

BLACKROCK FIXED INCOME GLOBAL OPPORTUNITIES FUND (AUST)

BLACKROCK®

FUND UPDATE

31 August 2020

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)*	0.63	3.76	2.51	3.93	3.58	4.06	4.00
BlackRock Fixed Income Global Opportunities Fund (Aust) (Net of Fees) (D Class)^	0.58	3.59	2.03	3.21	2.86	3.34	3.31
Bloomberg AusBond Bank Bill Index SM	0.01	0.03	0.34	0.66	1.44	1.66	1.80
Outperformance (Gross of Fees)	0.63	3.74	2.17	3.27	2.14	2.40	2.20

*Fund inception: 30/08/2014. ^Fund inception: 31/10/2014
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 positive performance in August.

Our allocation to securitized assets along with our positioning to European and Asian credit contributed to the performance amid a buoyant market environment with strong technicals seen during the month.

In addition, we had a positive contribution from our US equity position - through mainly call options - as equities appreciated during the month. Finally, we saw a positive return coming from riskier parts of the credit market such as from our emerging markets debt allocation - mostly to corporate debt in hard currency.

This was partially offset by the negative performance from our US treasuries allocation as US nominal yields increased after inflation expectations arose following the Federal Reserve comments at the Jackson Hole meeting.

Market Review

In what is traditionally a quieter month for financial markets, August was largely characterized by a continuation of the risk- on moves from the preceding summer months. This time it was not just riskier assets rallying, but also traditional safe haven assets selling off including US Treasuries and German bunds. Further positive developments around a potential vaccine for COVID-19 and the easing of tensions between US and China helped support risk appetite, while the unwavering policy support from both central banks and governments across major developed economies continues to underpin positive sentiment.

Much has been documented of the growing fiscal unity of the Eurozone, spearheaded most recently by the implementation of the €750 billion (bn) Recovery Fund. It is also worth noting however that fiscal efforts on a country-by-country basis continue to remain supportive. Germany, for example, agreed to extend its short-time work subsidies program and freeze insolvency rules in a package worth a further €10 bn. From a monetary policy perspective, the most significant development came from the US Federal Reserve which surprised financial markets with the timing of its flexible average inflation targeting strategy. The announcement came at this year's symposium at Jackson Hole - an event typically of academic significance, rather than policy innovation.

Portfolio Management Team



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



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



Aidan Doyle,
Director and Portfolio
Manager
10 years of investment
experience

At A Glance

Investment objective: The BlackRock Fixed Income Global Opportunities Fund (Aust) is a flexible global multi-sector fixed income strategy that seeks to achieve a positive total return. While the fund is not tied to a benchmark, it is managed to a target return of 4-6% above the Bloomberg AusBond Bank Bill IndexSM, net of fees, over rolling 3-year periods.

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

Buy/Sell Spread: N/A

Fund Inception: August 2014

Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Meanwhile, the economic recovery from the pandemic which rebounded sharply from May to July has started to slow somewhat, not least in Europe. After several European country's initially eased lockdown measures relatively successfully, clear evidence of a 'second wave' in infections has started to emerge in areas such as France, Germany and Spain, hampering consumer confidence. Similarly, services data remains mixed while manufacturing has returned to more normal conditions despite persistent weakness in exports. The US meanwhile has now started to see a reduction in new infections, albeit with overall numbers still at relatively elevated levels. While the acceleration of new jobs in the US has now slowed markedly, the recovery in manufacturing, consumption and housing data all remains robust.

Developed market government bond yields broadly ended the month higher given the risk-on moves and sustained fiscal efforts from major governments. The US dollar found a firmer footing after weakening significantly in preceding months, but still posted modestly negative returns for the month. Emerging market assets experienced a more mixed month – a slowdown in the rebound in economic activity in China and ongoing Virus-related disruption in certain regions such as India and LatAm offset some of the broader positive sentiment for risk assets. Spreads across high yield and investment grade credit markets compressed further, with Europe generally outperforming the US.

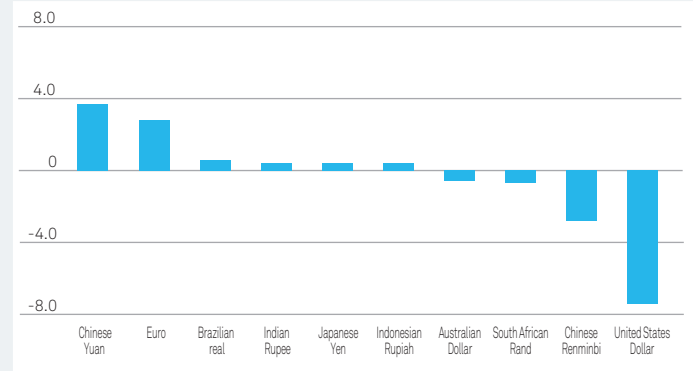
Portfolio Positioning

In August, we increased our equity exposure – particularly to the US - expressed via call options as free cash flow yields on the equity market offered a compelling value relatively to high quality fixed income yields.

