

# BLACKROCK GLOBAL MULTI-ASSET INCOME FUND (AUST)

**BLACKROCK®**

FUND UPDATE

31 March 2023

## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	2 Yrs	3 Yrs	5 Yrs	Since Incep
Distribution (D Class) <sup>1</sup> (Net of Fees)	0.32	0.96	0.96	3.41	6.77	11.87	19.43	36.17
Growth (D Class) <sup>1</sup> (Net of Fees)	-0.24	1.28	1.28	-11.22	-14.72	-0.23	-11.49	-11.92
BlackRock Global Multi-Asset Income Fund (Aust) (D Class) <sup>1</sup> (Net of Fees)	0.08	2.24	2.24	-7.81	-4.06	3.74	1.54	2.97
BlackRock Global Multi-Asset Income Fund (Aust) <sup>2</sup> (Gross of Fees)*	0.15	2.43	2.43	-7.12	-3.34	4.52	2.31	3.66

<sup>1</sup> Fund inception: 29/10/2015. <sup>2</sup> Fund inception: 17/08/2015.

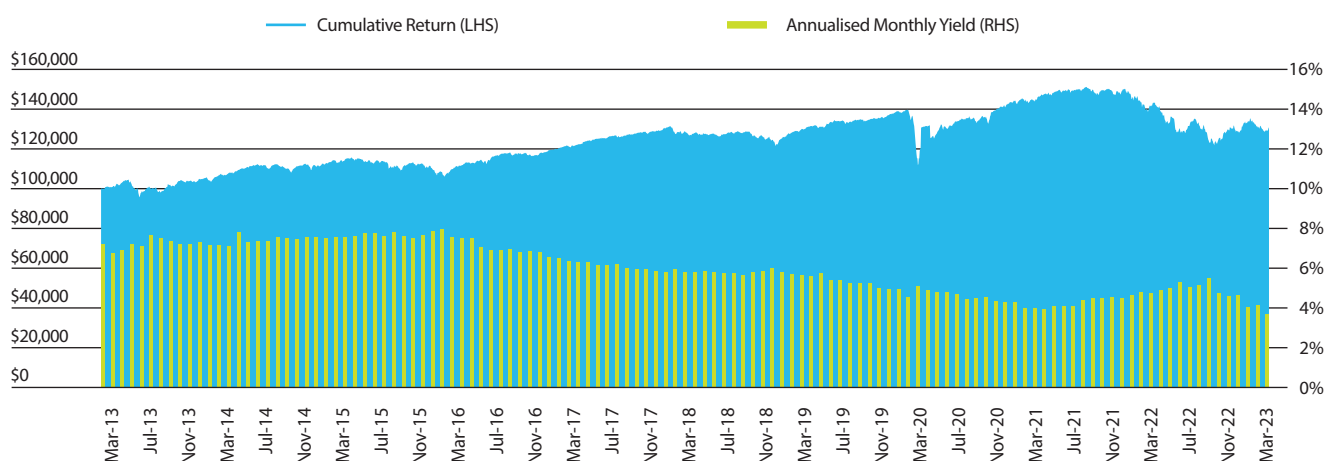
\* Gross returns are calculated before fees and taxes and assume reinvestment of distributions. Gross returns are provided for products offered to wholesale clients only who may be subject to differential fees. Please refer to the Fund's product disclosure statement for more information. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees, performance fees and expenses.

## About the Fund

The BlackRock Global Multi Asset Income Fund (Aust) follows a flexible asset allocation approach that seeks attractive income while attempting to smooth out returns and minimise loss of capital. The fund invests globally in the best income opportunities – across geographies and asset classes, whilst balancing the trade-off between yield and risk. The Fund makes use of derivatives for the purposes of efficient portfolio management including the generation of additional income for the Fund. The Fund aims to deliver consistent income in the form of monthly distributions.

The Fund may be suitable for investors who are looking to diversify their Australian sourced income. For example equity investors looking for similar yields as Australian franked equities but wanting lower risk. The Fund can be used as a standalone diversified income solution or can be blended with other sources of income to reduce risk and help maintain investor capital.

## Cumulative Return and Annualised Monthly Yield



Performance is for the BGF Global Multi-Asset Income Fund – Aggregate (Aud Hedged). Past performance is not a reliable indicator of future performance. Long-term performance returns show the potential volatility of returns over time.

## Portfolio Managers



**Michael Fredericks**  
Managing Director,  
Portfolio Manager



**Alex Shingler**  
Managing Director,  
Portfolio Manager



**Justin Christofel**  
Managing Director,  
Portfolio Manager

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- Fund Performance
- Unit Prices

## Performance Summary

### Key Contributions to Portfolio Outcome:

Broad markets delivered positive returns despite banking sector woes and additional interest rate hikes from developed central banks. The fund delivered a positive return this quarter.

Key contributors to portfolio income this quarter were high yield, covered calls, and CLOs. High yield, global ex-U.S. equities, and interest rate management positions were the largest contributors to total return this quarter offset by U.S. equities, preferred stock, and global REITs which detracted from returns.

### Main Portfolio Changes:

We have maintained a more cautious positioning and modestly reduced equity risk in light of the banking turmoil and the potential for broader contagion. We had already been managing the fund with moderate levels of risk but felt additional downside was possible.

