

# BLACKROCK HIGH GROWTH MULTI-INDEX FUND

**BlackRock**

## FUND UPDATE

31 August 2024

### Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc <sup>^</sup>
BlackRock High Growth Multi-Index Fund (Gross of Fees)	0.17	5.37	12.44	16.50	6.19	-	9.98
Diversified Benchmark <sup>*</sup>	0.26	5.37	12.63	16.62	6.29	-	10.07
Outperformance (Gross of Fees)	-0.10	0.00	-0.19	-0.12	-0.10	-	-0.09
BlackRock High Growth Multi-Index Fund (Net of Fees)	0.15	5.32	12.29	16.29	6.00	-	10.14
Diversified Benchmark <sup>*</sup>	0.26	5.37	12.63	16.62	6.29	-	10.48
Outperformance (Net of Fees)	-0.11	-0.05	-0.33	-0.34	-0.29	-	-0.34

<sup>\*</sup> Fund inception: Inception date of gross-of-fee share class: 10/06/2020. Inception date of net-of-fee share class: 20/07/2020.

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.

<sup>\*</sup> The benchmark is a diversified allocation of the S&P/ASX 300 Total Return Index, MSCI World Custom ESG Screened Open Index (Net) (hedged and unhedged in AUD), FTSE Developed Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index, FTSE EPRA Nareit Developed ex-Australia Rental AUD Hedged Net Tax Index, MSCI EM IMI ex TOBACCO ex CW ex NW (Net) Index (unhedged in AUD), Gold Price Index in AUD, Bloomberg AusBond Infl Govt 0+ Yr Index, Bloomberg AusBond Credit 0+ Yr Index and the Bloomberg AusBond Bank Bill Index<sup>SM</sup>.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

## Performance Summary

### Market Overview

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.

#### Australia

The S&P/ASX 300 Accumulation Index rose 0.4% in August, with Financials and Industrials among the best performing sectors. The Reserve Bank of Australia (RBA) held interest rates steady over the period but surprised markets by highlighting that the board “seriously” considered a rate hike. Meanwhile, Australia's headline inflation printed at 3.5% year-on-year for July and continues to track above the RBA's target band of 2-3% – prompting investors to pare back expectations for domestic rate cuts in the near future. The unemployment rate edged higher to 4.2% across the period, but this was driven more so by an increase in labour supply than a decrease in labour demand. New job creation stood at 58,200 in July, above the consensus estimate of 20,000. Australian house prices, as represented by CoreLogic Home Value Index rose 0.5% in August which marked the 19th consecutive monthly increase.

#### Fixed Income

Fixed income markets saw volatility but rallied alongside a decline in government bond yields amid the prospect of upcoming central bank cuts. Over the month, the US 10-year yield fell 13 basis points, while the Australian 10-year yield declined 15 basis point to end August at 3.9% and 4.0% respectively. The fall in rates pushed bond prices higher. The Global Aggregate index (hedged) finished the month up 1.0%, while the Australian composite bond index gained 1.2% over August. Riskier parts of the fixed income market, namely corporate credit and emerging market debt indices also realised gains across the period.

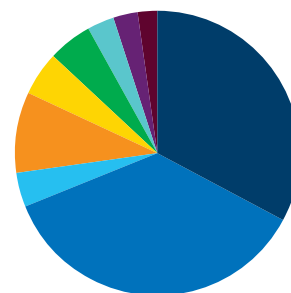
#### Commodities & FX

Commodity markets and energy prices were mixed over the month. Across industrial metals, Copper declined 0.1% while Iron Ore held onto slight gains and rose 0.4% despite China economic growth concerns. Oil fell by 4.1% as ample supply and sluggish Chinese demand weighed on sentiment. Meanwhile, Gold continued to trend higher and was up 2.3% amid elevated geopolitical tensions. Within currencies, the US dollar declined 1.6% over the month against its developed market peers, while the Australian dollar appreciated 3.4% against the US dollar.

#### Fund performance – August 2024

The BlackRock High Growth Multi-Index Fund recorded a slightly positive return of 0.15% (after fees) for August. Despite the volatility in early August driven by US employment data and Japan's interest rate hike, the belief in a soft landing for the US economy remained strong, with markets recovering on supportive economic data and positive developments later in the month. In terms of absolute performance, growth assets delivered mixed performance. Australian Equities contributed while Global Equities and Emerging Markets Equities weighed on the fund performance. The allocation to Global Property and Global Infrastructure also added to the performance over the month. The Fund's more defensive asset classes, including Australian Investment Grade Corporate Bonds, Australian Inflation Linked Bonds recorded positive returns. The defensive allocation to Gold slightly weighed on the performance across the period.

Benchmark Allocation



Asset Class	Benchmark Weight (%)	Contribution to Benchmark Return
Australian Shares	33.00	0.15
International Shares	36.00	-0.06
International Property	4.00	0.22
Emerging Market Equities	9.00	-0.20
Gold	5.00	-0.05
Global Infrastructure	5.00	0.15
Australia Fixed Income	0.00	0.00
Australia Inflation Linked	3.00	0.02
Australia Investment Grade Corporate	3.00	0.03
Global Bonds	0.00	0.00
US Inflation Linked	0.00	0.00
Global High Yield Corporate	0.00	0.00
Cash	2.00	0.01

**Total Benchmark Return: 0.26%**

## About the Fund

### Investment Objective

The Fund aims to provide investors with the performance of its composite benchmark, before fees and the cost of hedging. The Fund comprises a portfolio of published indices that provide exposure to a range of domestic and global asset classes, consistent with a 'High Growth' strategic asset allocation (i.e. approximately 85% growth assets and 15% defensive assets).

### Fund Strategy

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.

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

- ▶ seek a broad exposure to both domestic and global asset classes consistent with the Fund's composite benchmark.

#### Fund Details

BlackRock High Growth Multi-Index Fund	
APIR	BLK1596AU
Fund Size	40 mil
Buy/Sell Spread	0.09%/0.09%
Management Fee	0.19% p.a.

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