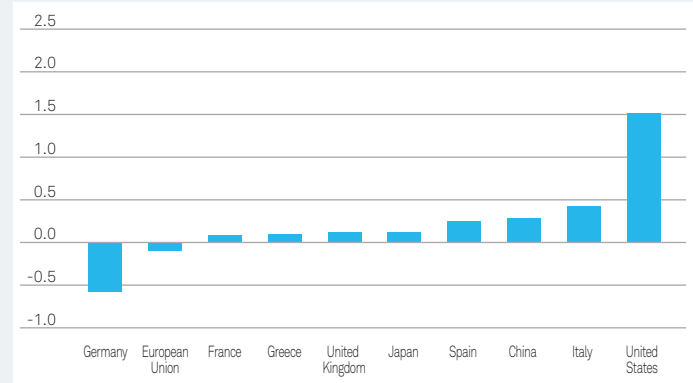
In addition, we reduced our allocation to high-quality income assets such as to US investment grade credit as yields are not very attractive at the moment after the asset class recovered from the losses experienced during the March sell-off.

In this backdrop, it is pivotal to have a strong focus on security selection and on risk management given the dispersion across asset classes and within sectors. We believe that with such preconditions, there are still ample of opportunities in today's fixed income markets.

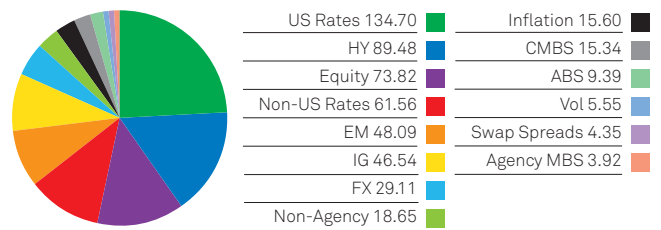
Active Currency Exposure (%)



Duration Contribution by Country (Years)

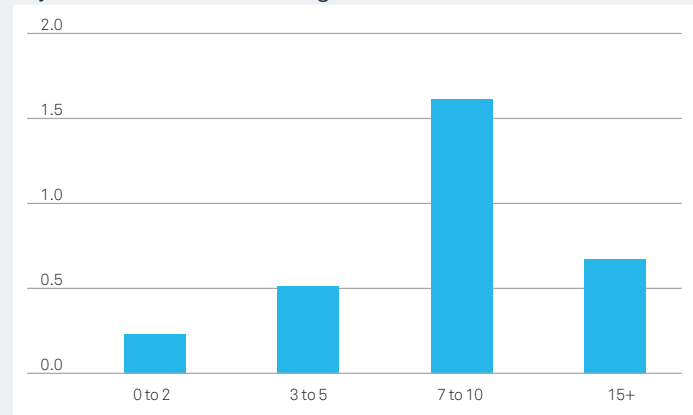


Strategy Risk Decomposition (bps)



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 nature of the rebound in activity will depend on the path of the Virus outbreak from here, the ongoing response in policy and potential changes to consumer and corporate behaviours. Success will not just be about restarting the economy and containing the virus but balancing both these objectives.

The global policy response to the pandemic has been unprecedented in speed and size. The combined sum of fiscal and monetary actions is covering the virus hit to the economy in both the US and euro area.

In the US, we could potentially see some risk of policy fatigue as policymakers face a series of "fiscal cliffs" that result in cuts in fiscal relief prematurely. By contrast, Europe has ramped up its stimulus efforts which partly underpins our preference for European assets.

In the portfolio, we are moderately pro risk. We still like middle-quality income assets and we expect a lot of dispersion across asset classes and within sectors going forward. For this reason, we believe that nowadays industry and security selection are far more important than adhering to generic asset-rating labels.

In addition, we have a preference towards European assets given the more positive cyclical backdrop. We are also comfortable taking positions in securitized assets and emerging market countries today, but again, through a filter of intense security selection, and generally at the higher quality ends of the spectrum.

Finally, although we still like owning duration in the portfolio as a source of hedge, we believe that US treasuries will act less effective as a portfolio diversifier going forward. We believe that this will likely stay the case for a while given current valuations and the amount of further fiscal support the country will need to recover from this pandemic.

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	N/A
Management Fee (Class D Units)*	0.70% p.a.
Strategy AUM	\$43.856m
Fund AUM	\$90 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 0.70% 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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