

BLACKROCK FIXED INCOME GLOBAL OPPORTUNITIES FUND (AUST)

FUND UPDATE

31 December 2024

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Fixed Income Global Opportunities Fund (Aust) (Gross of Fees) (E Class)*	-0.15	-0.65	4.56	4.56	1.32	2.11	3.10
BlackRock Fixed Income Global Opportunities Fund (Aust) (Net of Fees) (D Class)^	-0.20	-0.83	3.84	3.84	0.62	1.40	2.38
Bloomberg AusBond Bank Bill Index SM	0.38	1.12	4.47	4.47	3.19	1.98	1.98
Outperformance (Gross of Fees)	-0.52	-1.77	0.09	0.09	-1.87	0.12	1.12

*Fund inception: 30/08/2014. ^Fund inception: 31/10/2014. The D share class is closed to new investors. 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.

Portfolio Performance

BGF FIGO generated a negative return in December.

Our long exposure to US government bonds detracted from performance as yields rose across the curve, driven by the Fed's surprise hawkish tone during the December meeting, amid stickier inflation data and inflation risks tied to the incoming US administration.

Similarly, our global strategy detracted from performance as our long exposure to European government bonds – particularly in Spain and the UK – contributed negatively due to the higher yield environment.

Additionally, our exposure to emerging market assets detracted from performance due to global uncertainties stemming from the US new administration and the Fed's hawkish monetary stance, which drove a stronger US dollar and a sell-off in treasuries over the month. Notably, a selected basket of emerging market currencies and local government bonds, particularly our positions in Brazil and Mexico, were negatively impacted by the heightened volatility. For this reason, our allocation to US high yield credit also underperformed as spreads widened over the month.

The negative performance was partially offset by our exposure to securitized assets, including CLOs, CMBS, and ABS especially high-quality tranches – generated positive returns as spreads tightened, driven by strong investor demand for attractive yields. Similarly, US Agency MBS contributed positively to returns.

Finally, our exposure to European investment grade and high-yield credit assets added to returns, benefiting from tightening credit spreads on the back of healthy credit fundamentals and a favourable technical backdrop.

Market Review

Global bond market sentiment was mostly negative in December, driven in part by the Federal Reserve's (Fed) hawkish tone in the December meeting and renewed fiscal and trade policy concerns. In the US, inflation data showed the Consumer Price Index (CPI) rising 0.3% month-on-month (MoM) and 2.7% year-on-year (YoY) in November, both in line with expectations. In Europe, YoY inflation accelerated by 2.2% in November, following

Portfolio Management Team



Rick Rieder,
Managing Director and
Portfolio Manager
34 Years Investment
Experience



Russell Brownback,
Managing Director and
Portfolio Manager
32 Years Investment
Experience



Aidan Doyle,
Managing Director and
Portfolio Manager
11 years of investment
experience

At A Glance

Investment objective: The Fixed Income Global Opportunities Fund seeks to maximise total return. The Fund invests at least 70% of its total assets in fixed income transferable securities denominated in various currencies issued by governments, agencies and companies worldwide. The full spectrum of available securities, including non-investment grade, may be utilised. Currency exposure is flexibly managed.

Management Fee: 0.70% p.a. (Class D Units)

Buy/Sell Spread: N/A

Fund Inception: August 2014

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

a -0.3% MoM print, while core inflation accelerated by 2.7%, in line with October. Meanwhile, in November, UK inflation increased to 2.6% YoY from 2.3% in October, while Japan's inflation rose to 2.9% in November from 2.3% in October, both meeting market expectations.

In the US, the Federal Open Market Committee (FOMC) cut the Fed funds rate by 25 basis points (bps) to 4.25-4.50% but adopted a hawkish tone, revising its 2025 dot plot to project two rate cuts instead of three. Committee members showed a wide range of views, with the most hawkish anticipating no cuts and the most dovish expecting up to five. Meanwhile, the November employment report showed gradual loosening, with the unemployment rate increasing to 4.2% in November (above the expected 4.1%) from 4.1% the previous month, despite job openings rising to 7.7 million in October.

