BLACKROCK GLOBAL ALLOCATION FUND (AUST)

BLACKROCK®

FUND UPDATE **30 April 2023**

Investment Performance (%)

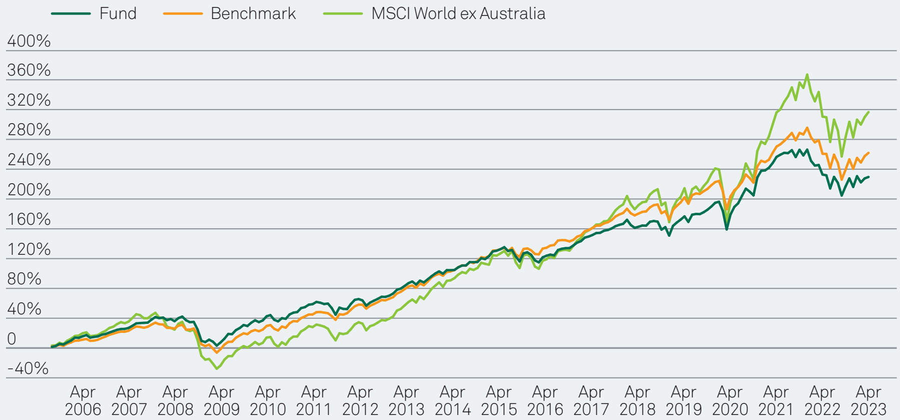
		1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
Return	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	0.59	-0.32	4.23	-0.97	5.69	4.49	6.93
	Internal Benchmark	1.22	1.91	6.28	0.35	6.04	5.16	7.49
	MSCI World ex Australia Hedged in AUD (For comparative purposes)	1.64	2.51	8.90	1.50	12.08	7.52	-
Risk^	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	-	-	-	-	10.63	10.85	9.17
	MSCI World ex Australia Hedged in AUD* (For comparative purposes)	-	-	-	-	16.54	17.30	14.74

^ 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 30 April 2023



Current Portfolio Strategy

- Global markets were generally positive in April, despite a U.S. inflation environment that continues to remain "sticky". While U.S. March headline CPI of 5.0% was slightly lower than Bloomberg consensus estimates of 5.1%, and well below its peak level of 9.1% reached last June, the overall level of U.S. inflation remains will above the Federal Reserve's stated target level of 2%. Meanwhile, U.S. job growth remains robust. Despite ongoing inflationary pressures and employment strength, economic growth continued to slow as U.S. Q1'23 GDP of 1.1%, came in well below the Bloomberg consensus estimate of 1.9%. Global equities, as measured by the MSCI World Index, rose +1.8% in April, led higher by a strong advance in European stocks – notably from rising exports, relatively attractive equity valuations, and a modestly appreciating currency. U.S. stocks also generally posted positive gains on better-than-expected earnings

Monthly key portfolio themes

- 56% equities, 35% fixed income, 8% cash, 1% Precious Metal.
- **Regions (equities):**
  Overweight: Europe
  Underweight: Japan and Australia
  Sectors (equities):
  Overweight: Healthcare, Energy, Consumer Discretionary, Communication Services
  Underweight: Financials, Consumer Staples, REITs, Materials, Industrials, and Utilities
- Cash positioning decreased in April as we added to fixed income and gold related securities. In addition to treasury bills, the team also had exposure to select commercial paper in high quality issuers.

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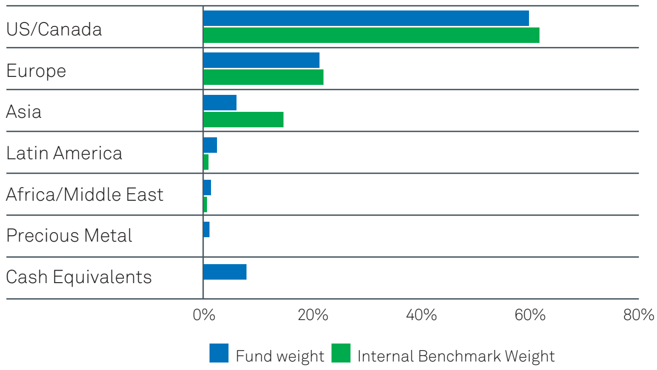
- Market Insights & Commentary
- Fund Performance
- Unit Prices

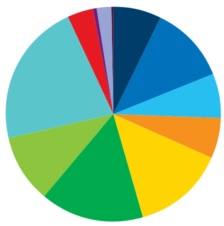
reports (outside of US regional banks). Emerging market stocks posted losses for the month due to weakness across parts of Asia. Global bonds rallied in April, as investors looked past still-elevated inflation numbers and instead put greater emphasis on weaker than expected GDP data, led by duration-sensitive long-maturity bonds and U.S. credit. International and emerging market bonds posted more modest gains, despite a weakening U.S. dollar, as inflation is proving even more resilient in certain international markets than it is in the U.S. Despite a generally positive month for bonds, interest rate volatility remained elevated.

