



## **Hong Kong Baptist University 1998 Superannuation Fund**

### **Quarterly Report Q4 2024**

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# **World Market Performance Summary**

# World Market Performance Summary

In HKD terms (%)`	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024
<b>Equity</b>						
MSCI World	23.8%	9.1%	2.4%	5.8%	-0.2%	18.1%
MSCI North America	26.0%	10.3%	3.4%	5.5%	2.5%	23.4%
MSCI Europe	19.9%	5.5%	0.3%	6.0%	-9.7%	1.3%
MSCI Japan	20.4%	11.3%	-4.5%	5.2%	-3.6%	7.7%
MSCI Hong Kong	-14.7%	-11.5%	0.7%	23.8%	-9.8%	-0.4%
MSCI Pacific (ex Japan and HK)	6.8%	2.3%	5.4%	10.2%	-7.3%	10.2%
MSCI Emerging Markets	9.9%	2.6%	4.7%	8.2%	-8.0%	6.9%
<b>Fixed Income</b>						
WGBI* (USD Hedged)	6.5%	-0.1%	-0.5%	3.6%	-1.1%	1.8%
WGBI* (USD Unhedged)	5.2%	-2.2%	-1.8%	6.4%	-5.4%	-3.4%
<b>Currency</b>						
HKD to Euro	-3.4%	2.0%	1.0%	-3.5%	7.8%	7.2%
HKD to Sterling	-5.7%	0.7%	0.2%	-5.3%	7.1%	2.3%
HKD to Yen	6.8%	7.1%	6.5%	-10.6%	9.9%	12.1%
HKD to AUD	-0.7%	4.4%	-2.1%	-3.2%	12.0%	10.8%

\*WGBI represents FTSE World Government Bond Index, Source: Bloomberg as of 31. December 2024

# **Portfolio Performance Review**

# **BGF Global Government Bond Fund**

# Portfolio Size Summary – BGF Global Government Bond Fund

BlackRock Global Government Bond Fund		
	USD	HKD <sup>1</sup>
As of 31 December 2024	7,212,156.56	56,023,310.92

1. The exchange rate is 7.76790HKD/USD, based on JP Morgan quoted on the Fund's monthly statement as at 31 December 2024  
Unregistered trade: USD Nil, cash in transit: HKD Nil

# Performance Summary – BGF Global Government Bond Fund

BlackRock Global Government Bond Fund (%)		
Month	Portfolio	Benchmark
July 2024	1.70	1.94
August 2024	0.99	1.02
September 2024	0.98	1.09
October 2024	-1.60	-1.40
November 2024	1.39	1.21
December 2024	-0.97	-0.88
Q1 2024	-0.72	-0.30
Q2 2024	-0.21	-0.27
Q3 2024	3.70	4.10
Q4 2024	-1.20	-1.09
1 Yr (ended 2024.12.31)	1.51	2.38
3 Yr (ended 2024.12.31) Annualized	-2.63	-1.72
Since Inception <sup>(3)</sup> (ended 2024.12.31)	2.56	3.31

Performance figures are net of management fees for the standard, retail A2 USD share class. Please note that this may not reflect the preferential management fees offered to HKBU.

