

# BlackRock Enhanced Cash Fund

BlackRock®

December 2024 – Fund Update

## INVESTMENT PERFORMANCE (GROSS) AS AT 31 DECEMBER 2024

	CUMULATIVE (%)				ANNUALISED (% p.a.)		
	1m	3m	YTD	1y	3y	5y	SI <sup>1</sup>
<b>Fund</b>	0.39	1.23	4.95	4.95	3.59	2.38	4.03
<b>Benchmark<sup>2</sup></b>	0.38	1.12	4.47	4.47	3.19	1.98	3.66
<b>Alpha<sup>3</sup></b>	0.01	0.11	0.48	0.48	0.40	0.40	0.37

<sup>1</sup> Inception date is 07 March 2001.

<sup>2</sup> Benchmark referred to is the Bloomberg AusBond Bank Bill Index<sup>SM</sup>.

<sup>3</sup> Alpha represents the difference between gross performance and the benchmark performance.

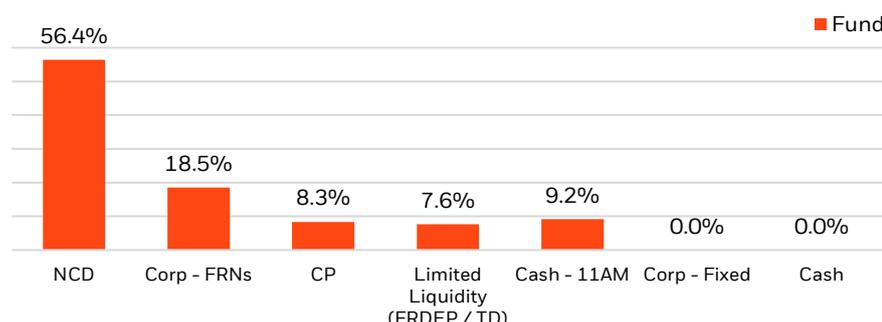
Past performance is not a reliable indicator of future results. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Gross returns are provided for products offered to wholesale clients only who may be subject to differential fees. Please refer to the Fund's product disclosure statement for more information.

## FUND STRATEGY

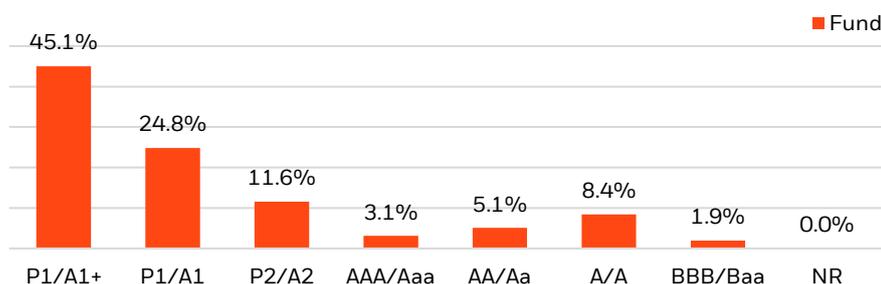
The Fund utilises duration, yield curve and credit strategies to generate an attractive return consistent with a diversified, professionally managed portfolio of quality Australian short-term money market securities. The Fund aims to provide investors with investment security, high levels of liquidity and maximum flexibility in dealing with their investments.

BlackRock believes that superior investment performance results from an active management approach based on a clear view of the fundamental forces that drive interest rate and credit markets. We utilise research-based knowledge, fundamental credit analysis and the requisite skill base to access diverse opportunities, together with a disciplined approach to risk management to enhance value through duration and credit management.

## SECTOR EXPOSURE



## CREDIT RATING BREAKDOWN



[blackrock.com.au](https://blackrock.com.au)

## INVESTMENT OBJECTIVE

The Fund aims to outperform its benchmark, the Bloomberg AusBond Bank Bill Index<sup>SM</sup>, by 0.40% to 0.50% before fees and expenses.

## INVESTOR BENEFITS

Should be considered by investors who seek:

- Lower volatility in the capital value of the investment and modest capital growth.
- A regular monthly income.

## PORTFOLIO MANAGERS



**Cameron Garlick**  
Director and Portfolio Manager  
30+ years of Investment experience



**Michael Prijaca**  
Vice President and Portfolio Manager  
20+ years of Investment experience

## KEY INFORMATION

**APIR Code:** BLK0135AU

**Inception Date:** 07 March 2001

**Fund Size:** A\$60mn

**Unit Price (NAV):** 1.00

**Pricing:** Variable NAV

**Settlement:** T+1

**Buy/Sell Spread:** 0.00% / 0.00%

**Distribution:** Monthly

**Tracking Error (3yrs p.a.):** 0.07%

## CHARACTERISTICS

	Fund	Bench- mark
<b>WAM (Days)</b>	56	49
<b>Duration (Years)</b>	0.13	0.13
<b>Yield to Maturity (%)</b>	4.58	4.36
<b>Number of Holdings</b>	48	13

## FUND HIGHLIGHTS

The fund's duration was in line with the benchmark. Over the month 30-day bank bills increased by 0.01% to 4.32%, 90-day bank bills decreased by 0.01% to 4.42%, and 180-day bank bills decreased by 0.17% to 4.49%. The average yield on the benchmark remained flat at 4.36% and the average yield on the fund decreased by 0.02% to 4.58% in December.

