BLACKROCK EMERGING MARKETS FUND (AUST)

BLACKROCK®

FUND UPDATE **30 April 2024**

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Emerging Markets Fund (Aust) (D Class)[1] (Net of Fees)	0.32	7.84	5.61	-	-	-	4.66
MSCI All Country World Net TR Index (in AUD)	0.92	9.78	8.05	-	-	-	8.85
Outperformance (Net of Fees)	-0.60	-1.94	-2.44	-	-	-	-4.18

[1] Fund inception: 07/24/2023.
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

GEM April 2024

Market Overview

MSCI EM registered a slight positive return in April and significantly outperformed developed markets, which ended the month down. EM experienced a sharp correction early in the period as the market responded to stickier inflation prints in the US and lower expectations surrounding the number of Fed cuts this year. However, strong macro prints in China, rising commodity prices and a tilt towards Value helped lift sentiment resulting in gains from intra-month lows.

EM Asia was the best performing region. Positive economic momentum and strong policy support for manufacturing and infrastructure investment in China helped the market gain over the month. Hong Kong listed shares were up in aggregate amid positive EPS revisions. Indonesia was the regions worst performer amid a rising dollar, higher bond yields, and increased volatility.

EEMA was flat against the broader index, with significant performance dispersion across markets. Turkey was the best performing EM in April as markets responded to comments indicating continued monetary orthodoxy. Foreign inflows were c$500m in the month, some of the strongest levels in the past several years. On the other hand the Middle East lagged amid growing geopolitical concerns stemming from Iran's drone and missile attacks on Israel mid-month.

LatAm lagged all other regions on Fed re-pricing. Brazil was down amid worsening unemployment and a more cautious tone from the central bank on future rate cuts given tamer-than-expected inflation prints. Mexico declined amid significant FX depreciation and similarly muted action from their central bank to ease more aggressively.

Fund Performance

- The Fund (net of fees) underperformed its benchmark, the MSCI Emerging Markets (EM) Index, in April.

Drivers of Performance:

- Selection in Brazil and overweight Indonesia detracted most while selection in India and underweight Saudi Arabia contributed most to performance over the month.
- In terms of sectors, selection in information technology and consumer discretionary detracted most, while selection in industrials and utilities contributed most to relative returns during the period.

- Overweight Indonesian bank, Bank Rakyat, detracted most from relative performance as the stock sold off after the Central Bank left its key interest rate unchanged on the back of the Federal Reserve's lack of movement.
- Overweight Brazilian investment management company, XP Inc, also detracted from performance as the stock fell surrounding concerns of a "higher for longer" environment following the Federal Reserve's hold.
- Overweight Indian finance stock, Aditya Birla Capital, was the top contributor to relative returns over the month as it reported strong Q1 results.
- Overweight JSW Energy, an Indian private sector power producer, also contributed to performance as the company won a bid and had a transfer of new renewable energy projects after the CEO stated plans to be more aggressive in renewables.

Market Outlook

As higher global rates continue to feed through into the real economy globally we expect a demand slowdown to bite in developed markets. We note slowing credit growth in particular as evidence that a slowdown is likely. In contrast we see better fundamentals in emerging markets (EM), particularly outside of China, versus Developed markets (DM). Monetary tightening across much of EM was ahead of that in developed markets as well as, in many cases, stronger than in past cycles, particularly in LatAm and Eastern Europe. With inflation falling we are now starting to see central banks cut rates, typically a good set up for emerging markets as domestic growth accelerates. Rate cuts have been constrained in our view by the Fed and we expect rate cuts can accelerate as the Fed starts to cut US rates. Within our universe Brazil is a well held overweight across our platform, with common underweights in Taiwan, China, and Saudi Arabia.

The shifting geopolitical landscape which is leading in our view to a re-organization of globalization is supportive of many parts of emerging markets. We see a World splitting into three groups: those aligned with China, those aligned with the US and the rest. The latter group which we have coined the "Transactional 25" are uniquely positioned to benefit from their ability to trade with both blocs, and are already seeing an increase in their share of global Foreign Direct Investment (FDI) flows. Beneficiaries include Indonesia, Mexico and India among others.

Indonesia, for instance, is the world's largest exporter of nickel, vital in the making of batteries for electric vehicles. As the value of nickel exports multiplies this represents an important shift for a country that has historically run a current account deficit. The size of the increase that we are seeing in nickel exports is such that the structural current account deficit of around 3% of GDP that Indonesia saw pre covid, has already shrunk by around 1% of GDP and is likely to shrink by a further 1% of GDP by 2025. This should have the benefit of making Indonesia less reliant on borrowing from abroad and attracting foreign capital potentially resulting in increased domestic liquidity and higher economic growth.

Our view of India, informed by recent investor visits, is more positive than it was at this time last year although we remain underweight given recent strong price action. Many of the data points we were more cautious about entering 2023 (balance of payment deficit, weak monetary policy, and Adani spillover), have materially improved. All the while two positive trends are emerging - first the acceleration in India's chemicals and industrial manufacturing businesses, in part due to the World in three dynamics laid out above. Second, is the boom in service exports as more and more smaller and mid-sized companies across industries are integrating remote labor into their operating model. We struggle to be meaningfully overweight given the strong and enduring re-rating of the market in recent years which is affecting all market segments and now encompassing many lower quality stocks.

We are cautious on China and increasingly underweight in portfolios. In our view we are entering the "great reversal" where core drivers of China's success over the past 20 years, ranging from globalization to urbanization, start to head in the opposite direction. Real estate, fixed asset investment and consumer confidence all look troubled. Long term we see China looking more like a traditional deep liquid stock market with plenty of individual opportunities within the market rather than a China beta growth story. Market expectations still need to adjust to this new market reality by way of a lower multiple and higher risk premia. We remain alert to short term risk of a bounce given extreme bearish sentiment.

