BLACKROCK GLOBAL ALLOCATION FUND (AUST)

BlackRock

FUND UPDATE **30 September 2024**

Investment Performance (%)

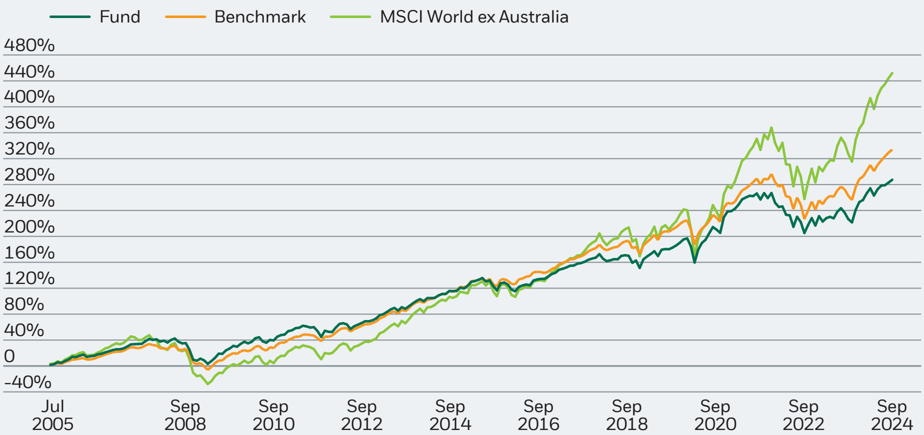
		1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
Return	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	1.14	2.40	9.78	18.64	2.77	6.51	7.29
	Internal Benchmark	1.09	4.01	11.72	19.68	4.57	6.89	7.93
	MSCI World ex Australia Hedged in AUD (For comparative purposes)	1.41	4.43	18.37	29.27	8.38	11.68	-
Risk^	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	-	-	-	-	10.40	10.95	9.11
	MSCI World ex Australia Hedged in AUD* (For comparative purposes)	-	-	-	-	15.73	16.65	14.52

^ Risk is measured as standard deviation of monthly returns, annualised.

*Fund inception: 27/06/2005. The Diversified Benchmark return from 30 June 2014 to 30 September 2016 has been updated as at 26th September 2016 following a re-statement of the FTSE World ex US AUD Hedged Index, which makes up 0.24% of the diversified benchmark allocation, by FTSE. The Diversified Benchmark return for this period had previously been overstated by 0.38%. Despite the update of the return for this period, there was no change or impact to the fund performance or unit pricing for the fund, which was unaffected by the data previously provided by FTSE and continued to be correctly stated during this period.

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. 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 and expenses and does not include the effect of taxes. Refer to Fund details section for actual inception dates. The benchmark is a diversified allocation of 36% S&P 500 Index (Total Return hedged in AUD), 24% FTSE World Index ex US Index (Total Return hedged in AUD), 24% Merrill Lynch US Government Index (0-5 yr Treasury hedged in AUD) and 16% Citigroup World ex US Government Bond Index (hedged in AUD).

Cumulative Performance to 30 September 2024



Current Portfolio Strategy

- Global stocks, as measured by the MSCI World Index, gained +1.8% in September, but performance varied widely by country, region and sector. The biggest gains were made in China, where the PBOC's unexpected stimulus package included broad rate cuts, lowered down payment minimums for mortgages, and allows financial firms to borrow directly from the central bank to purchase stocks. The moves spurred massive stock buying across China's A-share market, propelling returns on the Shanghai Composite Index by nearly +19% in a single month. Meanwhile, Japan was the only major equity market that experienced declines during September, as a change in that country's leadership increased the likelihood of tighter monetary policy from the Bank of Japan. Expectations of tighter monetary policy put upward pressure on the value of the yen while simultaneously weighing

Monthly key portfolio themes

- 65% equities, 27% fixed income, 5% cash, 2% Precious Metal.
- **Regions:**
  Overweight: U.S and Japan

  Underweight: Asia ex- Japan (Australia)

  Sectors:
  Overweight: Information Technology, Consumer Discretionary, Financials, Healthcare, Energy

  Underweight: Consumer Staples, REIT's and Materials
- Exposure to the U.S. Dollar largely fell because of weakness over the month (USD fell -0.9% as measured by the DXY Index) and represented one of the largest underweights as of period end (-1.1%). The dollar is likely to remain challenged in an environment where interest rates are declining. As a result, the team was comfortable letting exposure drift with markets and looked to diversify with other currencies as well as gold as an alternative store of value.

