BlackRock.

Global Product Solutions
Investment Strategy
Product Distribution

Investment Directions

Q4 2024: Exposures for today's market

Investment Directions *is designed to help navigate opportunities in equities, fixed income and portfolio diversifiers for Q4 2024, with actionable implementation ideas across BlackRock's Australian ETF and active fund ranges.*

Generating Income with Rate Cuts Incoming

For the final quarter of this eventful year, we're focused on two key themes: 1) balancing US equity risk; and 2) positioning for global easing cycles – as well as the opportunity to lock in income while yields remain at elevated levels.

- **Within equities:** as US earnings growth broadens out[1], we lean into a wider set of opportunities there – positioning portfolios to stay invested in structural growth stories whilst navigating expected volatility in Q4.

- **Within fixed income**: Interest rates are falling[2] but remain elevated for now. We see a strong case for locking in income before that descent gathers pace. We favour the belly of the US Treasury (UST) curve, but think long duration exposures can also offer 'bang for buck' for investors looking to hold onto high yields from cash.

- **Portfolio diversifiers:** Macro uncertainty and less predictable asset class correlations call for a broader set of diversifiers, in our view: while bonds are regaining their role as ballast[3], there may be more volatility in correlations ahead.

EQUITY

Looking for Equity Opportunities Amidst Volatility

We see two major themes continuing to play out in global equities for Q4: navigating volatility in US equities, including ahead of the election, and the search for income and/or growth in single country and regional exposures. We advocate for complementing core portfolios with volatility management strategies, look for 'all-weather' equity income, and lean on Japan and EM ex-China for global allocations.

Playing the long game with sector conviction: While we keep one eye on slowing global growth and potential volatility inducing events like the US election, we keep the other on structural growth trends and innovation at the heart of portfolios. Combining a core of high weightings to sectors such as healthscience and technology and is one way to position for greater macro and market volatility in the long run.

Managing near-term volatility: For investors looking to dampen portfolio shocks in the near term, we think minimum volatility strategies can play a significant role. These strategies allow investors to stay invested while navigating volatility and risk-off events[4].

Equity Income – the 'all-weather' option: We lean on income as a theme for Q4 as an extra source of returns in a falling rate environment and extend that view to equity allocations as global growth begins to trickle lower[3]. Dividend-focused strategies can provide defensive positioning within equities, offering steady cash flows that enhance portfolio diversification[4].

Playing the long game with global conviction: With the dispersion of returns across equity markets and sectors set to continue, we look to economies with longer-term structural growth stories. Despite recent volatility driven by a massive unwind of JPY net-short positions, we think Japan is moving into phase 2 of its structural bull market story and see foreign investors as underweight in allocations[5]. Despite the appeal of low valuations and uncorrelated returns (to US equities), we still think it is too early to raise equity allocations to China (though we acknowledge foreign investors underweights[6] and the possibility of a shift in monetary policy) and prefer to play the USD weakening story through Emerging Markets ex-China exposure.

Our highest-conviction ideas:

IXJ	**iShares Global Healthcare ETF**
IOO	**iShares S&P Global 100 ETF**
IQLT	**iShares MSCI World ex Australia Quaity ETF**
MVOL	**iShares Edge MSCI Australia Minimum Volatility ETF**
IHD	**iShares S&P/ASX Dividend Opportunities ESG Screened ETF**
EMXC	**iShares Emerging Markets-ex China ETF**
IJP	**iShares MSCI Japan ETF**

Opinions are subject to change and they are not a guarantee of future results. This information should not be relied upon as research, investment advice or a recommendation.

MKTGH1024A/S-3906340-1/5

FIXED INCOME

Balancing Yield vs Duration in a Falling rate Environment

As global growth cools and central banks in several economies shift into a rate cutting cycle[1], we continue to envision a favourable environment for fixed income investments. With US$316B added to fixed income ETPs YTD globally, just shy of the annual record of US$331B set in 2023[2]; investors are looking to lock in yields, take on some level of increased duration risk and shift away from money market funds into index fixed income products.

Building a strong core: Against a moderating growth backdrop and increasingly benign inflation, the Fed kicked off its cutting cycle in September[3]. We expect a gradual building of labor market slack, consistent with a still solid, but cooling, US economy. This sets up a favorable environment for fixed income investments centered around the belly of the US Treasury (UST) curve, which we believe offer a reasonable trade-off between price appreciation, liquidity and current yield. Meanwhile, domestic high-quality fixed income can continue to provide portfolio ballast and risk diversification.

- **IUSG** — **iShares US Treasury Bond (AUD Hedged) ETF**
- **IAF** — **iShares Core Composite Bond ETF**

Harvesting income: With rate cuts from the RBA potentially still several months away, the front end of the yield curve in fixed income remains attractive and may offer higher income compared to cash and term deposits[4]. Enhanced yield exposures can be ideal for optimizing extra income as the central bank's rate pause continues, offering the highest yield per unit of duration. Australian investors seeking higher income can also turn to global high yield corporate bonds, which may provide extra yield.