Elsewhere in Asia we remain cautious on the retail momentum in Korean battery and component manufacturers, as well as AI-related Taiwanese tech names. Many of these companies are trading at peak margins in a hangover from the covid period and the excess is far from fully washed out, due to the surge in AI related demand. While it is clear that AI will result in an incredible amount of spend going forward, it is the pace of downstream developments across industries (autonomous driving programs or strategy optimization in more traditional businesses like insurance or consumer sectors through big data application etc) which will be key in determining the level of hardware demand. Pricing is starting to crack in places which we expect is a sign of more to come.

We remain optimistic about Latin America. Central banks have been proactive in increasing interest rates to help control inflation, which has started to fall across most countries in the region. With inflation at the lower range, we have started to see central banks beginning to lower interest rates, which should support both economic activity and asset prices. In addition to this normal economic cycle, the whole region is benefitting from being relatively isolated from global geopolitical conflicts. We believe that this will lead to both an increase in foreign direct investment and an increase in allocation from investors across the region.

Brazil is the showcase of this thesis - with the central bank cutting the policy rate considerably with more to come in our view especially if the Fed stops raising rates itself. The government's fiscal framework being more orthodox than market expectations has helped to reduce uncertainty regarding the fiscal outlook and was key for confidence. We expect further upside to the equity market in the next 12-18 months as local capital starts flowing into the market.

We remain positive on the outlook for the Mexican economy as it is a key beneficiary from the re-shoring of global supply chains. We took advantage of the recent regulation related sell off in the airport stocks to add, as our calculations suggested a lower impact to profits than originally feared. We also note that the Mexican economy will be relatively more sensitive to a potential slowdown in economic activity in the United States in response to rising interest rates there.

In EMEA we took profit and reduced some exposure to Poland, where the market has reacted positively to the new more pro- European and pro-market government. The central banks in Central Eastern Europe are cutting rates which still underpins a good fundamental outlook, this is now more priced by the equity markets. We remain negative on Turkey. To put the country on sounder economic footing we need to see inflation come down and a still sharper adjustment in both the currency and interest rates.

We are broadly underweight the Middle East. Financials are one of the biggest investable segments of the market and as rates come down, we think banks will struggle to protect their earnings power. We are also cautious on the petrochemicals sector and worry generally about the crowding out of the private sector happening across the region. There simply aren't enough listed liquid companies that are investible outside of these sectors to build a meaningful portfolio exposure.

Top Holdings

Holding	Weight %
TAIWAN SEMICONDUCTOR MANUFACTURING	8.40
SAMSUNG ELECTRONICS LTD	4.96
TENCENT HOLDINGS LTD	4.45
AXIS BANK LTD	2.45
SK HYNIX INC	2.40
JSC KASPI KZ GLOBAL SPONSORED ADS	1.97
INDUSIND BANK LTD	1.87
HAPVIDA PARTICIPACOES E INVESTIMEN	1.80
BANK CENTRAL ASIA	1.76
CHINA PETROLEUM AND CHEMICAL CORP	1.63

Country Exposure

Country	Weight %
Argentina	0.21
Brazil	9.37
Chile	0.01
China	23.43
Colombia	0.00
Czech Republic	0.00
Egypt	0.67
Greece	0.01
Hungary	2.33
India	15.87
Indonesia	4.23
Kazakhstan	1.97
Korea	11.51
Kuwait	0.01
Luxembourg	0.00
Malaysia	0.03
Mexico	4.02
Panama	1.02
Peru	0.01
Philippines	0.01
Poland	1.46
Qatar	0.02
Romania	0.00
Russia	0.00
Saudi Arabia	0.91
South Africa	1.27
Taiwan	14.41
Thailand	2.20
Turkey	0.02
UAE	1.99
Multi-Country	1.75

About the Fund

Investment Objective

The Fund seeks to maximise total return by investing in a portfolio of emerging market securities.

Investment Strategy

The Fund aims to achieve its investment objective through investing in the BGF Emerging Markets Fund (Underlying Fund). The Underlying Fund invests globally at least 70% of its total assets in the equity securities of companies domiciled in or exercising the predominant part of their economic activity in, emerging markets. Investment may also be made in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, developed markets that have significant business operations in emerging markets.

The Underlying Fund is actively managed by BlackRock Investment Management, LLC, along with other co-adviser entities that are part of the BlackRock group (Investment Adviser). The Investment Adviser has discretion to select the Underlying Fund's investments. In doing so, the Investment Adviser will refer to the MSCI Emerging Markets Index (Index) when constructing the Underlying Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e., degree of deviation from the Index) taken by the Underlying Fund remains appropriate given the Underlying Fund's investment objective and policy. The Investment Adviser is not bound by the components or weighting of the Index when selecting investments. The Investment Adviser may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the geographical scope of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index.

Should be considered by investors who ...

- Seek to invest in a Fund which provides investors with access to a professionally managed portfolio of emerging markets securities.
- Seek an actively managed fund without benchmark constraints. The Underlying Fund is actively managed, and the Investment Adviser is not constrained by benchmark weights or components.
- Want an investment which provides access to emerging markets. Through investing in the Fund, investors can gain access to securities and markets which can otherwise be challenging for an individual investor to access directly.

Fund Details

BlackRock Emerging Markets Fund (Aust)	
APIR Code (Class D)	BLK5644AU
Buy/Sell Spread	0.00%/0.00%
Fund Size	$ 50,000*
Management Fee (Class D)	0.95% p.a.

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

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