

# BLACKROCK GLOBAL CORE EQUITY FUND (AUST)

**BlackRock**

## FUND UPDATE

31 July 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)	3.03	4.10	14.53	15.46	-	-	15.91
BlackRock Global Core Equity Fund (Aust) (Class S) (Net of Fees)	3.05	4.14	14.62	15.62	-	-	16.07
MSCI All Country World Index NET (in AUD)	3.92	7.49	18.18	20.75	-	-	21.93
Outperformance (Net of Fees) (Class D)	-0.89	-3.39	-3.65	-5.29	-	-	-6.02
Outperformance (Net of Fees) (Class S)	-0.88	-3.35	-3.56	-5.13	-	-	-5.86

<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 July 2024

### Market Overview

Global equity markets nudged higher in July, with the MSCI ACWI registering a positive return amidst significant volatility as markets absorbed various economic and political events. We have seen a sharp rotation in market dynamics with equity returns continuing to broaden, and the Russell 2000 Small Cap Index moving higher.

This was fuelled by a lower-than-expected 3% US Consumer Price Index (CPI) reading, along with weaker US labour market data, giving investors confidence that the Federal Reserve (Fed) would soon start reducing interest rates. Investors now anticipate the first Fed rate cut for September and are currently forecasting three rate cuts in the US for the rest of the year.

The S&P 500 index rose with more than half of the constituent companies having reported their earnings, over two-thirds have surpassed analysts' expectations. Guidance jumped to highest levels seen since last August, supporting views around the US economy by and large being robust, and supporting earnings for 2H and into 2025. Another area of continued focus was AI spend and the pace of AI monetization given the recent rally and index-dominating AI valuations. Overall, the surprisingly soft June CPI data which suggested that inflationary pressures were easing, triggered a sharp rotation in US index performance, leading to a surge in small-cap stocks in July.

In Europe, headline inflation fell to 2.5% in the 12 months to June 2024; however, with the headline inflation figure still above the 2% target, the European Central Bank opted to hold interest rates steady. In the UK, on July 4th, voters headed to the polls. The general election results marked the end of 14 years of Conservative governance, as the Labour Party achieved a majority. Data from the Office for National Statistics show that UK's GDP grew by 0.4% in May, following stagnant growth in April. This indicates that the UK economy is gaining momentum after experiencing a technical recession at the end of 2023. Additionally, in July inflation remained steady at 2%, aligning with the Bank of England's (BoE) target. This stability could provide the BoE's Monetary Policy Committee with the confidence to consider cutting interest rates in the coming months.

In Asia, the Nikkei 225 index in Japan hit a record high on July 9, driven by AI-related companies. The Japanese yen reached four-decade lows against the dollar in July, triggering the Bank of Japan's decision to continue to normalise monetary policy by raising its policy rate by 15 basis points to 0.25%.

During the month, the Financials sector delivered most of the returns, with Industrials and Healthcare also contributing, while the Information Technology and Communication Services sectors underperformed. From a regional perspective, the US and Japan delivered the most returns in the month.

## Performance Overview

- The fund underperformed the benchmark.
- Stock selection in Consumer Discretionary, Financials and Consumer Staples detracted from relative performance.
- Stock selection in Industrials and Energy contributed to relative performance. The lack of exposure to Communication Services also contributed.

## Stocks

- **Charles Schwab**, the American financial services company, was the main detractor from relative performance following disappointing results in July. The company reported net new asset growth numbers that were lower than expected, partly due to the attrition of Ameritrade clients as they migrate onto Schwab's platform and systems. This is a name currently under review by the team given the moves we have seen of late in the rates market as well as comments from the company making us question whether our original investment thesis is intact.
- **Applied Materials**, the American semiconductor equipment manufacturing company, detracted, getting caught up in the large rotation away from semiconductors following very strong performance year to date.
- **LVMH**, the French multinational luxury goods company, also detracted, after reporting a revenue miss for the first half of 2024. The shortfall was driven by weak performance in Asia and declining demand in China, impacting the entire luxury sector. We also see weaker demand in the US as well, despite this, we maintain our investment in the company, believing it is an industry leader with expanding competitive advantages and greater resilience compared to its peers.
- **Howmet Aerospace**, a leading player in the casting industry, was the main contributor to relative performance during the month due to its strong second quarter results which showed a 14% year-over-year increase in revenue to \$1.88 billion, driven primarily by a 27% growth in commercial aerospace. Howmet's raised full-year guidance and positive outlook for the commercial aerospace sector, citing strong travel demand and high aircraft manufacturer backlogs, further contributed to its strong stock performance.
- **UnitedHealth**, the American health insurance and services company, contributed during the period despite the ongoing challenges from the cyberattack on its Change Healthcare unit earlier in the year. The company announced its strong second quarter results, which reflected broad-based growth across both its Optum and UnitedHealthcare divisions. This diversified growth strategy helped the company maintain strong overall performance despite setbacks in specific areas.
- **Intercontinental Exchange** the global provider of data, technology, and market infrastructure, also contributed to performance due to several factors, including a small beat in the quarter with revenues 1% higher and expenses 1% lower than expected. ICE's diversified business model has proven resilient, with strong performance in the Exchange business offsetting weaker results in Mortgage Technology. Despite modest FY24 guidance for Mortgage Technology, ICE retains potential for growth in a favourable rate environment.

## 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 potentially mis-priced opportunities. The market's focus on AI through the lens of compute capabilities, 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.

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 think the Fed might cut rates in Q4 2024, but believe the US election will be key to this outlook. Regardless of the election outcome, we think deficits are set to remain historically large, with neither party charting a path to sustained deficit reduction. These deficits, combined with the potential for protectionist trade policy and stricter immigration under both parties, reinforce persistent inflation and our view that the Federal Reserve will need to keep rates high for longer. 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
INTERCONTINENTAL EXCHANGE INC	NVIDIA CORP
UNITEDHEALTH GROUP INC	APPLE INC
SERVICENOW INC	META PLATFORMS INC CLASS A
APPLIED MATERIAL INC	ALPHABET INC CLASS A
BAKER HUGHES CLASS A	ALPHABET INC CLASS C

#### Top Holdings

Holding	Weight %
MICROSOFT CORP	6.90
AMAZON COM INC	4.97
UNITEDHEALTH GROUP INC	4.80
INTERCONTINENTAL EXCHANGE INC	4.58
SERVICENOW INC	4.30
MASTERCARD INC CLASS A	4.10
APPLIED MATERIAL INC	4.00
BOSTON SCIENTIFIC CORP	3.78
BAKER HUGHES CLASS A	3.75
LVMH	3.56

#### Country Exposure

Country	Weight %
Australia	0.00
Austria	0.00
Belgium	0.00
Canada	0.00
Denmark	2.87
Finland	0.00
France	6.63
Germany	2.79
Greece	0.00
Hong Kong	0.00
India	2.03
Ireland	0.00
Israel	0.00
Italy	0.00
Japan	0.00
Mexico	1.40
Netherlands	0.00
New Zealand	0.00
Norway	0.00
Portugal	0.00
Singapore	0.00
Spain	0.00
Sweden	3.05
Switzerland	0.00
United Kingdom	5.58
United States	74.53
Emerging Markets	1.12

## 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	\$5,810
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	\$ 52,363
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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