## MARKET HIGHLIGHTS

### REVIEW

The Bloomberg AusBond Composite Index (the "Index") rose to 0.51% in December. Corporates (0.71%) was the best performing sub-component, followed by Supra/Sovereign (0.66%), Semi-Govt (0.61%) and Treasuries (0.36%).

The Index added A\$10.16 bn of new supply (issuances and taps) in December. The supply was A\$11.76 bn lower than the previous month and A\$10.96 bn lower than the 12-month average (A\$21.12 bn). Five new issues were added to the Composite Index amounting to A\$1.625 bn, which leaves A\$8.5337 bn in taps.

Australian 2-year bond yields trended downwards by 0.09% over the month to 3.86% and 10-year yields trended upwards by 0.02% to 4.36%.

In Australia, the unemployment rate fell from 4.1% to 3.9%, challenging the RBA's year end forecast of 4.3%, and the participation rate fell from 67.1% to 67.0%. The November labour market report again surprised the market on the strong side with 35.6k jobs created vs the consensus view of 25k. Strength was in fulltime jobs which were up 52.6k, whilst part time jobs fell -17k. The RBA expected wages growth of 3.4% YoY in 2024 which would imply that wages would need to accelerate to 0.9-1.0% in Q4 for this to be achieved. At its meeting in December, the RBA kept the cash rate unchanged at 4.35% and the interest on excess reserves at 4.25%. The RBA continue to see the macro-economic environment as highly uncertain and maintain that returning inflation back to target is its highest priority.

Australian monthly CPI indicator rose 2.3% in the 12 months to November up from the 2.1% rise in the 12 months to October. Key sectors driving annual CPI movements included significant increases in Food and non-alcoholic beverages +2.9% YoY, Alcohol and tobacco +6.7%YoY, and Recreation and culture +3.2% YoY. These gains were partially mitigated by notable decreases in electricity -21.5% YoY and Automotive fuel -10.2%YoY. Business confidence took a significant hit, dropping 8 points to -3 index points in November. The decline was widespread across industries, with retail and wholesale sectors showing the weakest sentiment and remaining in negative territory. Similarly, business conditions softened during the month dropping from +7 to +2 index points, with declines observed across most industries, except for mining and construction. On a trend basis, conditions continue to be most challenging in the retail and manufacturing sectors.

In the US, 2-year treasury yields trended upwards by 0.09% to 4.24% over the month and the 10-year yield rose by 0.40% to 4.57%.

U.S. retail sales grew by 0.7% in November 2024 compared to the previous month, surpassing expectations of a 0.5% increase and following an upwardly revised 0.5% rise in October. The data shows robust consumer spending during the holiday shopping season. Motor vehicle and parts dealer sales saw the largest increase, climbing 2.6%, while nonstore retailers experienced a 1.8% rise. In contrast, sales at health and personal care stores remained flat, and miscellaneous store retailers recorded a 3.5% decline. Sales excluding food services, auto dealers, building materials, and gasoline stations which is used to calculate GDP increased by 0.4% MoM. The PCE index increased 0.1% MoM and 2.4% YoY alongside Core PCE which increased 0.1% MoM and 2.8% YoY. The CPI rose by 0.3% MoM (seasonally adjusted) and by 2.7% YoY (not seasonally adjusted) in November. Core CPI (excluding food and energy) also rose by 0.3% MoM (seasonally adjusted) and 3.3% YoY (not seasonally adjusted) in November.

The Bloomberg AusBond Composite 0+ Yr Index returned 0.51 in December for a 12 month return of 2.93.

### OUTLOOK

Our base case remains for the RBA to commence easing in early 2025 at either the February or April meetings depending on how the data evolves over the next few months. Increasing our confidence is the shift to a more dovish stance by the RBA. When the easing cycle here commences, we think the cash rate could converge to 3.60% by the end of 2025.

In the U.S, Fed Chair Powell implied that the central bank may put an end to its consecutive cuts by pausing as soon as its next meeting in January: "we are at or near a point at which it will be appropriate to slow the pace of further adjustments." Also, the Fed's estimate of the neutral rate where policy is neither restricting nor stimulating the economy keeps being revised up and we think the policy rate may now be getting close to that point. Given the risk of resurging inflation from potential trade tariffs and a slowdown in immigration that has been cooling pressure in the labor market, market expectations of only two more cuts in 2025 now seem reasonable.

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