BLACKROCK FIXED INCOME GLOBAL OPPORTUNITIES FUND (AUST)

BLACKROCK®

FUND UPDATE **31 March 2021**

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	0.00	0.00	13.24	4.02	4.67	4.13
BlackRock Fixed Income Global Opportunities Fund (Aust) (Net of Fees) (D Class)^	-0.21	-0.17	-0.17	12.47	3.30	3.95	3.44
Bloomberg AusBond Bank Bill Index[SM]	0.00	0.00	0.00	0.11	1.12	1.40	1.65
Outperformance (Gross of Fees)	-0.15	0.00	0.00	13.13	2.91	3.27	2.49

*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

FIGO generated a negative performance in March.

Our allocation to US treasuries detracted from the performance as nominal treasuries yields increased during the month – led by real yields – on the back of positive developments on the economic activity restart combined with historically large fiscal stimulus all helped by a ramp up in vaccinations in the US.

In addition, our allocation to emerging market countries contributed negatively to the return as a slower pace of vaccine rollouts compared to developed markets is threatening the region growth prospects.

This was partially offset by our allocation to European credit which generated a positive return given a more stable rate environment and a more positive macro picture which has been highlighted also by the President Lagarde during the last press conference. Similarly, our allocation to US investment grade credit added to the performance.

Market Review

The tone in financial markets has been one of a renewed sense of optimism about global growth, albeit differentiated between countries and regions, and raised expectations about a pickup in inflation. This has been most pronounced in the US where government bond yields continued to rise. Developed market government bond yields elsewhere did not rise as in previous months and were broadly flat to lower over the month. The overall positive risk sentiment continues to be driven principally by the rollout of vaccines and the related anticipated easing of lockdown measures going into the second quarter, while the policy backdrop remains still very supportive from both central banks and governments.

One of the main themes over the first quarter has been around the prospect of central banks recalibrating their ultraaccommodative monetary stance and how this is expected to look both in terms of timing and implementation. The US Federal Reserve (Fed) has deliberately been very careful with its communication and this was once again the case with the Federal Open Market Committee (FOMC) meeting in March. The Fed stressed the importance of realised inflation, emphasizing the significance of its average inflation target policy, while talk of tapering its bond purchasing programme was dismissed as too early. There also appears a degree of comfort with the recent rise in yields to the extent that these moves are not "disorderly".

Portfolio Management Team

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

Bob Miller,
Managing Director and Portfolio Manager
33 Years Investment Experience

Aidan Doyle,
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

Visit **BlackRock.com.au** for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

In Europe, the European Central Bank (ECB) kept its monetary policy stance unchanged. The accompanying statement did, however, note a higher pace of asset purchases under the pandemic emergency purchase programme (PEPP). They reiterated the need to maintain favourable financial conditions in light of the negative impact of the pandemic, and measures to contain it, on the path of inflation. The ECB now forecasts 4% GDP growth for the eurozone this year and 1.5% HICP inflation. The rollout of the vaccine is the crucial factor that should help facilitate a strong rebound, in tandem with supportive financial conditions and fiscal stimulus measures. In emerging markets, Turkish assets sold off sharply on the back of the dismissal of governor Naci Agbal who was replaced by party loyalist Sahap Kavcioglu. Pass-through to other emerging market assets was however quite limited.

Riskier assets were generally range-bound over the month. Emerging market assets continued to lag, mainly driven by higher government bond yields and a stronger US dollar. High yield markets outperformed investment grade, while US high yield outperformed Europe. Developed market government bond yields posted mixed returns across different regions with Australia and Japan both rallying, and US Treasury yields continuing to sell off. Relatedly, the US dollar enjoyed a stronger month versus most G10 peers, while the weakest performing currencies were once again the Swiss franc and the Japanese yen given the broadly positive risk backdrop.

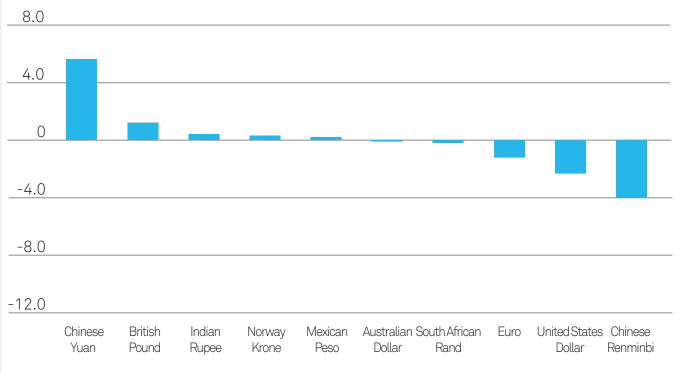
Portfolio Positioning

Throughout the month, we have continued to reduce the overall duration in the portfolio – mainly by reducing our exposure to US treasuries – given tight valuations and our view that treasury yields will be higher in the medium term.

