BLACKROCK GLOBAL CORE EQUITY FUND (AUST)

BlackRock®

FUND UPDATE **31 December 2024**

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Global Core Equity Fund (Aust) (Class D) (Net of Fees)	2.82	10.34	23.78	23.78	-	-	17.23
BlackRock Global Core Equity Fund (Aust) (Class S) (Net of Fees)	2.84	10.38	23.95	23.95	-	-	17.39
MSCI All Country World Index NET (in AUD)	2.73	10.94	29.48	29.48	-	-	22.67
Outperformance (Net of Fees) (Class D)	0.10	-0.60	-5.70	-5.70	-	-	-5.45
Outperformance (Net of Fees) (Class S)	0.11	-0.56	-5.53	-5.53	-	-	-5.29

[1] Fund inception: 7/24/2023.

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. Net performance is calculated on exit-to-exit price basis, e.g. net 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.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Global Core Equity December 2024

Market Overview

After a strong November, December brought signs of uncertainty to global markets. The MSCI ACWI (in USD) declined, -2.33% reflecting this volatility.

The S&P 500 declined throughout December around 2%, tampering what had been a strong fourth quarter and year. The Federal Reserve cut interest rates as widely anticipated, by 25 basis points. However, market caution remains due to disappointment over the potential pace of cuts expected in 2025, with investors concerned to worries that the Fed might not be able to reduce rates as aggressively as had previously been anticipated. On top of inflation concerns, since President-elect Trump's re-election in November the anticipation of policy changes has added to market volatility, as investors closely watch narratives around trade policies and regulations that could affect different sectors. Trump's upcoming inauguration in January 2025 has already caused significant market fluctuations, such as the dollar surging in early December after he announced potential tariffs on BRICS countries if they were to create a rival currency.

European markets faced a challenging environment in December, marked by political instability, with France appointing its fourth prime minister of 2024, as well as economic uncertainty. Both the French CAC 40 and German DAX indices experienced significant volatility, but ultimately ending the month relatively flat.

The FTSE 100 was influenced by broader global market trends, especially from the U.S., where a significant sell-off occurred following economic data releases indicating persistent inflation pressures and a firm stance on rates from the Bank of England. In the UK, inflation rose to 2.6% in November 2024, the highest level since March 2024. The FTSE 100 index fell by approximately 2% in December, driven by disappointing retail sales figures, downward pressure from key index stocks, and fears of economic stagnation as markets also continued to digest October's budget.

Asian markets remained cautious due to global economic uncertainties, particularly concerning U.S. monetary policy and geopolitical tensions affecting regional trade dynamics. A key event this month was China's central bank injecting approximately 1.7 trillion yuan ($233 billion) into the economy to enhance liquidity support for financial markets and stabilise economic growth.

Focussing on commodities, Brent crude oil prices stabilised around $73.98 per barrel after a volatile month, influenced by concerns over global demand, particularly from China, and OPEC's production expectations.

During the month, Information Technology, Consumer Discretionary and Communication Services contributed, while the Financials, Industrials and Healthcare sectors detracted materially from returns. From a regional perspective, the US stood out as the biggest detractor, whilst Japan outperformed, posting positive returns in the month.

Performance Overview

- The fund returned +2.82% net of fees, slightly outperforming the benchmark by 0.09% during the month (both returns in AUD).
- Stock selection in information technology, consumer discretionary and consumer staples contributed the most to relative performance.
- An overweight position and stock selection in health care and industrials detracted the most from relative performance. An underweight position and stock selection in communication services also detracted.