- Looking ahead, we believe that U.S. growth is likely to slow further, as the cumulative effect of tighter monetary policy and shrinking credit availability weigh on the economy. In addition, we remain mindful that U.S. equity valuations are not inexpensive relative to their own histories and short-term U.S. interest rates remain elevated, coupled the potential for elevated volatility caused by the U.S. debt ceiling stand-off. In this environment, we remain underweight equities broadly. That said, the fund's beta remains closer to neutral as we continue to lean into idiosyncratic risk across high conviction equity names, maintain exposure to credit and an underweight to the US dollar. Within equities, we remain constructive on non-US exposure (notably Europe), with an emphasis on quality and growth-at-reasonable-price (GARP) in our core holdings. We are more constructive on fixed income as short-term U.S. interest rates are at elevated levels relative to recent history. Within fixed income, we increased exposure to duration in recent months, taking it closer to neutral vs. the benchmark, reflective of the view that duration can once again be employed as a partial hedge to equity. We also maintain exposure to a diversified basket of corporate credit and securitized assets and have looked for opportunities to increase exposure to select emerging market sovereigns. In-line with the fund's risk aware mandate, we continue to hold exposure to a diversified selection of portfolio hedges (in addition to duration), including high quality carry via income yielding assets, derivatives, and cash.
- We remain modestly underweight equities vs. our benchmark as we believe equities will remain volatile in coming months, given pressure on earnings and margins in a period of slower economic growth, tightening financial conditions, and potential for near-term volatility on the U.S. debt ceiling standoff.
- Total equity exposure remained relatively unchanged in April. However, at the sector level, there was a continued rotation of exposure, notably increases to select areas of industrials and technology funded by a reduction in certain consumer related companies.
- Within sector positioning, our overweights are concentrated in a combination of "stable" growth companies, including industries such as medical devices and managed care, luxury retailers, and software paired with overweight positions in select energy companies which, in our view, can act as an inflation hedge. We remain cautious on both deep value and early growth companies that tend be volatile.
- From a regional perspective, we are constructive on European equities given better than expected economic conditions, export-oriented businesses which are poised to benefit from China's reopening, and attractive relative valuations compared to U.S. peers. Exposure in the U.S. increased over the month as we continued to lean towards quality and GARP stocks which have historically tended to outperform the broader equity market during periods of economic deceleration, while simultaneously reducing exposure to cyclical sectors.
- Within industrials, we continued to narrow the underweight via increased exposure to companies with defensive characteristics, with additions in to select companies in aerospace/defense and automation.
- We tactically added to select travel related companies where we believe valuations were compelling with continued support from demand. These purchases were funded by reductions in other consumer companies that were believed to be more vulnerable to a downturn in spending.
- Within derivatives, we looked to opportunistically add positive convexity to the portfolio via options on equity index futures. This provided additional potential upside, with exposure added when volatility within the index space was low.

Regional Exposure as of month end

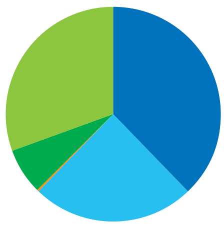


Equity Sectors as of month end (56.46%)



Communication Services	4.23%
Consumer Discretionary	6.53%
Consumer Staples	3.69%
Energy	3.44%
Financials	7.93%
Healthcare	8.70%
Industrials	5.82%
Information Technology	12.33%
Materials	2.08%
Real Estate	0.36%
Utilities	1.32%
Index Related	0.03%

Fixed Income Sectors as of month end (34.63%)

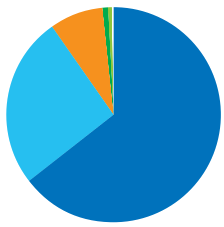


Government	13.16%
Corporates	8.52%
Convertibles	0.16%
Bank Loans	2.36%
Securitized	10.62%
Other	-0.20%

Cash as of month end (7.84%)

Precious Metals (1.07%)

Equity Regional Exposures as of month end



North America	36.53%
Europe	14.49%
Asia Pacific	4.61%
Latin America	0.40%
Africa/Middle East	0.43%

- Total portfolio duration was 2.2 years (down slightly from +2.3 years at the end of March), keeping total positioning close to neutral vs. benchmark duration of 2.4 years. As recession fears increased following the onset of volatility in the banking sector, we think duration can once again act as a partial hedge to diversify equity volatility. That said, as interest rate volatility remained high in April across U.S. rates, we opportunistically traded a portion of the fund's duration by incrementally selling into rate rallies.
- From a regional perspective, we are overweight duration in Europe and select EM countries (notably Mexico and Brazil), neutral in the U.S., and underweight in Japan. In April, we continued to add to select non-US rates, where we found attractive yield opportunities with additional carry potential by hedging the underlying euro exposure back to USD.
- The fund's exposure in the U.S. followed a barbell approach with an overweight in short-term rates (0-2 years) and longerterm rates (10+). While we still believe short-term rates are an attractive source of carry, we have added exposure to the long-end of the curve given potential for longer-dated U.S. Treasuries to act as a potential equity hedge with interest rate volatility receding as the lagged effect of monetary policy helps to constrain inflation.
- 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 ~15% of AUM and is a key differentiator vs. traditional "60/40" portfolios. Over the month, we added to short-term IG credit to increase overall carry in the portfolio as spreads widened.
- We favor agency residential mortgage-backed securities (RMBS – 6.1%) as an additional source of carry on the expectation that rate volatility is likely to decline from historic highs as the Federal Reserve approaches the peak in the Fed funds rate. Agency mortgages are primarily susceptible to pre-payment risk and duration risk, but far less susceptible to default risk due to implied guarantees by the U.S. government. We think these bonds have the potential to outperform as the economy slows rate volatility subsides, lessening the likelihood of meaningful prepayment or duration risk.
- We modestly added to exposure to gold-related securities (~1%), primarily through call options on gold ETFs. We felt the additional gold exposure had the potential to provide a small hedge to elevated equity volatility caused by concerns about the health of the banking sector. Gold prices could experience further support if real interest rates begin to plateau/decline after several quarters of sharp increases.
- Underweight the U.S. Dollar (58% vs. 60% benchmark), as we believe that the U.S. Federal Reserve is approaching the end of a historic tightening cycle. Going forward, we believe there is room for the dollar to retrace some of its historic gains from 2021 and 2022 as central banks outside the U.S. continue to finish their own rate hike campaigns even after the Fed reaches its terminal level. As a result, we are overweight the Japanese Yen and Euro, as well as Mexican peso and Brazilian real.

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

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