In Europe, the European Central Bank (ECB) reduced interest rates by 25bps to 3.00%, as expected, alongside downgraded growth and inflation projections. Furthermore, French assets faced pressure as Prime Minister Michel Barnier's minority government lost a no-confidence vote, widening the France-Germany 10-year bond yield spread to its highest level since 2012. President Emmanuel Macron subsequently named centrist François Bayrou as Barnier's replacement to stabilise the government. Meanwhile, the Bank of England (BoE) held rates at 4.75% in a surprisingly dovish meeting, with three members voting for a cut and the Bank emphasising downside risks to growth. The Bank of Japan (BoJ) also held rates steady at 0.25%, consistent with market expectations.

Developed market government bond yields rose in December, and most curves steepened. US 2-year and 10-year treasury yields increased by 9bps and 40bps to 4.24% and 4.57%, respectively, effectively ending the US yield curve inversion. German bund yields rose by 13bps at the 2-year point to 2.08% and 28bps at the 10-year point to 2.36%. UK gilt yields climbed by 16bps and 33bps to 4.39% and 4.57% at the 2-year and 10-year points of the curve, respectively. Japanese government bond yields experienced more modest increases, with the 2-year yield rising 1bp to 0.60% and the 10-year yield up 5bps to 1.09%.

Corporate bonds delivered mostly negative returns in December, with US and European investment-grade corporate bonds returning -1.94% and -0.42%, respectively. However, for the full year, US investment-grade corporate bonds posted a 2.13% gain with excess returns of 2.46% over government bonds, while European investment-grade corporates ended the year up 4.74%, with excess returns of 3.15% versus government bonds. US high-yield bonds returned -0.43% to end the year with returns of 8.19% and European high-yield bonds returned 0.73%, delivering full year returns of 9.14%. Within emerging markets, local currency debt returned -1.93% in unhedged terms, while hard currency debt declined by -1.40%. The US dollar strengthened against all G10 currencies.

Portfolio Positioning

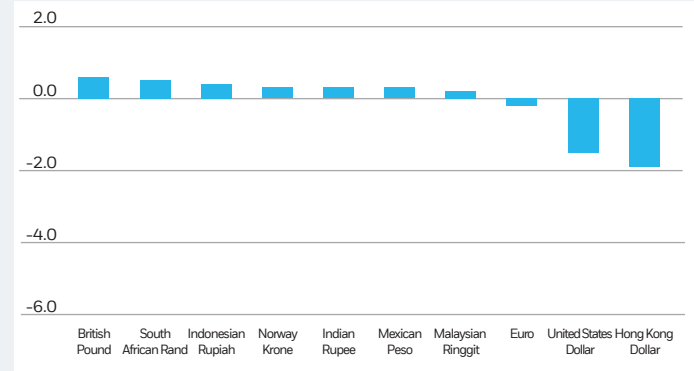
Over the month, we reduced exposure to US Agency MBS as tight spreads and elevated rate volatility reduced their relative attractiveness.

Furthermore, we tactically reduced exposure to investment-grade credit assets, particularly in BBB-rated European bonds, influenced by heightened volatility in European markets driven by political risks in Germany and France.

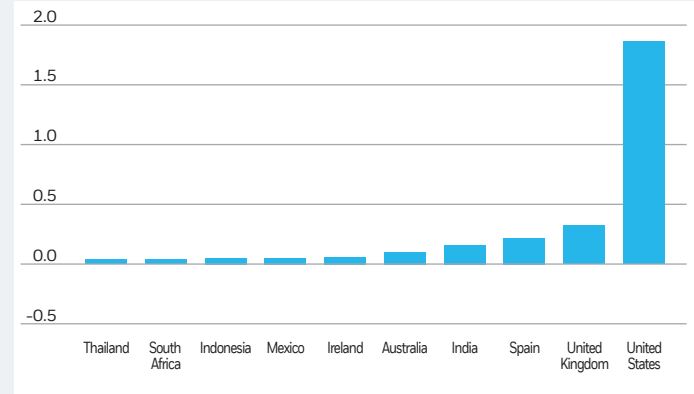
Finally, we increased the equity risk in the Fund taken primarily via options to express a risk-on view in a more liquid and convex way.