Stocks

Contributors

- **Broadcom**, the semiconductor manufacturing company, contributed the most to relative performance during the period. The company reported FY24 results in December, with both AI revenues ($12.2bn, +220% YoY) and Networking (+45% YoY) materially ahead of consensus. During the quarter, Broadcom also announced a design win in ASICs with Apple, strengthening their credibility in this field and our thesis that 'Phase 2' of AI will require greater usage of ASICs. During the earnings call, CEO Hock Tan also referred to AI revenue serviceable addressable market of $60-90bn by 2027.
- **LVMH**, a global leader in luxury goods, also contributed to returns. Shares saw a recovery following a torrid year. In spite of limited company-specific newsflow, shares rebounded on optimism that valuations have normalised, the US market could benefit from a Trump boom and China datapoints could improve with renewed stimulus announcements.
- **Amazon**, the US online retailer, also contributed. Amazon commented that Black Friday was a 'record' trading period, whilst market data suggest that 4Q24 sales are tracking around +12%, materially exceeding consensus and industry data for e-commerce spend and implying that the company continues to gain market share. Recent comments from CEO Andy Jassy also imply that Amazon's cost to service is declining, with robotics reducing their fulfilment processing time by around 25% and an increased share of next-day deliveries which are the cheapest to fulfil; in our view this is evidence of Amazon's growing competitive moat which should support further share gains.

Detractors

- **Novo Nordisk**, the Danish pharmaceutical company, detracted the most during the period. A disappointing Phase 3 read-out for key drug Cagrisema resulted in weak performance for the shares. Whilst Cagrisema had been expected to achieve >25% weight loss, only 23% was achieved in the trial given that only 57% of patients titrated to the full dose, which raises questions about both the tolerability and need for a higher weight loss product. We are anticipating additional data early in 2025.
- **UnitedHealth Group**, a health insurance and services company, detracted during the period. Following the assassination of Brian Thompson, CEO of UnitedHealthcare (the group's Insurance company), there has been heavy scrutiny of the profitability and willingness to pay claims from both the public and politicians raising concerns about future regulation or further market interventions. During December, legislation was also introduced to reform Pharmacy Benefit Manager's (PBMs) drug rebates – in our view, this is unlikely to be material for the company given this is a LSD share of both revenue and profitability, whilst we expect the legislation to have a neutral effect.
- **Charles Schwab**, the financial services company, also detracted. Schwab's December statement disappointed on asset growth, with 12M trailing growth at +4.3%, despite a very strong equity market during the quarter. This raised concerns that the company's long-term guidance of 5-7% is no longer achievable. We remain of the view that growth has the potential to re-accelerate as the effects of the Ameritrade integration fade, whilst we expect the current rate environment to support material margin expansion and improved profitability in 2025.

Trades

Sell:

- **Mondelez:** The team exited the position in December. We see margins increasingly at risk given higher cocoa prices. Taking a longer-term view, we remain concerned that the Cote d'Ivoire and Ghana – where the majority of global cocoa is grown – is vulnerable to environmental changes associated with climate changes which imply a more volatile future supply of cocoa. In our view, this changed environment will likely make Mondelez's earnings more volatile and less predictable. In addition, we note recent market speculation of a deal between Mondelez and Hershey – that Mondelez would consider such a material deal may suggest they are seeing more limited opportunities for organic improvement in their own business. Whilst we view the acquisition of Hershey as unlikely given the controlling stake the Hershey Trust hold, if Mondelez are determined to complete this deal (they have considered it previously) the ownership structure may require a material premium to be paid increasing the risks associated with large scale M&A.

Buys:

- **Meta:** The team started a new position in Meta. where we see a strong runway for growth from advertising optimization across their platforms, particularly through their creative tools, in addition to optionality for improved profitability in their Reality Labs business. We view Meta as having a number of key opportunities:
  - In **advertising optimization**, we still see scope for optimising Reels ad models, plus applying the unified video model to the Facebook video tab should shift video content there more towards short-form video, which is more monetizable.
  - On **content creation**, the ad creative process has previously not been optimised given labour costs, now with AI content creation content can be personalised to individuals (over next ~1-3yrs+) leading to higher ROIs.
  - **Business messaging** – Meta's click-to-message ad business has already passed $10bn+ revenue run-rate (these ads initiate conversations on Messenger/ WhatsApp/Instagram). Going forward, there are synergies with the development of AI assistants, with every business on Meta's platforms able to roll out their own digital assistants on the platforms (fine-tuning Llama models); we view these are high value interactions vs ads as they are opportunity to communicate directly with consumer and also come from customer service budgets not marketing budgets typically. Business messaging specifically is already a $1bn revenue run rate business (included in Other revenue for now), growing 73% y/y in 2Q24.
  - In our view, these amongst other opportunities will enable Meta to grow EPS at >20% over a multi-year period, which we view as attractively valued given the ~24x P/E multiple. For comparison, ServiceNow currently trades on ~70x earnings for earnings growth expected of ~20% in FY25.

