

## BlackRock Australian Bond Fund

JUL 2024

## Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Australian Bond Fund (Gross of Fees)	31-Oct-97	1.61	2.85	1.79	4.96	-1.63	0.68	5.14
Bloomberg AusBond Composite Index <sup>SM</sup> (Gross of Fees)		1.48	2.67	1.66	4.67	-2.15	-0.49	4.77
Outperformance (Gross of Fees)		0.13	0.18	0.13	0.29	0.53	1.17	0.37

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.

## Market Review

The Bloomberg AusBond Composite Index (the "Index") rose to 1.48% in July. Corporates (1.56%) was the best performing sub-component, followed by Treasuries (1.48%), Semi Government (1.46%) and Supranational-Sovereigns (1.46%).

The AusBond Composite Index added A\$31.10 bn of new supply (issuances and taps) in July. The largest contributors were Treasury at A\$16.90 bn, followed by Semi Government at A\$2.76 bn. Seven new issues were added to the Composite Index amounting to A\$13.725 bn, which leaves A\$17.375 bn in taps.

Australian 2-year bond yields trended downwards by 0.3% over the month to 3.87%, and 10-year yields dropped by 0.2% to 4.11%.

In Australia, unemployment rate increased from 4.0% to 4.1% while the participation rate edged higher by 0.1% to 66.9%. The latter is now a touch below the all-time high of 67% in November 2023 and had this not risen, the unemployment rate would have likely fallen, making the RBA increasingly more uncomfortable. Labour supply growth is also keeping some upward pressure on unemployment that may not persist given the crack-down there.

Q2 Australia CPI came in softer than expected with trimmed-mean rising by 0.8% QoQ (3.9% YoY), below market forecasts; while headline CPI rose by 1% QoQ (3.8% YoY). Looking at the details, the sequential moderation in trimmed-mean CPI was in part driven by a smaller gain in education prices, which grew by 0.9% QoQ seasonally adjusted compared with 3.5% in Q1. Household content and services also came in flat (0% QoQ seasonally adjusted (S.A)) on the quarter after a 1% QoQ seasonally adjusted (S.A.) increase in Q1. The composition of inflation matters and the Q2 data paints a picture where goods inflation is picking up while services inflation is moderating slightly. The recent NAB Business Survey highlights that while business conditions fell 2pts to +4 index points, business confidence rose 6pts to +4 index points attributed to an increase in 7 out of 8 industries.

In the US, 2-year treasury yields dropped by 0.5% to 4.26% over the month and the 10-year yield dropped up 0.37% to 4.03%.

The Federal Reserve kept rates on hold in the July FOMC meeting as expected, but also sees a very low bar for a first cut at the next meeting. Chair Powell said they hoped data will show inflation is continuing to move in the right direction and, if so, they would cut by 25 basis points in September. Powell said the last few months of data have added to the confidence in the inflation trajectory, and now they're looking for more of the same good data to gain more confidence. They will get two more inflation and employment reports before their September meeting.

In July, retail sales experienced a 0.7% increase after upward revisions to the previous two months. This uptick in sales was broad-based, with significant contributions from online retailers and clothing stores. Headline PCE increased 0.1% MoM and 2.5% YoY alongside Core PCE which increased 0.2% MoM and 2.6%YoY. The CPI dropped 0.1% from May easing the annual inflation rate to 3% from 3.3% in May.

The Bloomberg AusBond Composite 0+ Yr Index returned 1.48% in July for a 12 month return of 1.66%.

The Bloomberg AusBond Bank Bill Index returned 0.37% in July for a 12 month return of 2.56%.

### Portfolio commentary

In July, the Bloomberg AusBond Composite Index returned 1.48%. Australian 2-year bond yields decreased by 0.28% over the month to 3.88% and 10-year yields fell 0.20% to 4.11%.

The fund outperformed the benchmark by 13bps over the month. While credit allocation detracted from performance, both security selection and sector allocation contributed to performance.