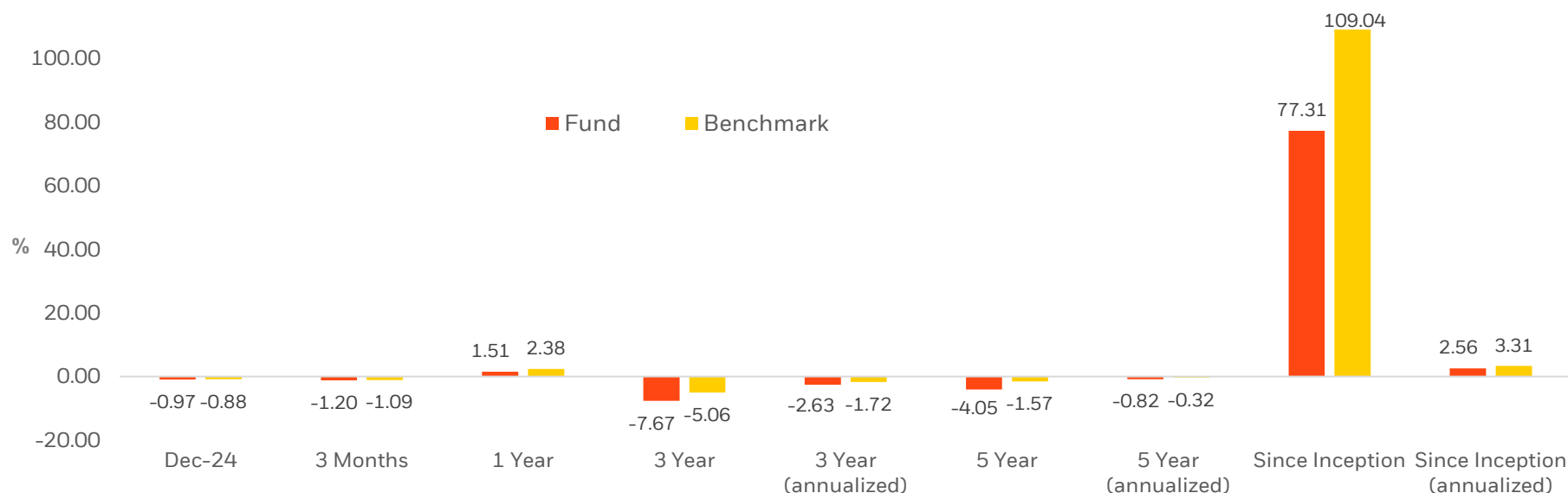
Benchmark: FTSE World Government Bond USD Hedged Index

Annualized net of fees return since HKBU Inception in May 2002

Source: BlackRock as of 31 December 2024



# BGF Global Government Bond Fund (USD) Performance



	Dec-24	3 Months	1 Year	3 Year	3 Year (annualized)	5 Year	5 Year (annualized)	Since Inception	Since Inception (annualized)
<b>Fund</b>	-0.97	-1.20	1.51	-7.67	-2.63	-4.05	-0.82	77.31	2.56
<b>Benchmark</b>	-0.88	-1.09	2.38	-5.06	-1.72	-1.57	-0.32	109.04	3.31
<b>Industry Median Return</b>	-2.46	-5.94	-2.95	-14.10	-4.94	-10.57	-2.21		
<b>Ranking / Number of Funds Compared</b>	8/68	3/68	7/68	12/66	12/66	7/62	7/62		

Performance figures are net of management fees for the standard, retail A2 USD share class. Please note that this may not reflect the preferential management fees offered to HKBU.

HKBU Inception Date: May 2002

Benchmark: FTSE World Government Bond USD Hedged Index

Source: BlackRock as of 31 December 2024

# **iShares Developed World Index Fund (IE)**

# Portfolio Size Summary – iShares Developed World Index Fund (IE)

iShares Developed World Index Fund		
	USD	HKD <sup>1</sup>
As of 31 December 2024	10,192,967.61	79,177,953.10

1. The exchange rate is 7.7679 HKD/USD, based on JP Morgan quoted on the Fund’s monthly statement as at 31 December 2024  
Cash in-transit: HKD Nil,

# Performance Summary – iShares Developed World Index Fund (IE)

iShares Developed World Index Fund (IE) (%)		
Month	Portfolio	Benchmark
July 2024	1.75	1.76
August 2024	2.62	2.64
September 2024	1.82	1.83
October 2024	-2.00	-1.98
November 2024	4.58	4.59
December 2024	-2.62	-2.61
Q1 2024	8.87	8.88
Q2 2024	2.64	2.63
Q3 2024	6.32	6.36
Q4 2024	-0.19	-0.16
1 Yr (ended 2024.12.31)	18.58	18.67
3 Yr (ended 2024.12.31) Annualized	6.30	6.34
Since Inception Cumulative (ended 2024.12.31)	163.82	164.77
Since Inception Annualized (ended 2024.12.31)	9.52	9.56

