BLACKROCK GLOBAL ALLOCATION FUND (AUST)

BLACKROCK®

FUND UPDATE **31 March 2023**

Investment Performance (%)

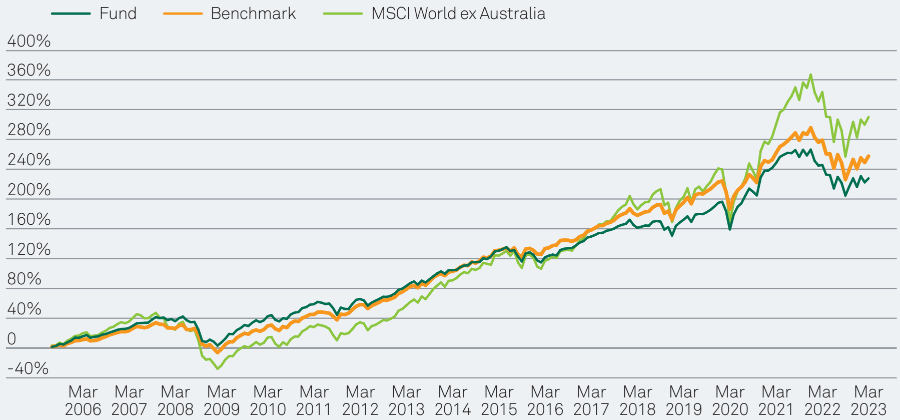
		1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
Return	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	1.65	3.62	3.62	-5.20	8.14	4.48	6.93
	Internal Benchmark	2.47	5.00	5.00	-5.66	7.70	5.09	7.46
	MSCI World ex Australia Hedged in AUD (For comparative purposes)	2.52	7.14	7.14	-7.57	15.07	7.59	-
Risk^	BlackRock Global Allocation Fund (Aust) (D Class) (Net of Fees)	-	-	-	-	11.42	10.85	9.20
	MSCI World ex Australia Hedged in AUD* (For comparative purposes)	-	-	-	-	17.32	17.30	14.77

^ Risk is measured as standard deviation of monthly returns, annualised.

*Fund inception: 27/06/2005. The Diversified Benchmark return from 30 June 2014 to 30 September 2016 has been updated as at 26th September 2016 following a re-statement of the FTSE World ex US AUD Hedged Index, which makes up 0.24% of the diversified benchmark allocation, by FTSE. The Diversified Benchmark return for this period had previously been overstated by 0.38%. Despite the update of the return for this period, there was no change or impact to the fund performance or unit pricing for the fund, which was unaffected by the data previously provided by FTSE and continued to be correctly stated during this period.

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. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees and expenses and does not include the effect of taxes. Refer to Fund details section for actual inception dates. The benchmark is a diversified allocation of 36% S&P 500 Index (Total Return hedged in AUD), 24% FTSE World Index ex US Index (Total Return hedged in AUD), 24% Merrill Lynch US Government Index (0-5 yr Treasury hedged in AUD) and 16% Citigroup World ex US Government Bond Index (hedged in AUD).

Cumulative Performance to 31 March 2023



Current Portfolio Strategy

- Global markets generally posted sizeable gains in March after experiencing significant volatility mid-month, as investors shrugged off the first two major banking collapses in the U.S. since the 2008 Financial Crisis. Silicon Valley Bank (SVB) and Signature Bank were placed under the control of the FDIC after severe deposit flight quickly jeopardized their ability to continue operations. The FDIC's rapid decision to guarantee all deposits at both banks along with the Federal Reserve's commitment to provide substantial short-term funding availability to all banks, helped mitigate the risks of a full-blown banking crisis, but could not fully prevent investor angst from spreading overseas. Rapid deposit flight forced the Swiss National Bank to quickly arrange a forced merger between the nation's second largest financial institution, Credit Suisse with UBS. Global equities, as measured by the MSCI World Index, rose +3.1% in March,

Monthly key portfolio themes

- 57% equities, 32% fixed income, 11% cash, 0% Precious Metal.
- **Regions:**
  Overweight: Europe, select emerging markets

  Underweight: Japan, US, and Australia

  Sectors:
  Overweight: Healthcare, Consumer Discretionary, Energy

  Underweight: Financials, Industrials, REITs, Materials, and Consumer Staples
- Cash positioning decreased in March as we looked to add back to U.S. duration via longer-dated treasuries. That said, the U.S. yield curve remains inverted and as U.S. T-bills offer an attractive yield (~4.8% as of March month-end), allowing the team to remain patient across risk assets amidst periods of increased volatility.