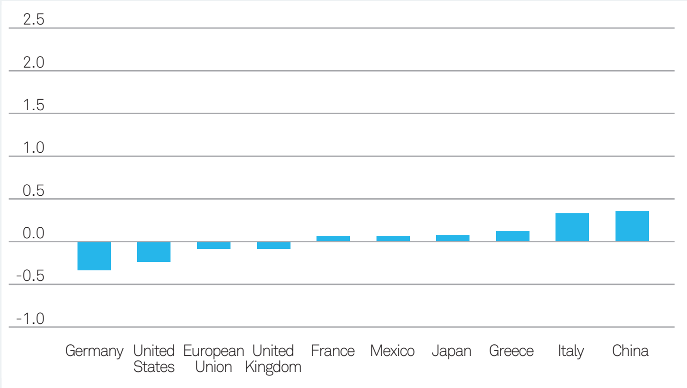
In addition, we have added some exposure to investment grade credit in US – particularly to longer dated securities in the industrial sector – given the recent back-up in yields and the more attractive valuations while, at the same time, tactically reducing our allocation to US high yield credit.

We continue to maintain an exposure to a diversified set of high-quality securitized assets and to selective emerging market countries although overall we are cautious about adding more risk in the Fund due to the uncertain environment. In our view, bottom-up security selection is key, combined with a strong understanding of liquidity and risk management, in order to build a robust and diverse portfolio.

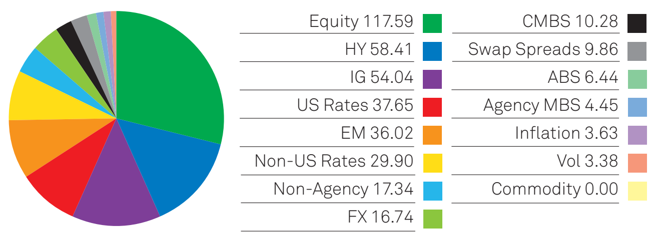
Active Currency Exposure (%)



Duration Contribution by Country (Years)

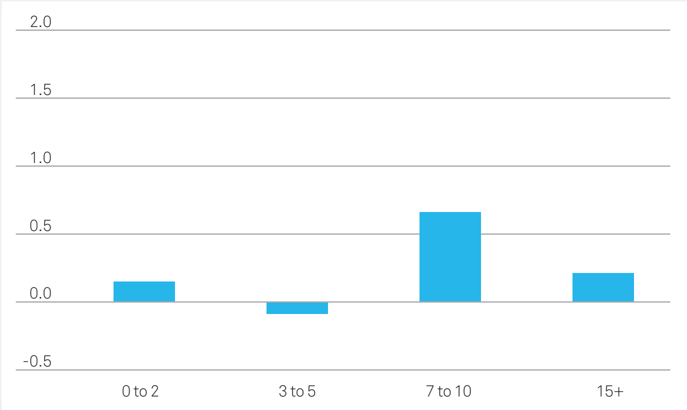


Strategy Risk Decomposition (bps)



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)



Outlook

The massive fiscal stimuli across the globe are starting to find their way into consensus growth estimates. Corporate profits, sales revisions, forward guidance, and earnings surprises are all showing signs of an impending – and still underappreciated – economic boom. In fact, S&P 500 earnings are expected to surpass 2019 levels as soon as this year, with double digit growth the year after (and likely again the year after that). Therefore, we expect a strengthening global economy driven by huge fiscal impulses, accommodative monetary policies and healthy economic fundamentals supported by the accumulation in personal savings.

In terms of monetary policies, we see a more muted response of government bond yields to stronger growth and higher inflation than in the past. While the direction of travel is likely to still be higher, central banks are likely to lean against any sharp yield rises which should be supportive for risk assets.

With a global economy marked by an accelerating real economic activity, we believe that valuations are at elevated levels in some assets, but we still see tangible upside potential in many others. We think that owning yielding assets – such that being pro risky assets – still makes sense in this economic backdrop.

For these reasons, in the Fund, we maintain a slightly pro-risk stance and we hold select exposure to emerging markets, investment grade and high yield bonds, and securitised assets, retaining our bias to a robust and diverse portfolio through holding income-generating assets in a risk-aware manner.

Finally, we have been continuing to reduce our exposure to US duration as we believe that valuations are still less attractive at current yield levels. However, we think we are getting closer to yield levels where duration can act as a hedge again. We continue to believe that markets may be underestimating the probability of an earlier-than-expected taper, while the stronger economic growth outlook, and the amount of further fiscal support expected to come through with a Democratic led White House, mean that we still expect US Treasury yields to move modestly higher from here.

We prefer to hold duration in other parts of the world, and we have shifted some of our US duration into some European countries – particularly in Italy and Spain, as ramped-up economic policy responses from the ECB should continue to support those countries. We also maintain our preference for higher quality emerging markets countries such as China where we think monetary policy will remain supportive despite the strong rebound in economic activity.

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	$51.0m
Fund AUM	91 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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