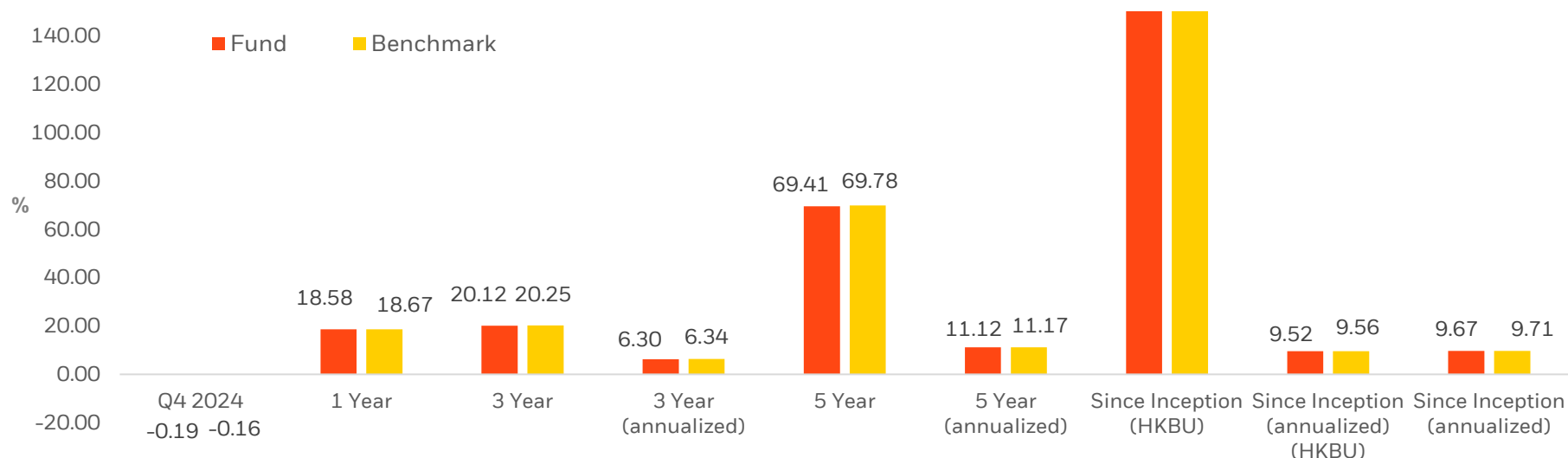
Fund performance figures are net of total expense ratio (TER), which is net of standard management fees and other fees

Benchmark: MSCI World Index (USD unhedged)

HKBU Inception Date: May 2014

Source: BlackRock as of 31 December 2024

# iShares Developed World Index Fund (IE) (USD) Performance



	Q4 2024	1 Year	3 Year	3 Year (annualized)	5 Year	5 Year (Annualized)	Since Inception (HKBU)	Since Inception (annualized) (HKBU)	Since Inception (annualized)
Fund	-0.19	18.58	20.12	6.30	69.41	11.12	163.82	9.52	9.67
Benchmark	-0.16	18.67	20.25	6.34	69.78	11.17	164.77	9.56	9.71

Fund performance figures are net of total expense ratio (TER), which is net of standard management fees and other fees  
 HKBU Inception Date: May 2014 . Fund Inception Date: Jan 2011  
 Benchmark: MSCI World (USD unhedged)  
 Source: BlackRock as of 31 December 2024

# iShares Developed World Index Fund (IE)

■ Fund  
■ Index

## Fund Details

Index name	MSCI World
Fund AUM (\$m)	23,316
Inception date	15/Apr/2010
Fund base currency	USD
Structure	Physical
Number of stocks (fund / index)	1,395/1,394
Anticipated TE tolerance <sup>[2]</sup>	0.10%
Securities lending	Yes
12m securities lending revenue	0.03%
Bid/offer spreads (bps)	2/6
Dealing times direct (Irish time)	14:30 on DD-1