Outlook

We have a constructive view of markets entering 2025, with an expectation that the US will continue to outperform other regional markets. In our view, focus is likely to be on the new Republican administration's policy agenda. Following a period of further material US outperformance in 2024 led by large-cap technology stocks, signs of the 'pro-business' environment of low taxes and a less regulated operating environment will be key to sustaining the rally. In our view, the outlook for US Consumers remains strong given a supportive employment backdrop, manageable levels of personal debt and easing inflation.

There are two areas of risk we remain watchful of – inflation and valuations within the technology sector. In our view, the market is pricing a benign macro-economic environment for the US, with just two or three further rate cuts currently expected for 2025, given the strong employment environment and manageable inflation dynamics. Any rebound in inflation would risk higher short and long-term yields. We see a number of factors that could result in higher inflation expectations – President elect Trump has indicated potentially higher tariffs and more strict immigration controls which have the potential to be inflationary, whilst the proposed fiscal stance also implies higher levels of government debt.

The narrowness of performance experienced in 2024 also poses a potential risk to the market performance. We note that many large-cap technology stocks are trading at all-time highs after a period of very significant market outperformance in 2024, particularly in areas like Software and those related to Artificial Intelligence ("AI"). Within the technology sector, whilst we have exposure to AI our focus is on those companies where we believe they can tangibly generate revenues and cashflows from growth in AI investment. Our process emphasizes fundamental valuation, which we believe will be key to stock picking in this environment.

Outside the US, we generally expect a more muted growth environment given the persistence of a strong US dollar and high Federal Reserve rates. Two areas of macroeconomic uncertainty are China and Japan.

Given recent stimulus announcements in China, we remain watchful given the broader potential consequences of a recovery in the Chinese economy. In our view, the measures so far announced are unlikely to be sufficient to address the deep-rooted nature of issues within the property market which are impacting local government finances and broader consumer confidence. However, we recognize that a more comprehensive package of measures could impact Energy and Materials markets. We would expect further policy measures to be announced with China's March 2025 economic plenum, following greater clarity over trade protection measures from the US.

For Japan, we have been cautiously positioned for economic recovery resulting from monetary policy normalisation. In our view, a higher US rate environment for longer may give the Bank of Japan further time to normalize their policy rate environment – we would expect a further rate hike of 25bps in 1Q25.

We continue to see high levels of valuation dispersion across the market, with materially different economic expectations priced into stocks with similar characteristics. We continue to focus on the long-term potential of businesses and look to take advantage of short-term market noise to make investments at attractive valuations. We believe that quality companies offer resilience and are most likely to continue to grow in a volatile environment. Their well-invested brands, pricing power and intellectual property driving differentiated products and services are likely to be able to maintain and grow profitability. We continue to seek idiosyncratic stories and structural growth opportunities which we think will be critical in navigating through this period. We believe it is alpha rather than beta which will continue to drive returns as we see greater dispersion in equity markets. Ultimately our disciplined process focused on quality stocks at attractive valuations gives us confidence that we can continue to construct a well-diversified portfolio that can perform in a range of environments and deliver for you, our clients.