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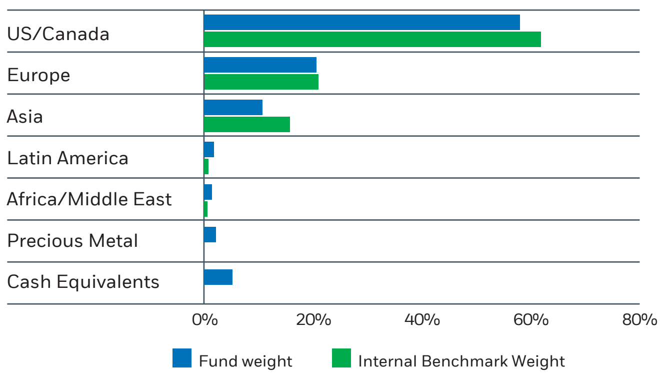
- Market Insights & Commentary
- Fund Performance
- Unit Prices

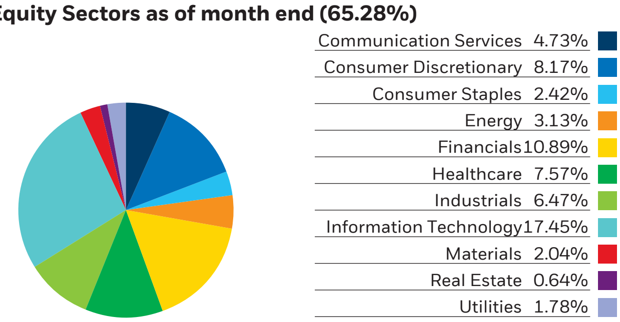
on the country's stocks. From a sector perspective, September was another strong month for Utilities, as the combination of increasing electricity demand from Artificial Intelligence development and falling long-term bond yields lifted stocks across the sector, while a combination of elevated crude supplies and waning global oil demand weighed on the shares of Energy producers, despite ongoing hostilities in the Middle East. Bonds enjoyed their fifth consecutive month of gains during September, following the Fed's -0.50% rate reduction. Longer-duration assets, including 10-year U.S. Treasuries and U.S. investment grade bonds, outperformed short/intermediate-term maturities. The somewhat sharper than expected rate cut weighed on the U.S. dollar, which fell -0.9% during September. The combination of a depreciating U.S. dollar and falling U.S. interest rates helped boost the returns of developed market international sovereign bonds by nearly +2.0% during and emerging market bonds by +1.9%. Lastly, U.S. high yield bonds advanced +1.6% in September, helped by supportive U.S. economic data and falling interest rates.