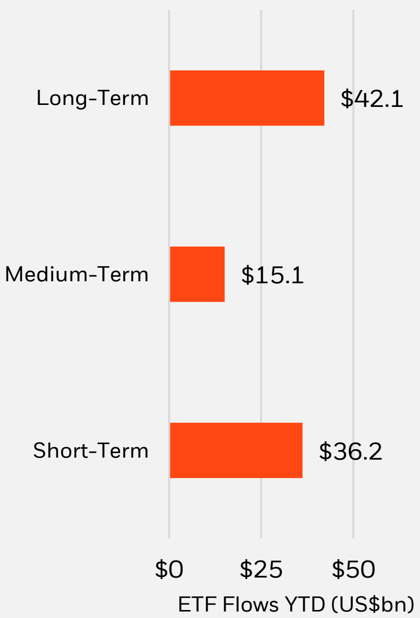
- **IYLD** — **iShares Yield Plus ETF**
- **IHHY** — **iShares Global High Yield Bond (AUD Hedged) ETF**

More duration for less: While the cash rate remains elevated, long duration bonds can offer a capital efficient way to add exposure to the fixed income market. As we believe the RBA may commence its rate cut cycle early in 2025, barbelling short duration exposures with the long end of the curve could potentially help to enhance returns in the months to come. Global investors had added to long-dated UST ahead of the first Fed cut in September, as per the chart below. Today, Australian investors can nimbly allocate between Australia and US interest rate regimes, using long duration UST to take advantage of an easing cycle underway in the US while the RBA remains on hold.

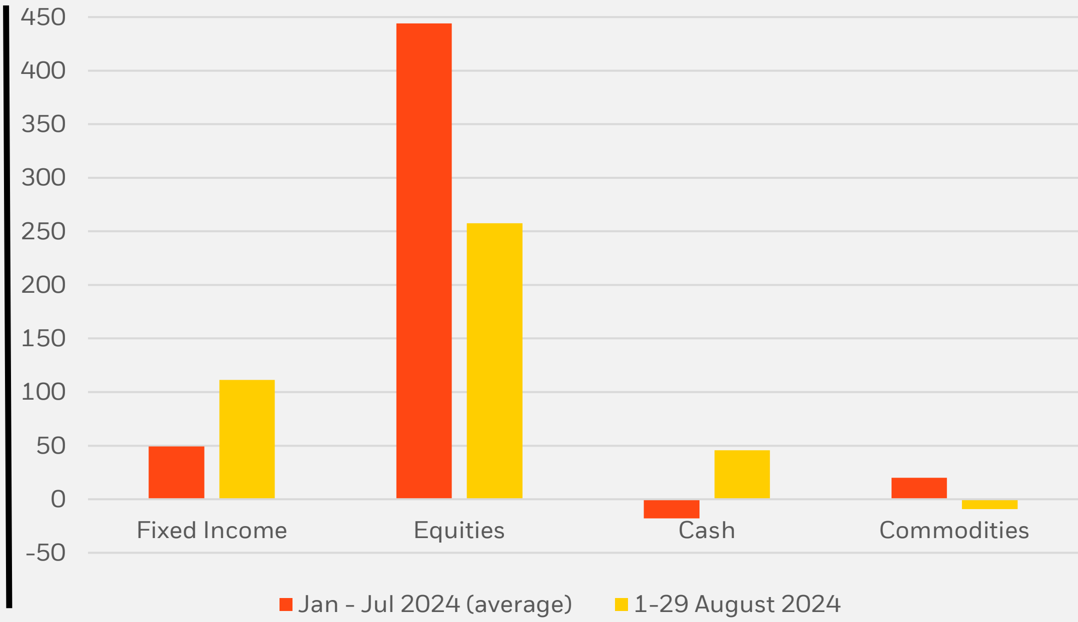
- **ALTB** — **iShares 15+ Year Australian Government Bond ETF**
- **ULTB** — **iShares 20+ Year US Treasury Bond (AUD Hedged) ETF**

Although we believe this is a favorable environment for the belly of the curve, we have seen investors turning towards long-duration exposures as rates begin to fall. In Australia, allocations to fixed income ETFs have broadly picked up as investors begin to de-risk in the face of equity volatility.

Global U.S. Treasury Flows



iShares Australian ETF flows by product category ($m)



Source: BlackRock data as of 26 September 2024. Graph 2: Source: BlackRock data as of 30 August 2024.

There is no guarantee that any forecasts made will come to pass. All figures are in US dollars, unless stated otherwise. References to specific investments are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such investments.

Opinions are subject to change and they are not a guarantee of future results. This information should not be relied upon as research, investment advice or a recommendation.

PORTFOLIO DIVERSIFIERS

Building a portfolio for the new regime

In an environment of dispersive global returns and potential bouts of volatility akin to the episode witnessed in August[1], we see room to dial up exposure to alternative assets to bolster portfolio diversification and resilience beyond traditional asset classes. Stock-bond correlations have adjusted recently but remain less predictable than in the past as ballasts to one another[2], leading investors to look for ways to reduce broad equity market risk in their portfolios.