As a result of these portfolio adjustments, the fund's overall duration increased by 14bps to 3.40 years. Similarly, the fund's spread duration increased by 26bps to 4.64 years.

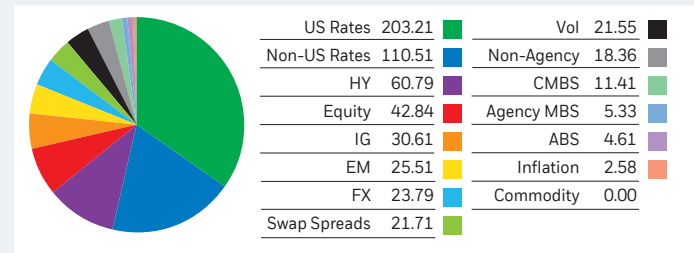
Active Currency Exposure (%)



Duration Contribution by Country (Years)

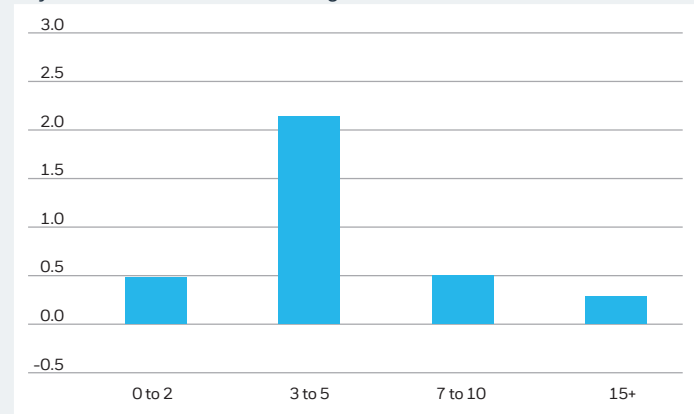


Strategy Risk Decomposition (bps)



Source: BlackRock Solutions ('BRS') & Bloomberg
Ex-ante risk based on the BRS Portfolio Risk model; Pie charts show relative standalone risks of exposures at month end.

Key Rate Yield Curve Positioning (Years)



About the Fund

The BlackRock Fixed Income Global Opportunities Fund (Aust) is a flexible, core bond alternative. It could appeal to investors looking to:

- enhance return potential from their fixed income allocation without taking on too much risk;
- diversify their bond portfolios away from traditional fixed income assets; and
- counter the risk to performance that a rising interest rate environment presents over the medium term.

The BlackRock Fixed Income Global Opportunities Fund (Aust) does not focus on just one area of global bond markets. It is a result of collaboration between portfolio managers within the BlackRock group and over 150 investment specialists globally who cover corporate, sovereign, municipal and structured bonds.

Fund Details

Blackrock Fixed Income Global Opportunities Fund (Aust)	
APIR	BLK0003AU
Buy/Sell Spread	0.00%-0.00%
Management Fee (Class D Units)*	0.70% p.a.
Strategy AUM	\$77,854m
Fund AUM	\$14 mil
Liquidity	Daily
Minimum Initial Investment (Class D Units)*	\$50,000

* The current default management fee for Class E units in the BlackRock Fixed Income Global Opportunities Fund (Aust) is 0.50% p.a. Pursuant to ASIC Class Order relief, BlackRock will individually negotiate fees with "wholesale clients" or "sophisticated" or "professional" investors (as defined in the Corporations Act).

^ The minimum initial investment for Class E Units in the BlackRock Fixed Income Global Opportunities Fund (Aust) is \$500,000.

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