- A consistent string of weaker-than-expected inflation prints, coupled with a pair of marginally softer-than-expected job reports, has allowed the Fed to shift U.S. monetary toward a less restrictive posture. Equity market volatility has increased the past two months (sometimes materially), on the release of weaker-than-expected U.S. jobs growth, and most recently, escalating military confrontation in the Middle East. In our view, the U.S. labor market is evidencing signs of readjusting following a post-pandemic activity burst but is not signaling an imminent spike in job losses. Meanwhile, U.S. inflation data continues to make slow, but relatively consistent, progress toward the Fed's long-term target of +2%. In our view, slowing inflation, decelerating economic growth, and a softening labor market are all justifiable reasons for the Fed to recalibrate monetary policy toward becoming less restrictive. That said, we don't think that recent U.S. economic data is so weak that recession is imminent. Consequently, we don't think an overly aggressive rate cutting cycle is likely on the horizon. We maintain a favorable outlook on stocks but a bit more tepid on the near-term given as the potential for heightened seasonal weakness as we approach the U.S. presidential election. Across fixed income, we continue to tactically manage our duration exposure. Within U.S. rates, the bulk of our exposure remains at the intermediate part of the U.S. yield curve. Looking beyond Treasuries, we remain of the view that nominal yields remain compelling relative to the past 15 years and provide access to attractive level of absolute income that could augment equity positioning. The bulk of our fixed income exposure remains in a diversified basket of corporate credit and securitized assets. In-line with the fund's risk aware mandate, we hold exposure to an array of portfolio hedges (in addition to duration), including derivatives, cash, commodity-related and FX positioning.
- Over the month, the fund's broad equity weighting decreased as the team sought opportunities to slightly derisk for the nearterm. While constructive on equities over the long-term, the team sought to manage downside risks on the view that high valuations, upcoming U.S. election, lingering geopolitical risk and aggressive pricing of the fed easing cycle could serve as a headwind in the near-term.
- Within the consumer sectors, the team added to some discount retailers and home-related stocks (discretionary) as well as some incremental exposure in value retailers (staples) on the view that consumer spending is shifting to a more value-oriented model rather than outright declining.
- Healthcare represented the largest decrease over the month via a reduction in select pharmaceutical companies that the team believed had become crowded. We remain constructive (and overweight) healthcare given its more defensive characteristics and believe there is potential to outperform the broader market as the economy continues to decelerate.
- Exposure to energy decreased over the month, from a combination of market weakness and paring back stock specific exposure to rotate a portion of our cyclical exposure elsewhere. The underperformance was driven by a combination of elevated crude supplies and waning global oil demand weighed on the shares of energy producers, despite ongoing hostilities in the Middle East.

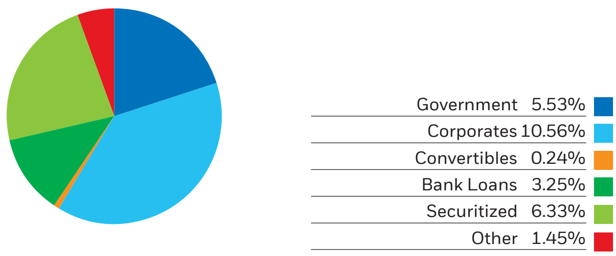
Regional Exposure as of month end



Equity Sectors as of month end (65.28%)



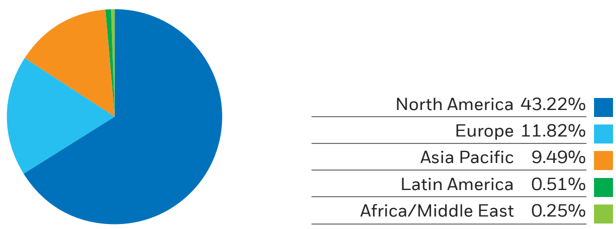
Fixed Income Sectors as of month end (27.38%)



Cash as of month end (5.23%)

Precious Metals (2.12%)

