BLACKROCK®

FUND UPDATE

BlackRock Money Market Fund

MAR 2024

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Money Market Fund (Gross of Fees)	30-Sep-89	0.37	1.16	1.16	4.45	2.27	1.70	5.06
Bloomberg AusBond Bank Bill Index[SM] (Gross of Fees)		0.37	1.09	1.09	4.19	2.08	1.51	4.97
Outperformance (Gross of Fees)		0.01	0.07	0.07	0.26	0.19	0.19	0.09

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") returned 1.12% in March. Semi-Governments (1.23%) was the best performing sub-component, followed by Treasuries (1.15%), Credit (0.90%) and Supranational-Sovereigns (0.86%).

The AusBond Composite Index added A$24.6bn of new supply (issuances and taps). The largest contributors were Semi-Governments at A$12.2bn, followed by Non-Government issuers at A$9.2bn, and then Treasuries at A$3.2bn. 18 new issues were added to the Composite Index amounting to A$13.1bn, which leaves A$11.6bn in taps.

Australian 2-year bond yields trended downwards 0.06% over the month to 3.74%, while 10-year yields fell 0.04% to 4.10%.

GDP figures released in the first week of March showed that the Australian economy slowed to a crawl in Q4 2023 amidst weak consumer spending. GDP rose 0.2%, compared with an upwardly revised 0.3% expansion for Q3. Annual growth slowed to 1.5% YoY, down from 2.1% for the previous quarter, marking the lowest since early 2021. While both QoQ and YoY figures were in line with expectations, this indicated that monetary policy is restrictive and having an impact on the economy.

The second RBA rate decision of 2024 later in the month saw the RBA leaving its cash rate unchanged at a 12-year high of 4.35%, a widely expected result. The RBA statement moved to a neutral policy stance, stating that it was "not ruling anything in or out", and alluded to the possibility of rate cuts as long as inflation is moving sustainably towards the target range. Labour market data that followed rebounded sharply, with employment resurgent as the unemployment rate fell to 3.7% against forecasts of 4.0%, a sign that the job market was still tight. Inflation data to end the month held steady for the second month in a row, as February's CPI rose 3.4% YoY, below expectations of 3.5%. Stabilizing near the pace of the increases in January and December, the data showed that inflation is tracking towards the RBA's target range of 2% to 3%.

In the US, 2-year treasury yields rose by 0.13% to 4.75% while the 10-year yield also moved up 0.15% to 4.40%.

Labour market data early in the month saw US job growth accelerating, as nonfarm payrolls increased by 275,000, topping expectations. Yet, the unemployment rate rose to a two-year high of 3.9%, an indication of softening underlying labour market conditions. The last key test before the upcoming Fed meeting saw CPI surprising to the upside for the second month in a row. Headline CPI for February rose 0.4%, the same increase as Core CPI.

With the Fed indicating it needed more evidence to cut rates, the decision at the FOMC meeting came as no surprise, and was the fifth consecutive time where the Fed held rates steady. Along with the decision, the Fed's dot plot signaled that the Fed still plans multiple cuts before the end of the year, with three quarter-point cuts penciled in. This was despite projections for Core PCE this year rising to 2.6% and real GDP growth revised sharply up to 2.1%.

To end the month, Core PCE, the Fed's preferred measure of inflation, showed inflation moderating, coming in at 0.3% for February, bringing the YoY figure to 2.8%, with both figures in line with expectations. This was the smallest YoY gain since March 2021. Accompanying consumer spending data shot up 0.8%, well ahead of estimates of 0.5%. Personal income rose 0.3%, slightly softer than estimates. Fed Chair Powell reiterated that the Fed will not be ready to cut rates until it sees "more good inflation readings".

The Bloomberg AusBond Bank Bill Index returned 0.37% in March for a 12 month return of 1.09%.

Portfolio Commentary

The fund was long duration relative to the benchmark over the month. Over the month 30-day bank bills were unchanged at 4.30%, 90-day bank bills were unchanged at 4.34%, and 180-day bank bills increased by 0.01% to 4.50%. The average yield on the benchmark remained flat in March at 4.32%. The average yield on the fund increased by 0.07% to 4.55%. Inflation in Australia held steady for the second month in a row, as February's CPI rose 3.4% YoY, below expectations of 3.5%. Stabilizing near the pace of the increases in January and December, the data shows that inflation is tracking towards the RBA's target range of 2% to 3%. Meanwhile, retail sales, which swung wildly in recent months, rose modestly in February at 0.3% after January's rebound of 1.1%. This came in below forecasts of 0.4%. The RBA left the cash rate unchanged at 4.35% as expected but moved from a mild tightening bias to a neutral one. Minutes released from the meeting in March showed that the Board had not considered the option to raise rates for the first time since May 2022.

Market and Outlook Commentary

Our thinking had been the RBA would hike a final time in Q1 2024 tightening financial conditions a little more and instilling the bank with more confidence around hitting their 2-3% inflation target. However, the RBA thinks overall financial conditions in Australia are restrictive enough for households. It now feels like a very high hurdle to get the RBA hiking again. Accordingly, we expect the cash rate to be held at the current level for an extended period, at least until Q4 2024. The risks to our view are that cuts are delayed into 2025 due to ongoing "sticky" services inflation. Conversely, an unexpected weakening in the labour market could bring about an earlier than expected cut in interest rates. In the US, markets continue to be keenly focused on economic inflation data for signs on when the Fed might begin cutting rates.

About the Fund

Investment Objective

The Fund aims to match the performance of the Bloomberg AusBond Bank Bill Index^{SM} before fees.

Fund Strategy

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.

Should be considered by investors who …

- Seek low risk returns with limited volatility.

Fund Details

BlackRock Money Market Fund	
APIR	BLK1561AU
APIR (E2 Class)	BLK5312AU
Fund Size	79 mil
Buy/Sell Spread	0.00% / 0.00%

Composition

	Fund	Benchmark
Average Maturity (Days)	59	47.18
Bank Bills (%)	69.20	100.00
Term Deposits (%)	16.91	0.00
Cash (%)	13.88	0.00