BLACKROCK GLOBAL ALLOCATION FUND (AUST)

BLACKROCK®

FUND UPDATE **31 March 2024**

Investment Performance (%)

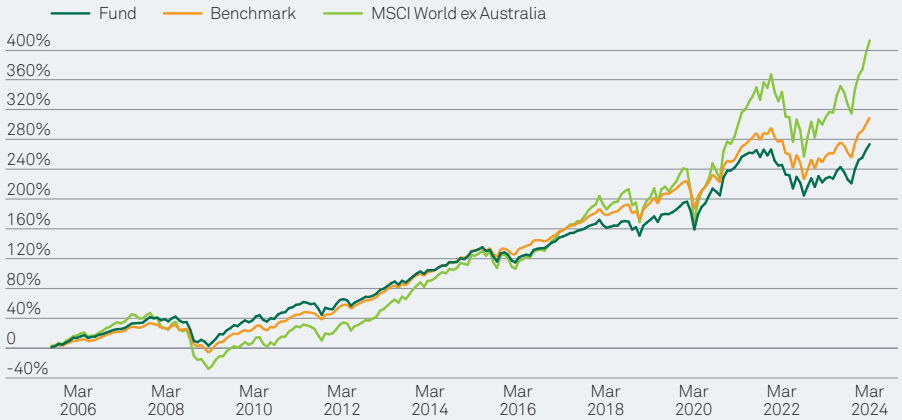
		1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
Return	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	2.16	6.02	6.02	14.00	2.36	6.53	7.29
	Internal Benchmark	2.34	5.63	5.63	14.54	4.21	6.75	7.82
	MSCI World ex Australia Hedged in AUD (For comparative purposes)	3.35	10.10	10.10	25.03	8.60	11.11	-
Risk^	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	-	-	-	-	10.31	10.98	9.18
	MSCI World ex Australia Hedged in AUD* (For comparative purposes)	-	-	-	-	15.81	17.03	14.65

^ 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 31 March 2024



Current Portfolio Strategy

- Global stocks, as measured by the MSCI World Index, gained +3.2% in March. European shares were among the world's best performers (in U.S. dollar terms) despite an economic environment that is showing signs of stagnation. Across the U.S., small-cap stocks led the advance, as investor sentiment shifted sharply toward the economy's more cyclical corners in the final week of trading, as both U.S. manufacturing and U.S. existing home sales data came in stronger than Wall Street consensus estimates, per Bloomberg. Consequently, March marked the first month since last November that the value style –which is often sensitive to changes in economic growth -has outperformed the growth style in the U.S. Lastly, China was the only major global equity market to decline during the month, as prices for new homes fell for the eighth consecutive month, weighing heavily on consumer sentiment. March provided the first

Monthly key portfolio themes

- 73% equities, 24% fixed income, 2% cash, 0% Precious Metal.

- **Regions:**
  Overweight: U.S and Japan

  Underweight: Developed Asia ex-Japan (Australia)

  Sectors:
  Overweight: Information Technology, Consumer Discretionary, Healthcare, Industrials & Energy

  Underweight: Materials, Consumer Staples, REIT's and Utilities

- The fund remained close to being fully invested with a small cash balance of as the increase in equities over the period was funded largely by reductions within fixed income. Given the absolute level of yields offered across, what the team believes to be high quality fixed income assets, the team currently prefers to use a combination of income, derivatives and FX positioning to manage the fund's overall risk profile.

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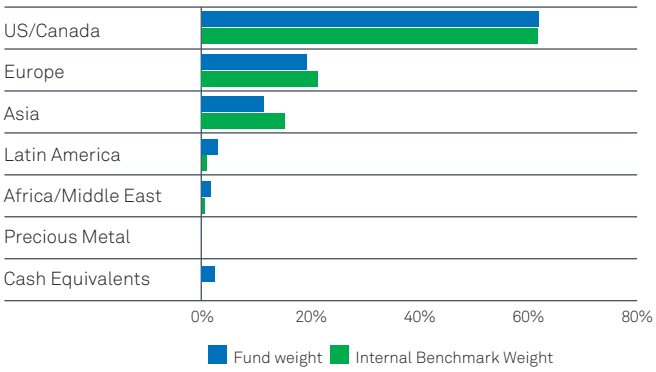
- Market Insights & Commentary
- Fund Performance
- Unit Prices

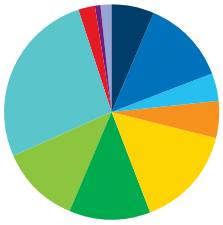
positive month for bond investors in 2024. With the exception of U.S. municipal bonds, most fixed income sectors rose during the month, despite recent U.S. inflation prints that have been modestly higher than consensus expectations. Emerging market bonds were among the market's best performers in March as Mexico's central bank delivered its first interest rate cut since 2021. The move followed a number of other Latin American central banks which had already started cutting their key lending rates last year. Both U.S. investment grade and high yield bonds also performed strongly in March, as resilient U.S. economic growth caused corporate bond spreads (relative to comparable maturity U.S. Treasuries) to continue to narrow.