Equity Regional Exposures as of month end



- We reallocated exposure within industrials, reducing automation-related exposure to fund additions in select transportation companies that were a bit more defensive in nature as well as heating/cooling companies that we believe to be positioned to benefit from the buildout to support AI growth.
- From a regional perspective, our largest equity overweight remains in the U.S. as we continue to emphasize quality. We maintain modest overweight to Japan, with positioning in high quality companies with multi-national exposure as well as index futures for more tactical management. Exposure in Europe remains largely idiosyncratic across select industries.
- Within derivatives, the team continues to rely on option strategies to manage the overall risk of the fund at both the index and single name level. This additional convexity allowed the fund to participate in the subsequent market rally with insulation to the downside (limited to premium paid for options). Within individual stocks, we continue to look for opportunities for stock replacement strategies (reducing stock exposure and shifting to call options) as well as selling calls on select names that may see a increase in volatility as we approach the election.
- Duration exposure remained at 2.1 years as of September month-end (against a benchmark of 2.4). This represents one of the highest levels for the portfolio over the last 5 years given improvement in the overall inflation picture and ensuing shift in the Fed's reaction function. Positioning is tactically managed through the use fixed income derivatives, notably bond futures. Over the month, exposure was slightly reduced given what we believe to be an overzealous pricing of Fed cuts in the market.
- Within rates, U.S. exposure remains focused on the belly of the curve (3-7 year) given attractive absolute yields coupled with the view that when the Fed begins to cut interest rates, the belly would stand to benefit as the curve steepens. Outside of the U.S. the Fund was overweight duration in Europe and to a lesser extent in Latin America and underweight in Japan.
- We continue to find value in spread assets with exposure in a diversified basket of credit, securitized debt, and various duration hedges. The aggregate exposure of the portfolio's off-benchmark fixed income asset classes represented ~22% of AUM and is a key differentiator vs. traditional "60/40" portfolios. We believe the high nominal yields that these bonds offer more than offset the narrow credit spreads that currently accompany them and serve as a complement to risk assets.
- We remain constructive on the high yield market given the overall health of issuers from a credit perspective as they have termed out their debt and absolute level of yields (vs. a view on spreads). In addition, market technicals, notably the supply of high yield bonds relative to investment grade and treasuries, remains much lower which could serve as an additional level of support. Remaining selective in the high yield market is key, with the team maintaining a bottom-up approach for issuer selection.
- The fund's positioning in gold-related securities increased to 2.1%, largely through option form. YTD, the metal has been buoyed by investor optimism on near-term interest rate cuts from the Fed as well as increased geopolitical concerns. Gold's rally in YTD has been supported by ongoing demand for a long-term store of value as well as the more recent inflection in macro-outlook with the expectations for both interest rates and the USD to be lower (which has historically been a tailwind for gold). We increased our allocation over the quarter on the view that an environment of slowing economic growth, central bank easing, and outsized government deficits may serve as additional support for the price of gold.
- Exposure to cash slightly decreased over the month as the team rotated incremental exposure to gold-related securities. Decreased equity exposure was offset by increases in fixed income. In this environment, the team continues to rely on a combination of cash, along with income, derivatives, commodity-related and FX positioning to manage the fund's overall risk profile.
- Exposure to the U.S. Dollar largely fell because of weakness over the month (USD fell -0.9% as measured by the DXY Index) and represented one of the largest underweights as of period end (-1.1%). The dollar is likely to remain challenged in an environment where interest rates are declining. As a result, the team was comfortable letting exposure drift with markets and looked to diversify with other currencies as well as gold as an alternative store of value.
- Within Japan, exposure to the yen increased via local appreciation and incremental exposure via unhedged equity positioning, bringing positioning to an overweight relative to the benchmark (+0.5%). The currency stands to benefit from a more hawkish Bank of Japan. While absolute levels remain low, this is a stark difference relative to most other developed market central banks that have begun to cut interest rates. Over the quarter, the yen strengthened +12% relative to the USD, the strongest performance since Q4 2008.
- The fund's remained underweight the Chinese yuan and Hong Kong dollar due to ongoing weakness in mainland China's economy due to lingering troubles in the country's large real-estate sector. That said, exposure to both currencies increased over the quarter following the late September stimulus.

About the Fund

What is the objective of the fund?

- The objective of the Fund is to maximise total investment returns while managing risk and the Fund is generally diversified across markets, industries and issuers.
- The types of securities and markets the Fund invests in will vary in response to changing market conditions and economic trends. For example, the Fund may be substantially invested in Japanese shares when they appear undervalued relative to other world share markets. Alternatively greater emphasis may be placed on fixed income securities when the risk of owning shares appears significant. With this approach, the Global Allocation Team strives to achieve attractive total returns, while spreading the risks associated with investing in only one asset class or market.

Who should consider the Fund?

- The Fund should be considered by investors seeking a single fund that offers broad global exposure, or an investment that is not constrained by MSCI benchmarks.
- The Fund is a "one stop shop". Investors will benefit from the active security selection, which aims to take advantage of global investment opportunities wherever and whenever they arise.

Fund Details

BlackRock Global Allocation Fund (Aust)	
Inception Date	8 June 2005
Fund Size	308 mil
Management Fee	0.20% p.a.
Performance Fee	12.50%

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