

# BLACKROCK GLOBAL EQUITY SIGNALS FUND

**BlackRock**<sup>®</sup>

## FUND UPDATE

31 August 2024

### Investment Performance (%)

	MTD	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Global Equity Signals Fund (Gross of Fees)	-0.84	4.29	17.48	19.09	8.16	12.14	11.80
Composite Benchmark*	-0.66	4.50	17.82	19.66	8.65	12.18	11.61
Outperformance (Gross of Fees)	-0.18	-0.21	-0.34	-0.56	-0.49	-0.04	0.19
BlackRock Global Equity Signals Fund (Net of Fees)	-0.84	4.29	17.48	19.10	8.17	12.12	11.73
Composite Benchmark*	-0.66	4.50	17.82	19.66	8.65	12.18	11.61
Outperformance (Net of Fees)	-0.18	-0.21	-0.33	-0.56	-0.48	-0.06	0.12

<sup>1</sup> Fund inception date: 05/04/2018.

\*The benchmark comprises the MSCI World ex Australia Net TR Index (Hedged in AUD), MSCI World ex Australia Net TR Index (Unhedged in AUD) and STOXX Developed World Equity Factor Net Index (Unhedged in AUD).

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

## Performance Summary

### Market Overview – 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 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.

#### United States

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.

#### Europe

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”.

#### Asia

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.

### Fund Performance – August 2024

The BlackRock Global Equity Signals Fund recorded a negative return of -0.84% in August (gross of fees).

The BlackRock Global Equity Signals Fund is constructed with a 60% allocation to a world equity component partially hedged to AUD (as represented by the MSCI World ex Australia Index) and a 40% allocation to a diversified multi-factor component. The Fund's world equity component recorded mixed returns over the month as the MSCI World ex Australia Index recorded returns of -1.24% (in unhedged AUD terms) and 1.75% (in AUD hedged terms). The Australian dollar appreciated against the US dollar over the month, which boosted the outperformance from the AUD hedged exposures relative to the unhedged exposures.

The Fund's multi-factor component was down 1.3% over the month which detracted from absolute returns and performed modestly in line with global equities (unhedged) on a relative basis in August. This strategy takes a stock-level approach that aims at maximising exposure to the five target factors – Quality, Size, Value, Momentum and Low Volatility. The strategy is intended to deliver a blended factor exposure which can have diversification benefits due to low correlations across factors. The strategy employs an optimization subject to a set of constraints (including diversification, sector, country, turnover and style exposures relative to the parent index). The Low Volatility factor contributed in August, while the remaining factor exposures detracted over the period with the Value factor underperforming the most.

Top Holdings	
Holding	Weight %
APPLE INC	4.82
MICROSOFT CORP	4.40
NVIDIA CORP	4.25
AMAZON COM INC	2.27
ALPHABET INC CLASS C	1.75
META PLATFORMS INC CLASS A	1.55
BROADCOM INC	1.24
ELI LILLY	1.12
JPMORGAN CHASE & CO	0.94
ALPHABET INC CLASS A	0.85

Country Exposure	
Sectors	Weight %
United States	70.95
Japan	6.81
United Kingdom	3.63
Canada	2.98
France	2.87
Switzerland	2.23
Germany	2.13
Netherlands	1.25
Denmark	1.10
Italy	1.03
Sweden	0.87
Australia	0.87
Spain	0.83
Hong Kong	0.41
Singapore	0.40
Finland	0.32
Belgium	0.32
Israel	0.25
Norway	0.22
Austria	0.21
Ireland	0.16
New Zealand	0.11
Portugal	0.04

## About the Fund

### Investment Objective

The Fund aims to provide investors with exposure to developed market equities utilising indexing techniques and style factors subject to constraints.

### Fund Strategy

The Fund aims to provide investors with the performance of its composite benchmark, before fees and the cost of hedging.

The composite benchmark, as shown in the below table, comprises a portfolio of published indexes that provide exposure to international developed stock markets. The composite benchmark index is subject to periodic review and may change.

Index name	Composite benchmark index weight
MSCI World ex Australia Net TR Index (Hedged in AUD)	20%
MSCI World ex Australia Net TR Index (Unhedged in AUD)	40%
STOXX Developed World Equity Factor Net Index (Unhedged in AUD)	40%

To achieve its objective the Fund will gain exposure to a mixture of the following index strategies:

- ▶ full replication, which aims to purchase every security in the index, while considering transaction costs; and
- ▶ optimisation, that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the index the strategy aims to track. The securities selected are expected to have, in aggregate, investment characteristics (based on factors such as market capitalisation and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the index. Therefore, the securities comprising an optimisation strategy may or may not include all of the securities in the index and the weighting of such securities may differ to the weighting of securities in the index.

The Fund will access the index strategies and gain exposure to the composite benchmark by investing in units of the following funds (Underlying Funds) each of which is managed by BlackRock:

- ▶ **iShares Hedged International Equity Index Fund**, which employs a full replication strategy that aims to track the performance of the MSCI World ex Australia Net TR Index (Hedged in AUD). A passive currency hedge is applied, which seeks to minimise the effect of currency fluctuations on returns by converting the currency exposure of the index into Australian dollars.
- ▶ **iShares Wholesale International Equity Index Fund**, which employs a full replication strategy that aims to track the performance of the MSCI World ex Australia Net TR Index (Unhedged in AUD); and
- ▶ **iShares World Equity Factor ETF**, which employs an optimisation strategy that aims to track the performance of the STOXX Developed World Equity Factor Net Index (Unhedged in AUD).

### Should be considered by investors who...

- ▶ Seek broad exposure to the international equity market at low cost.
- ▶ Seek a fund that applies smart indexing techniques to provide additional value add.
- ▶ Seek factor-driven outperformance over the long term in a portfolio of global developed market stocks with a similar profile and risk to the broad market.
- ▶ Target five drivers of return in their international equities exposure: Quality (financially healthy firms), Value (inexpensive stocks), Size (smaller companies), Momentum (trending stocks) and Low Volatility (less volatile stocks).
- ▶ Seek cost-efficient access to a rules-based factor investing strategy.
- ▶ Have a long term investment horizon.

### Fund Details

BlackRock Global Equity Signals Fund (Class D Units)	
APIR	BLK5937AU
Fund Size (A\$)	220 mil
Buy/Sell Spread	0.10%
Management Fee	0.22%
Liquidity	Daily
Domicile	Australian Unit Trust
Minimum Initial Investment	A\$500,000
Minimum investment for subsequent applications	None
Custodian	J.P. Morgan Chase Bank

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