- Recent U.S. economic data continues to exhibit resilience, as a robust labor market, stronger than expected productivity, and higher than expected wage growth continue to provide support for the broader economy -even despite higher than expected inflation prints. We maintain our view that earnings growth is poised to advance during 2024 on the back of favorable nominal U.S. GDP growth of between 4.5%-5.0%. Current top-down consensus earnings estimates for the S&P 500 imply represent profit growth of over +13% in 2024 and over +12% in 2025. We think these estimates are fair and may even possibly be a bit conservative, given some of the U.S.'s recent economic data. Outside of the U.S., we continue to prefer Japan, at the expense of Europe and China, as its economy continues ona trajectory that is allowing its economy to escape many years of deflation. Japan's stock market is benefiting from strong domestic aggregate demand, corporate reforms, and access to shares of companies that specialize in automation and the artificial intelligence (AI) supply chain. It is our view that equity markets have the potential to continue to advance in 2024, although the likely path forward will be different than that followed in 2023. Within equities, we maintain a bias towards stable growth and quality, as we believe that stocks within these categories have the potential to outperform against a backdrop of decelerating economic growth. This positioning is balanced with exposure towards select cyclical exposure that we believe can withstand a positive yet cooling economy. Within fixed income, our aggregate duration positioning decreased over the month, with a preference for exposure at the intermediate part of the U.S. yield curve. We remain cautious about holding long-dated U.S. government bonds, due to the level of Treasury issuance needed to fund the U.S. budget deficit (not because of inflation concerns). Looking beyond Treasuries, however, we'd argue that the nominal yields that investors are receiving in other corners of the bond market are quite attractive relative to the past 15 years. The bulk of our fixed income exposure remains in a diversified basket of corporate credit, securitized assets, and emerging market sovereigns. 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 and FX positioning.
- The fund allowed its overweight to equities to increase over the month with positioning concentrated in "stable growth" and "quality" companies that can generate earnings consistency and are aligned with long-term structural trends within technology, consumer discretionary and healthcare. This exposure is balanced with quality cyclical exposure across industries such as airlines, capital goods, energy and U.S. money centers.
- Increased exposure to select Japanese and U.S. capital goods companies, focused on construction manufacturing and building strong infrastructure that have strong balance sheets and management teams, and should benefit from increased capital investment in energy efficiency, renewables and relevant commodities.
- Within technology, the team continues to have a preference for select software and semiconductor companies aligned with broader AI adoption. In software, we favor platform providers tied to global commerce, software as a service (SaaS), cyber security and data management. Semiconductor exposure is largely tied to chip producers and managed via stock and options.

Regional Exposure as of month end

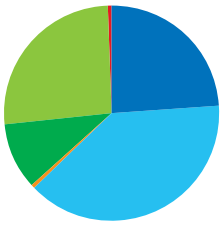


Equity Sectors as of month end (73.34%)



Communication Services	4.87%
Consumer Discretionary	9.25%
Consumer Staples	3.07%
Energy	4.11%
Financials	11.16%
Healthcare	8.90%
Industrials	8.95%
Information Technology	19.53%
Materials	1.76%
Real Estate	0.57%
Utilities	1.16%

Fixed Income Sectors as of month end (24.24%)

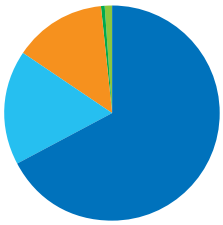


Government	5.84%
Corporates	9.37%
Convertibles	0.13%
Bank Loans	2.47%
Securitized	6.29%
Other	0.12%

Cash as of month end (2.42%)

Precious Metals (0.00%)

Equity Regional Exposures as of month end



North America	49.46%
Europe	12.60%
Asia Pacific	10.03%
Latin America	0.55%
Africa/Middle East	0.70%

- From a regional perspective, we increased our overweight to U.S. equities, as we continue to emphasize quality and GARP stocks. Outside of the U.S., we extended our overweight in Japan which reflects the view that monetary policy remains loose and economic growth favorable, as the country continues to benefit from improving corporate governance and profitability. Positioning within Japan is increasingly tilted towards more domestically oriented names that would benefit from a pick-up in growth. Recent additions in the US and Japan were funded by a reduction in European exposure given weaker economic growth.
- With volatility at a multi-year low across the derivatives market, the team continues to look for opportunities in the options market to build convexity at both the index and individual security level to allow for additional upside exposure.
- Total portfolio duration was 1.8 years vs. benchmark duration of 2.4 years, on the backdrop that continued strong economic data will likely keep the Fed on pause for the near-term.
- We remain tactical in our broad exposure to fixed income and used episodic periods of volatility to add duration on days of bond weakness and sell on strength. We continue to emphasize the 3–5-year part of the curve on the view that when the Fed does begin to transition away from tightening monetary policy, this is the part of the curve that would stand to benefit as the curve steepens. We remain cautious on the long end of the curve due to short-term supply concerns that could push rates higher.
- Outside of the U.S., the fund is overweight duration in Latin America, while net short duration in Europe and Japan. EM exposure is focused on sovereign bonds, notably in Mexico and Brazil, given compelling local yields. Also, as the monetary easing cycle has started across EM (vs. tightening in DM), we expect that EM duration can outperform.
- 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 ~18% 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. That said, over the month the team pared back exposure to select investment grade bonds and agency mortgages to fund the increased equity allocation.
- In recent months, the team has incrementally added back exposure to the U.S. dollar, taking it from an underweight to a slight overweight (0.6%) as of March 31st. In a period where inflation volatility remains elevated and timing of Fed cuts uncertain, bonds may continue to be positively correlated to stocks with diminished hedging efficacy.
- The fund also had modest overweights to the British pound (0.7%), Japanese yen (0.4%), as well as select emerging market currencies. Over the month, the Fund reduced exposure to the Swiss franc bringing exposure relative to benchmark to an underweight. This was done to fund additions to select EM currencies. The fund's primary underweights were in the Euro as well as the Chinese yuan and Hong Kong dollar. We remain underweight both Yuan and HKD because of the ongoing weakness in mainland China's economy due to lingering troubles in the country's large real-estate sector. Similarly, we are underweight the Euro because of disappointing economic growth on the continent, in part caused by reduced exports to China.

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	327 mil
Management Fee	0.20% p.a.
Performance Fee	12.50%

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