Within equities, after shifting some exposure from the U.S. to EM earlier in the quarter, we have more recently reduced our EM exposure in favor of the U.S.

Early in February, we reduced exposure to preferred stock and high yield following less attractive opportunities after year-to-date rallies at the time, and increased exposure to covered calls, quality dividend stocks, investment grade fixed, and agency mortgages.

We also reduced duration after the rate rally and to adjust positioning for rates to potentially grind higher.

### Positioning & Outlook:

Global banking stress and subsequent concerns about broader contagion dominated headlines in March. Stock volatility jumped to the highest levels since last fall. Meanwhile, another 25bps hike by the Fed followed by the flight to high quality fixed income assets spawned by the failure of multiple banks across the U.S. and Europe sent bond volatility to its highest levels since the Global Financial Crisis.

While the situation remains fluid, we do not believe recent events warrant panic. Overall, we view the asset quality across the financial system as materially better than prior banking episodes and do not foresee a systemic crisis. Additionally, U.S. and Swiss policy markers alongside well-capitalized banks took decisive action to mitigate contagion and help restore confidence. Despite these episodes, broad equity and bond markets ended the month higher. Preferred stocks and REITs were an exception, as both sectors were more directly caught up in the banking woes.

Surveys have shown recent events have increased expectations for a 2023 recession with interest rate forecasts having repriced meaningfully lower. We expect to see tightening in bank lending which could hamper growth further. This tighter lending along with more wary consumers may decelerate growth enough to offset the need for additional rate hikes, but our base case remains expectations for numerous cuts this year paints too dour of a growth picture and too optimistic of an inflation picture.

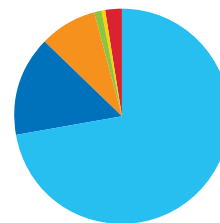
The March CPI report indicated stickier components of inflation remain much too high to justify easing from the Fed, in our opinion. Similarly, job growth has fallen, but the labor market remains tight. Focus will now turn to first quarter corporate earnings for indicators on the strength of the global economy. Consensus earnings estimates have been revised down to more reasonable levels but could have further room to fall should growth disappoint.

Looking briefly at the commercial real estate (CRE) market, it's important not to paint the sector with one broad stroke, as there is significant nuance under the hood. Tighter bank lending will likely have an effect on CRE as banks are a key funding source. However, we have been cautious on parts of CRE for some time and our exposure to more troubled areas like office and retail remains modest. Furthermore, within the commercial mortgage-backed securities market, our exposure is predominately to individual properties on which we do deep bottoms-up due diligence while tending to avoid pools of mortgages that may include lower quality exposures.

The fund's more cautious positioning helped mitigate downside risk during the volatile month of March. As we've written for many months, our preference remains tilted towards higher quality fixed income exposures which offer attractive yield and upside opportunities. We are comfortable taking moderate equity risk but prefer to do so through higher quality dividend-oriented stocks and a diversified basket of equity covered calls. We've also reduced duration given our view rates could grind higher after the flight to quality rally in March.

Source: BlackRock

### Regional Exposure (%)



North America	72.3
Europe	15.1
Emerging Markets	8.4
Asia Pac ex Japan	1.1
Japan	0.7
Cash and Derivatives	2.3

### Fund Details

BlackRock Global Multi-Asset Income Fund (Aust)	
APIR	BLK0009AU
Fund Size (A\$)	37mil
Management Fee (Class D Units) <sup>1</sup>	0.75% p.a.
Buy/Sell Spread	N/A
Liquidity	Daily
Distribution Frequency	Monthly
Yield (Annualised) <sup>2</sup>	4.60%
Standard Deviation <sup>3</sup>	7.69%

Source: BlackRock

<sup>1</sup> The amount of this fee can be negotiated with certain "wholesale clients" or "sophisticated" or "professional" investors (as defined by the Corporations Act) in compliance with legal requirements and any applicable ASIC class orders. <sup>2</sup> Yield is based on the past 12 monthly distributions divided by the most recent month-end fund NAV. <sup>3</sup> Standard deviation of monthly returns since inception, annualized.

## Contributors to Yield\*

	Asset Allocation %	Yield %	Contribution to Yield %
<b>Fixed Income</b>	<b>31.9</b>		<b>32.6</b>
HY Bonds	21.4	8.1	25.4
Investment Grade Bonds	10.5	4.7	7.2
Government	0.0	0.0	0.0
<b>Equity</b>	<b>18.2</b>		<b>7.6</b>
EM Equity	4.9	3.1	2.2
Global Ex-US Equities	6.3	3.2	2.9
US Equities	7.0	2.4	2.5
<b>Non Traditional Assets ex Hedges</b>	<b>47.7</b>		<b>59.6</b>
EM Debt	3.3	8.8	4.3
Floating Rate Loans	14.1	8.1	16.7
Mortgage-Backed Securities	6.7	5.3	5.1
Preferred Stock	6.0	9.0	7.9
Covered Call Writing	11.2	13.3	21.9
Global Infrastructure	4.2	3.1	1.9
Global REITs	2.2	5.4	1.8
<b>Cash</b>	<b>2.3</b>	<b>0.4</b>	<b>0.1</b>

Source: BlackRock. \* The table shows yield from underlying investment strategy. The fund receives additional yield, via the currency hedge, approximately equal to the interest rate differential between AUD and USD.

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