Low correlation, long-term growth: Against a backdrop of market volatility, slowing global growth and a looming US election, asset classes with a low correlation to equities can help investors navigate today's turbulence and capture potential growth opportunities. Global infrastructure and property exposures can also offer access to some of the key 'megaforces' driving long-term growth in the global economy, including the artificial intelligence revolution, demographic change and post-pandemic 'nearshoring' of supply chains.

GLIN iShares Core FTSE Global Infrastructure ETF

GLPR iShares Core FTSE Global IProperty ETF

Liquid alternatives: While recent months have seen bonds start to move more predictably in the opposite direction to equity markets[3], we believe there could still be more volatility in asset class correlations to come. In such an environment it pays to have additional ballast – such as liquid alternatives, that can enhance portfolios by delivering returns without as much broad equity market risk.

GLAF BLK Global Liquid Alternatives Fund

Hedging for geopolitical risk via gold: Despite prices hitting all-time highs in 2024[4], we stay positive on gold and its role as a potential hedge against political risk. Investors are taking notice. Following 11 months of consecutive outflows to May, iShares Gold ETPs have racked up US$7.5b of inflows since[5]. In our view, this reflects growing investor appetite for defensive assets, as growth risks and geopolitics drive potential for further volatility.

GLDN iShares Physical Gold ETF

Looking ahead – our local experts' views

“ In the long term, we remain optimistic about US stocks, which have risen almost 21% this year.[6] We believe that falling inflation and steady economic growth will continue to support a positive outlook for risk assets.

Tamara Haban-Beer Stats
iShares Specialist Australasia

“ Given a more positive H2 economic outlook in Australia, it is hard to see the RBA flipping from their hawkish stance too quickly. We don't think we will see an RBA rate cut this year, and we expect the cutting cycle to be gradual and shallow once the RBA starts – we expect something like one 25 basis point cut each in Q1, Q2 and Q3 next year.

Craig Vardy
Head of Fixed Income Australasia

“ We like gold, global infrastructure and property as portfolio ballast and diversification – gold is negatively correlated to risk assets and it's been incredibly additive to our multi-asset portfolios this year. Infrastructure offers defensive and inflationary protection properties, and property has structural headwinds and very attractive valuations at the moment.

Katie Petering
Head of Strategy, Multi-Asset Strategies and Solutions, Australia

Opinions are subject to change and they are not a guarantee of future results. This information should not be relied upon as research, investment advice or a recommendation.

Sourcing

Page 1 – Equities
1,2,3,5 Source: Bloomberg, as of 25 September 2024.
4 Source: BlackRock and Markit, as of 25 September 2024
6 Source: LSEG Datastream, MSCI , as of 31 May 2024.

Page 2 – Fixed Income:
1 Source: Bloomberg, June 2024.
2 Source: BlackRock and Markit, as of 28 June 2024.
3 Source: Bloomberg, as of 25 September 2024.
4 Source: BlackRock data as of 31 July 2024.

Page 3 – Portfolio Diversifiers
1,2,4 Source: Bloomberg, as of 25 September 2024.
3 Source: BlackRock data as of 6 August 2024.
5 Source: BlackRock and Markit, as of 28 June 2024.
6 Source: BlackRock data as at 1 October 2024.

MKTGH1024A/S-3906340-4/5

Important information

Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, which warrants by receipt of this material that it is a wholesale client as defined under the Australian Corporations Act 2001 (Cth).

This material provides general advice only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction.

Information provided is for illustrative and informational purposes and is subject to change. It has not been approved by any regulator.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia.

For BIMAL Schemes: BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material, including the Australian domiciled iShares ETFs. Any potential investor should consider the latest product disclosure statement (PDS) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. BlackRock has also issued a target market determination (TMD) that describes the class of consumers that comprises the target market for each BlackRock fund and matters relevant to their distribution and review. The PDS and the TMD can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances the PDS and the TMD are also available on the BIMAL website at www.blackrock.com/au. An iShares ETF is not sponsored, endorsed, issued, sold or promoted by the provider of the index which a particular iShares ETF seeks to track. No index provider makes any representation regarding the advisability of investing in the iShares ETFs. Further information on the index providers can be found in the BIMAL website terms and conditions at www.blackrock.com/au.

BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies.

The environmental, social and governance ("ESG") considerations discussed herein may affect an investment team's decision to invest in certain companies or industries from time to time. Results may differ from products that do not apply similar ESG considerations to their investment process. ESG considerations are generally evaluated by investment teams alongside a number of other considerations.

Exclusionary screens typically exclude issuers based on revenue thresholds and business involvement. Issuers may not be screened out if insufficient data is available in relation to them.

Issuers of securities held by a fund may meet or fail to meet BlackRock's index providers' ESG criteria from time to time. In these circumstances, BlackRock will use reasonable efforts to invest, divest or otherwise respond to the change within a reasonable period (for example, at the following rebalance date) considering the materiality of the change, liquidity, and transaction costs. The fund may use derivatives for cash equitisation purposes, and such derivatives may not comply with the ESG criteria applied by the index provider. The fund may also engage in securities lending and receive collateral which may not comply with the ESG criteria applied by the index provider.