major shift towards defensive assets as we seek to deliver strong returns in varying market environments. We expect that it will be high quality companies with pricing power that are once again likely to differentiate themselves in the second half and deliver margin gains if weaker demand continues.

We continue to see high levels of valuation dispersion across the market, with materially different economic expectations priced into stocks with similar characteristics. We continue to focus on the long-term potential. We continue to focus on the long-term potentials of businesses and look to take advantage of short-term market noise to make investments at attractive valuations. We believe that quality companies offer resilience and are most likely to continue to grow in a volatile environment. Their well-invested brands, pricing power and intellectual property driving differentiated products and services are likely to be able to maintain and grow profitability. We continue to seek idiosyncratic stories and structural growth opportunities which we think will be critical in navigating through this period. We believe it is alpha rather than beta which will continue to drive returns as we see greater dispersion in equity markets. Ultimately our disciplined process focused on quality stocks at attractive valuations gives us confidence that we can continue to construct a well-diversified portfolio that can perform in a range of environments and deliver for you, our clients.

#### Top Active Holdings

Overweight	Underweight
APPLIED MATERIAL INC	NVIDIA CORP
INTERCONTINENTAL EXCHANGE INC	META PLATFORMS INC CLASS A
SERVICENOW INC	ALPHABET INC CLASS A
BOSTON SCIENTIFIC CORP	ALPHABET INC CLASS C
UNITEDHEALTH GROUP INC	APPLE INC

#### Top Holdings

Holding	Weight %
MICROSOFT CORP	7.45
AMAZON COM INC	5.20
UNITEDHEALTH GROUP INC	4.55
APPLIED MATERIAL INC	4.50
SERVICENOW INC	4.40
INTERCONTINENTAL EXCHANGE INC	4.31
BOSTON SCIENTIFIC CORP	4.11
CHARLES SCHWAB CORP	4.04
MASTERCARD INC CLASS A	3.94
LVMH	3.89

#### Country Exposure

Country	Weight %
Denmark	3.17
France	6.83
Germany	2.85
India	2.15
Mexico	1.51
Sweden	2.87
United Kingdom	5.61
United States	74.72

## About the Fund

### Investment Objective

The Fund seeks to maximise total return by investing in a portfolio of global equity securities, in a manner consistent with the principles of environmental, social and governance investing.

### Investment Strategy

The Fund aims to achieve its investment objective through investing in the BGF Global Long-Horizon Equity Fund (the Underlying Fund). The Underlying Fund invests globally with no prescribed country, regional or capitalisation limits. At least 70% of total assets will be invested in equity securities. The Underlying Fund is managed by BlackRock Investment Management (UK) Limited, along with other co-adviser entities that are part of the BlackRock Group (Investment Adviser). The Underlying Fund may invest in equity securities that, in the opinion of the Investment Adviser, have a sustained competitive advantage and will typically be held over a long-term horizon. Currency exposure is flexibly managed.

The Underlying Fund applies exclusionary screens to the companies within its investment universe. The Investment Adviser then applies its proprietary Fundamental Insights Methodology to identify companies that would otherwise have been excluded by the exclusionary screens but that it considers to be appropriate for investment on the basis that they are "in transition" and focused on meeting sustainability criteria over time.

Where a company is identified as meeting the criteria in the Fundamental Insights Methodology for investment and is approved in accordance with the Methodology, it is eligible to be held by the Underlying Fund. Such companies are regularly reviewed.

In the event that the Investment Adviser determines that a company fails the criteria in the Fundamental Insights Methodology (in whole or in part and at any time) or it is not engaging with the Investment Adviser on a satisfactory basis, it will be considered for divestment by the Underlying Fund in accordance with the Fundamental Insights Methodology.

## Should be considered by investors who ...

- ▶ Seek to invest in a Fund which provides investors with access to a professionally managed portfolio of global equity securities.
- ▶ Have a long-term investment horizon. The securities held in the Underlying Fund's portfolio have been selected based on BlackRock's view that they have a sustained competitive advantage, and so will typically be held over a long-term horizon.
- ▶ Want to invest into an actively managed fund without benchmark constraints. In selecting securities for the Underlying Fund's portfolio, the investment adviser is unconstrained by country, region or capitalisation limits

### Fund Details

BlackRock Global Core Equity Fund (Class D)	
APIR Code (Class D)	BLK6302AU
Buy/Sell Spread	0.00%/0.00%
Fund Size	\$5,639
Management Fee (Class D)	0.75%

BlackRock Global Core Equity Fund (Class S)	
APIR Code (Class S)	BLK3793AU
Buy/Sell Spread	0.00%/0.00%
Fund Size	\$ 50,816
Management Fee (Class S)	0.60%

\* Fund size of the Australian Fund – excludes the AUM of the Underlying Fund into which the Fund invests.

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