## Top 10 Equity Exposures <sup>[1]</sup>

Security	Geography	GICS Sector	Fund Weight	Index Weight
APPLE INC	United States	Info.Tech	5.45%	5.45%
NVIDIA CORP	United States	Info.Tech	4.72%	4.72%
MICROSOFT CORP	United States	Info.Tech	4.27%	4.26%
AMAZON COM INC	United States	Cons.Disc.	2.97%	2.97%
META PLATFORMS INC CLASS A	United States	Comm.	1.83%	1.83%
TESLA INC	United States	Cons.Disc.	1.66%	1.66%
ALPHABET INC CLASS A	United States	Comm.	1.59%	1.59%
BROADCOM INC	United States	Info.Tech	1.48%	1.47%
ALPHABET INC CLASS C	United States	Comm.	1.37%	1.37%
JPMORGAN CHASE & CO	United States	Financials	0.98%	0.98%
<b>Total:</b>			<b>26.31%</b>	<b>26.30%</b>

## Annual Performance

Period	Fund	Index	Tracking Difference
2014	5.06%	4.94%	0.12%
2015	-0.80%	-0.87%	0.08%
2016	7.70%	7.51%	0.19%
2017	22.66%	22.40%	0.26%
2018	-8.60%	-8.71%	0.12%
2019	27.80%	27.67%	0.13%
2020	15.99%	15.90%	0.09%
2021	21.96%	21.82%	0.15%
2022	-18.02%	-18.14%	0.12%
2023	23.93%	23.79%	0.15%
2024	18.76%	18.67%	0.09%

## Fund and Index Cumulative Return



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Fund performance is gross of annual management fees and net of admin. & custody costs in USD. Index Return is net total return in USD. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: Blackrock, as at 31 December 2024. Securities lending data as at 30 September 2024. [1] A look through is applied on index futures and ETF holdings. [2] See page 58 of the [Prospectus](#) for additional details.

# **BlackRock ICS US Dollar Liquidity Fund**

# Portfolio Size Summary – BlackRock ICS US Dollar Liquidity Fund

BlackRock ICS US Dollar Liquidity Fund		
	USD	HKD <sup>1</sup>
As of 31 December 2024	12,479,340.25	96,938,891.07

1. The exchange rate is 7.7679 HKD/USD, based on JP Morgan quoted on the Fund's monthly statement as at 31 December 2024  
Cash in-transit: HKD Nil



# Performance Summary – BlackRock ICS US Dollar Liquidity Fund

BlackRock ICS US Dollar Liquidity Fund (%)		
Month	Portfolio	Benchmark
July 2024	5.65	5.33
August 2024	5.62	5.33
September 2024	5.29	5.16
October 2024	5.21	4.84
November 2024	4.85	4.65
December 2024	4.88	4.52
Q2 2024	5.53	5.31
Q3 2024	5.52	5.27
Q4 2024	4.98	4.67
Year to date (ended 2024.12.31)	5.40	5.14
1 Yr (ended 2024.12.31)	5.40	5.14
3 Yr (ended 2024.12.31)	4.11	3.91
5 Yr (ended 2024.12.31)	2.59	2.38
Since Inception Cumulative (ended 2024.12.31)	12.98	12.14
Since Inception (ended 2024.12.31)	2.86	2.68