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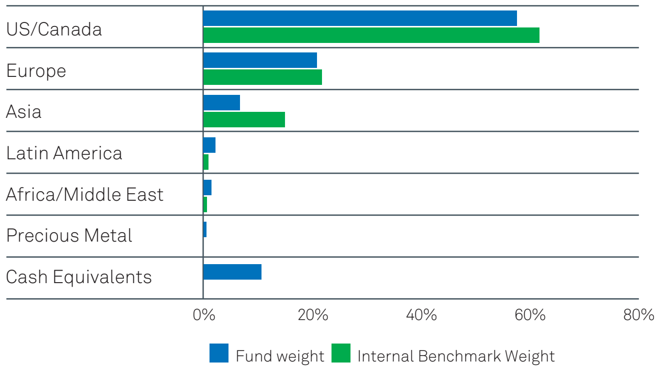
- Market Insights & Commentary
- Fund Performance
- Unit Prices

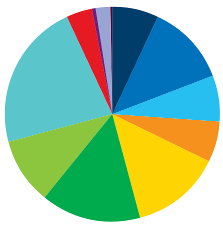
as a confluence of factors, including a sharp decline in real interest rates, swift U.S. regulatory action to backstop the banking system, and moderating February inflation data, combined to boost investor confidence. Global bonds rallied sharply over the month, as significant risks across the banking sector led investors to conclude that lending would be sharply curtailed, and as a result, a U.S. recession was now considerably more likely.

- Despite the likelihood of significant contagion risk in the banking sector has probably been avoided, we are mindful that the deposit flight experienced by many U.S. regional banks is likely to weigh on future credit formation and increase the headwinds on an economy that is already decelerating. In addition, U.S. equity valuations are not inexpensive relative to their own histories and short-term U.S. interest rates remain elevated. In this environment, we remain underweight equities, though have become more constructive on non-US exposure. We are leaning into idiosyncratic risks with an emphasis on quality and pricing power in our core holdings, notably companies we believe are more likely to deliver consistent cash flows during a period of decelerating economic growth. We are more constructive on fixed income as short-term U.S. interest rates are at elevated levels relative to recent history. We have increased exposure to duration, taking it closer to neutral vs. the benchmark, reflective of the view that are approaching the peak of the U.S. Fed Funds rate. In-line with the fund's risk aware mandate, we look to balance exposure to risk assets with a diversified allocation to portfolio hedges, with a reliance on high quality carry via income yielding assets coupled with derivatives and cash.
- While total equity exposure remained essentially unchanged in March, there was a rotation of exposure, notably increases to select areas of technology and industrials funded by a reduction in certain cyclical exposures. We remain underweight equities vs. our benchmark as we believe equities will remain volatile in coming months, given pressure on earnings and margins in a period of slower economic growth and tightening financial conditions.
- Within sector positioning, our overweights are concentrated in a combination of "stable" growth companies, including industries such as software, luxury retailers, medical devices and managed care, paired with overweight positions in energy and select other commodity related industries (eg., agriculture), which, in our view, can act as an inflation hedge. We remain cautious on both deep value and early growth companies that tend be volatile.
- From a regional perspective, we are constructive on European equities given better than expected economic conditions, export-oriented businesses which are poised to benefit from China's reopening, and attractive relative valuations compared to U.S. peers. Within the U.S., we have been emphasizing 'growth at a reasonable price' (GARP) stocks, which have historically tended to outperform the broader equity market during periods of economic deceleration, while simultaneously reducing exposure to cyclical sectors.
- In March, we added to select names across information technology, notably software, taking our overall technology positioning in the sector to neutral. With U.S. long-term yields likely rangebound following the banking industry turmoil, we have looked to opportunistically add back to stable growth.
- We also modestly increased exposure to companies with defensive characteristics, with additions in select companies in defence, consumer staples and healthcare. At the same time, we reduced the fund's exposure to energy and materials to reduce cyclicality across the portfolio.
- Within energy, while the supply/demand imbalance is likely to support oil and other commodity prices, and remain supportive of an overweight, we reduced our absolute positioning during the quarter given increasing cost inflation concerns in key US oil basins. While the overall exposure to the sector declined, a portion of our reductions to U.S. positions were rotated into integrated names outside of the U.S.
- Financials was the largest underweight, notably due to limited exposure in US and Japan. We are overweight European Financials given better-than-expected economic outlook in Europe as Energy prices have fallen, more attractive valuations relative to comparable to U.S. Diversified Bank peers, and the prospects of more attractive net interest margins than U.S. banks.