Top Active Holdings

Overweight	Underweight
BOSTON SCIENTIFIC CORP	NVIDIA CORP
INTERCONTINENTAL EXCHANGE INC	APPLE INC
CHARLES SCHWAB CORP	TESLA INC
UNITEDHEALTH GROUP INC	ALPHABET INC CLASS A
MASTERCARD INC CLASS A	ALPHABET INC CLASS C

Top Holdings

Holding	Weight %
MICROSOFT CORP	7.23
AMAZON COM INC	5.93
BOSTON SCIENTIFIC CORP	4.74
UNITEDHEALTH GROUP INC	4.33
MASTERCARD INC CLASS A	4.22
INTERCONTINENTAL EXCHANGE INC	4.19
CHARLES SCHWAB CORP	4.07
BROADCOM INC	4.04
BAKER HUGHES CLASS A	3.46
HOWMET AEROSPACE INC	3.43

Country Exposure

Country	Weight %
Australia	0.00
Austria	0.00
Belgium	0.00
Canada	0.00
Denmark	3.04
Finland	0.00
France	6.14
Germany	2.46
Greece	0.00
Hong Kong	0.00
India	2.21
Ireland	0.00
Israel	0.00
Italy	0.00
Japan	0.00
Mexico	0.00
Netherlands	0.00
New Zealand	0.00
Norway	0.00
Portugal	0.00
Singapore	0.00
Spain	0.00
Sweden	2.33
Switzerland	0.00
United Kingdom	5.25
United States	77.44
Emerging Markets	0.00

About the Fund

Investment Objective

The Fund seeks to maximise total return by investing in a portfolio of global equity securities, in a manner consistent with the principles of environmental, social and governance investing.

Investment Strategy

The Fund aims to achieve its investment objective through investing in the BGF Global Long-Horizon Equity Fund (the Underlying Fund). The Underlying Fund invests globally with no prescribed country, regional or capitalisation limits. At least 70% of total assets will be invested in equity securities. The Underlying Fund is managed by BlackRock Investment Management (UK) Limited, along with other co-adviser entities that are part of the BlackRock Group (Investment Adviser). The Underlying Fund may invest in equity securities that, in the opinion of the Investment Adviser, have a sustained competitive advantage and will typically be held over a long-term horizon. Currency exposure is flexibly managed.

The Underlying Fund applies exclusionary screens to the companies within its investment universe. The Investment Adviser then applies its proprietary Fundamental Insights Methodology to identify companies that would otherwise have been excluded by the exclusionary screens but that it considers to be appropriate for investment on the basis that they are "in transition" and focused on meeting sustainability criteria over time.

Where a company is identified as meeting the criteria in the Fundamental Insights Methodology for investment and is approved in accordance with the Methodology, it is eligible to be held by the Underlying Fund. Such companies are regularly reviewed.

In the event that the Investment Adviser determines that a company fails the criteria in the Fundamental Insights Methodology (in whole or in part and at any time) or it is not engaging with the Investment Adviser on a satisfactory basis, it will be considered for divestment by the Underlying Fund in accordance with the Fundamental Insights Methodology.

Should be considered by investors who ...

- Seek to invest in a Fund which provides investors with access to a professionally managed portfolio of global equity securities.
- Have a long-term investment horizon. The securities held in the Underlying Fund's portfolio have been selected based on BlackRock's view that they have a sustained competitive advantage, and so will typically be held over a long-term horizon.
- Want to invest into an actively managed fund without benchmark constraints. In selecting securities for the Underlying Fund's portfolio, the investment adviser is unconstrained by country, region or capitalisation limits

Fund Details

BlackRock Global Core Equity Fund (Class D)	
APIR Code (Class D)	BLK6302AU
Buy/Sell Spread	0.00%/0.00%
Fund Size	$6,279
Management Fee (Class D)	0.75%

BlackRock Global Core Equity Fund (Class S)	
APIR Code (Class S)	BLK3793AU
Buy/Sell Spread	0.00%/0.00%
Fund Size	$ 123,870
Management Fee (Class S)	0.60%

* Fund size of the Australian Fund – excludes the AUM of the Underlying Fund into which the Fund invests.

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