### Market and Outlook commentary

In Australia, the supply of labour is growing faster than demand. A broad series of labour market indicators suggest the labour market is easing, and the leading indicators suggest this should continue. Inflation will continue to ease with headline being massaged lower by government subsidies. However, service inflation may prove to be sticky with “last mile” potentially harder than the market expects. In US, with unemployment trending higher and inflation trending lower in recent months, the Fed policy statement earlier this month may show a heightened emphasis on the labor market outlook by the FOMC, which would likely be read as a dovish signal for bond markets.

## About the Fund

### Investment Objective

The Fund aims to capture returns superior to those available from the Fund's benchmark (the Bloomberg AusBond Composite Index<sup>SM</sup>) by accessing a broad array of value-enhancing strategies.

### Fund Strategy

The Fund is actively managed within a rigorous risk management framework. The Fund's portfolio is continually monitored and where necessary adjusted to suit changing economic and market conditions. Great importance is placed on research and a team based approach to making investment decisions.

The investment process is focused on accessing the best ideas of our local and global fixed income teams. The teams seek to add value by managing duration, yield curve, credit, individual security, country and currency exposures against the Fund's benchmark. In seeking to access a broad array of value enhancing strategies, the team uses proprietary research-based knowledge and fundamental macro-economic and credit analysis.

### Fund Strategy (cont.)

The management of risk is central to our investment process. Our investment team reviews the Fund's exposures on an ongoing basis to ensure the Fund maintains a risk/reward profile appropriate to changing market conditions and the degree of confidence we have in our return expectations. Should be considered by investors who ...

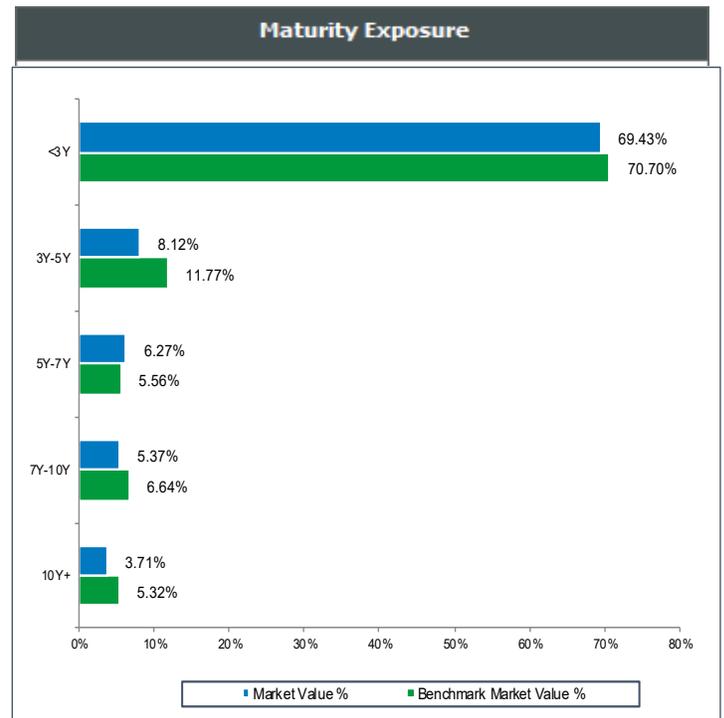
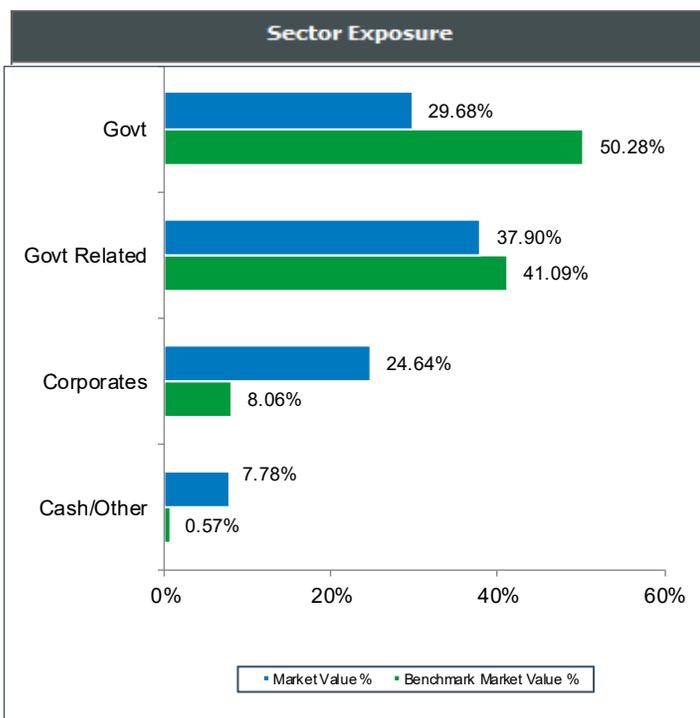
- Seek a broad exposure to Australian bonds.
- Have a long term investment horizon.