Regional Exposure as of month end

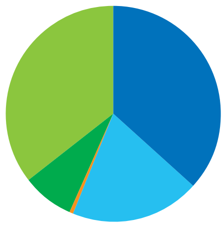


Equity Sectors as of month end (56.61%)



Communication Services	4.08%
Consumer Discretionary	6.82%
Consumer Staples	3.90%
Energy	3.55%
Financials	7.68%
Healthcare	8.53%
Industrials	5.69%
Information Technology	12.48%
Materials	2.21%
Real Estate	0.35%
Utilities	1.29%
Index Related	0.03%

Fixed Income Sectors as of month end (32.23%)

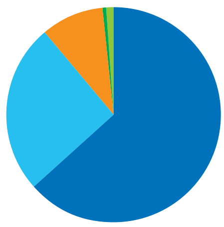


Government	12.54%
Corporates	6.99%
Convertibles	0.15%
Bank Loans	2.29%
Securitized	10.41%
Other	-0.15%

Cash as of month end (10.67%)

Precious Metals (0.49%)

Equity Regional Exposures as of month end



North America	35.97%
Europe	14.45%
Asia Pacific	5.31%
Latin America	0.40%
Africa/Middle East	0.49%

- Within derivatives, we added to equity index futures to tactically gain targeted US exposure, notably within growth-oriented sectors. The team looked to build exposure across technology (at both the index and individual security level) given a change in investor sentiment on the longer-term range of US interest rates.
- Total portfolio duration increased to 2.3 years (from at +2.0 years at the end of February), bringing total positioning closer to neutral vs. benchmark duration of 2.5 years. As recession fears increased following the onset of volatility in the banking sector, we opportunistically added back to the duration given the view that the long end of the Treasury curve was less likely to rise substantially in the current environment.
- From a regional perspective, we are overweight duration in the U.S., Europe and select EM countries (notably Mexico and Brazil), while remaining underweight duration in Japan. In March, we continued to add to European rates, via Spanish government bonds, where we found attractive yield opportunities with additional carry potential by hedging the underlying euro exposure back to USD.
- The fund's exposure in the U.S. followed a barbell approach with a exposure focused in short-term rates (0-2 years) and longer-term rates (10+). While we still believe short-term rates are an attractive source of carry, we have added exposure to the long-end of the curve given potential for longer-dated U.S. Treasuries to act as a potential equity hedge with interest rate volatility receding as the lagged effect of monetary policy helps to constrain inflation.
- We continue to find value in spread assets with exposure in a diversified basket of credit, securitized debt, and various duration hedges. The aggregate exposure of the portfolio's off-benchmark fixed income asset classes represented ~14% of AUM and is a key differentiator vs. traditional "60/40" portfolios.
- We favour agency residential mortgage-backed securities (RMBS – 6%) as an additional source of carry on the expectation that rate volatility is likely to decline from historic highs as the Federal Reserve approaches the peak in the Fed funds rate. Agency mortgages are primarily susceptible to pre-payment risk and duration risk, but far less susceptible to default risk due to implied guarantees by the U.S. government. We think these bonds have the potential to outperform as the economy slows rate volatility subsides, lessening the likelihood of meaningful prepayment or duration risk.
- We have minimal exposure to gold-related securities (0.5% of assets). While gold can be an effective partial hedge for inflation long-term, the historically high yields that we can currently receive on very short-duration, high quality, bonds (and cash) provide the portfolio with very attractive cash flow especially when compared to non-yielding assets like gold.
- Underweight the U.S. Dollar (57% vs. 60% benchmark), as we believe that the U.S. Federal Reserve is approaching the end of a historic tightening cycle. Going forward, we believe there is room for the dollar to retrace some of its historic gains from 2021 and 2022 as central banks outside the U.S. continue to finish their own rate hike campaigns even after the Fed reaches its terminal level.

About the Fund

What is the objective of the fund?

- The objective of the Fund is to maximise total investment returns while managing risk and the Fund is generally diversified across markets, industries and issuers.
- The types of securities and markets the Fund invests in will vary in response to changing market conditions and economic trends. For example, the Fund may be substantially invested in Japanese shares when they appear undervalued relative to other world share markets. Alternatively greater emphasis may be placed on fixed income securities when the risk of owning shares appears significant. With this approach, the Global Allocation Team strives to achieve attractive total returns, while spreading the risks associated with investing in only one asset class or market.

Who should consider the Fund?

- The Fund should be considered by investors seeking a single fund that offers broad global exposure, or an investment that is not constrained by MSCI benchmarks.
- The Fund is a "one stop shop". Investors will benefit from the active security selection, which aims to take advantage of global investment opportunities wherever and whenever they arise.

Fund Details

BlackRock Global Allocation Fund (Aust)	
Inception Date	8 June 2005
Fund Size	431 mil
Management Fee	0.20% p.a.
Performance Fee	12.50%

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