### Fund Details

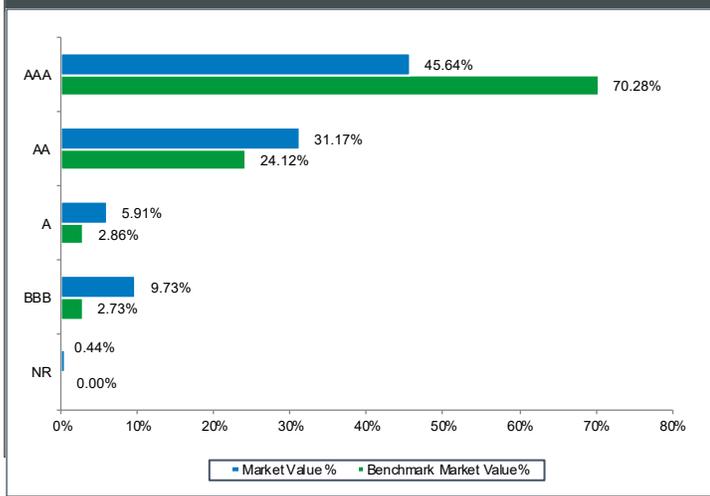
BlackRock Australian Bond Fund	
APIR	N/A
Fund Size	31 mil
Buy/Sell Spread	0.05% / 0.05%
Tracking Error (3 Years p.a.)	0.42%

### Risk Characteristics

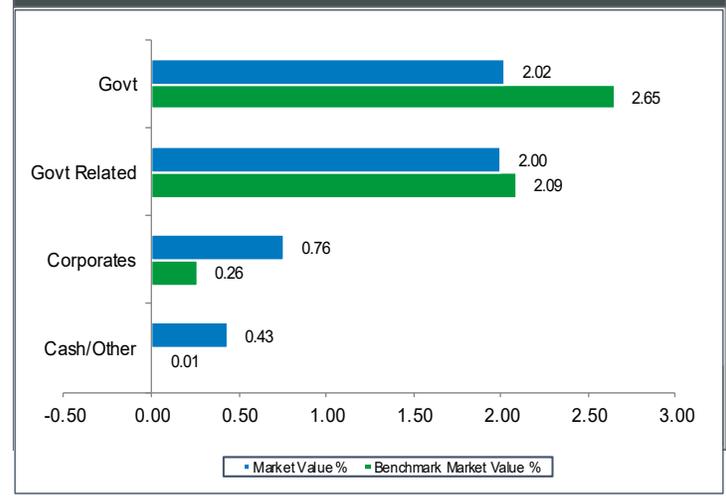
	Portfolio %	Benchmark %	Difference %
Modified Duration (Years)	5.20	5.03	0.18
Duration x Spread	1.52	1.35	0.17
Yield	4.23	4.29	-0.06
Average Maturity (Years)	5.81	5.95	-0.14



Quality Exposure



Contribution to Modified Duration



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