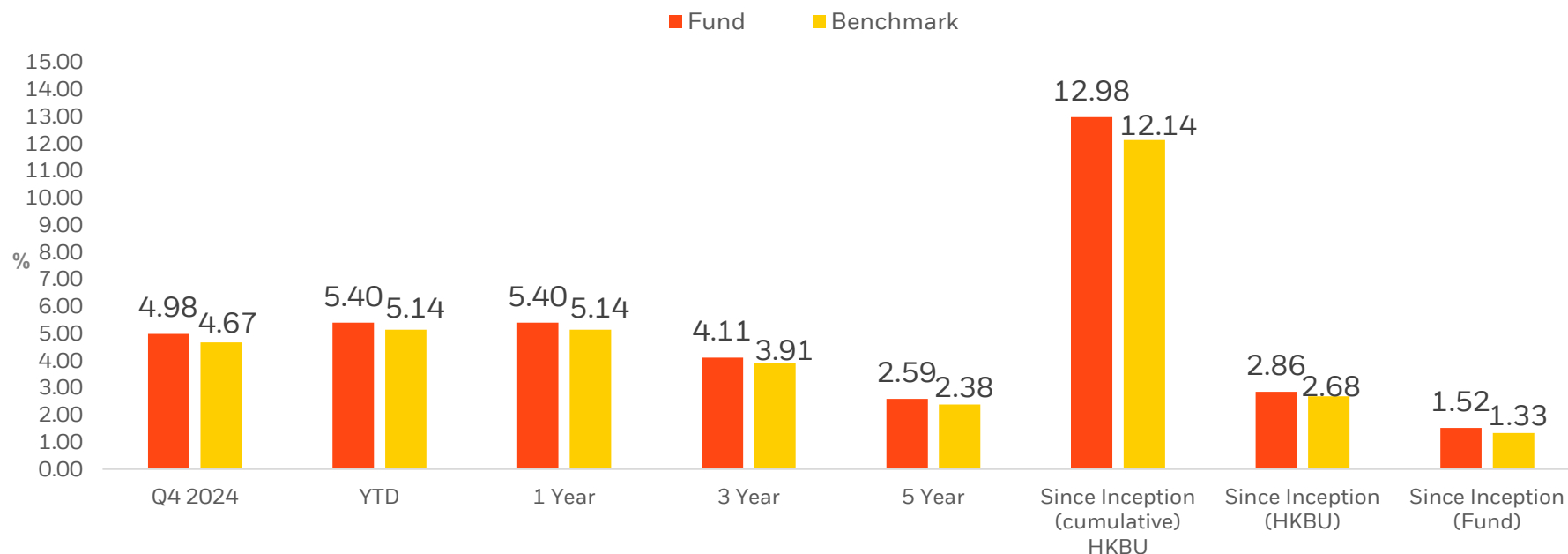
Performance figures are annualized unless otherwise noted and net of standard management fee

Benchmark: Secured Overnight Financing Rate (SOFR)

HKBU Inception Date: August 2020, Fund Since Inception: March 2012

Source: BlackRock as of 31 December 2024

# BlackRock ICS US Dollar Liquidity Fund Performance



	Q4 2024	YTD	1 Year	3 Year	5 Year	Since Inception (cumulative) HKBU	Since Inception (HKBU)	Since Inception (Fund)
Fund	4.98	5.40	5.40	4.11	2.59	12.98	2.86	1.52
Benchmark	4.67	5.14	5.14	3.91	2.38	12.14	2.68	1.33

Performance figures are annualized unless otherwise noted and net of standard management fee  
 Benchmark: Secured Overnight Financing Rate (SOFR)  
 HKBU Inception Date : August 2020, Fund Since Inception: March 2012  
 Source: BlackRock as of 31 December 2024

# **Investment Strategy and Asset Allocation**

# BGF Global Government Bond Fund

## Performance

Fund	Benchmark	Excess Return
-1.20%	-1.09%	-0.11%

## Portfolio Activity

- The Fund and the benchmark delivered negative returns during the quarter (-0.89% and -1.09% gross of fees, respectively), with the Fund outperforming the benchmark over the quarter by 19bps, driven by our off-benchmark spread asset strategies. The Fund therefore ended the full year 2024 period with returns of 2.39% compared to 2.38% for the benchmark on a gross of fees basis.
- Our spread asset strategies were the main drivers of performance, led by our off-benchmark exposure to US Agency and non-Agency Mortgage-Backed Securities (MBS), Collateralized Loan Obligations (CLOs), Asset-Backed Securities (ABS) and Commercial Mortgage-Backed Securities (CMBS). Our long positions in euro denominated investment grade corporate bonds in the financials, industrials and utilities sectors

## Current Positioning and Outlook

- Global fixed income markets ended the year on a weaker note, driven in part by the surprisingly hawkish Federal Reserve (Fed) meeting in December. With Donald Trump's inauguration as President set to take place on the 20th of January, uncertainty remains around the economic trajectory in the US and implications for Fed policy. We believe that the impact of the Trump Administration's policies could potentially have far reaching implications for global financial markets in 2025.
- The hawkish December dot plot, projecting two rate cuts in 2025 instead of three, reflects the Fed's heightened focus on inflation risks. We believe that we are entering a new phase of uncertainty, which makes the near-term Fed rate path less clear. While we believe that a potential rate cut in March is possible, the Fed's approach remains highly data-dependent, adapting to future developments in inflation and growth trends.

Source: BlackRock as of 31 December 2024

# BGF Global Government Bond Fund

Performance attribution (bps)

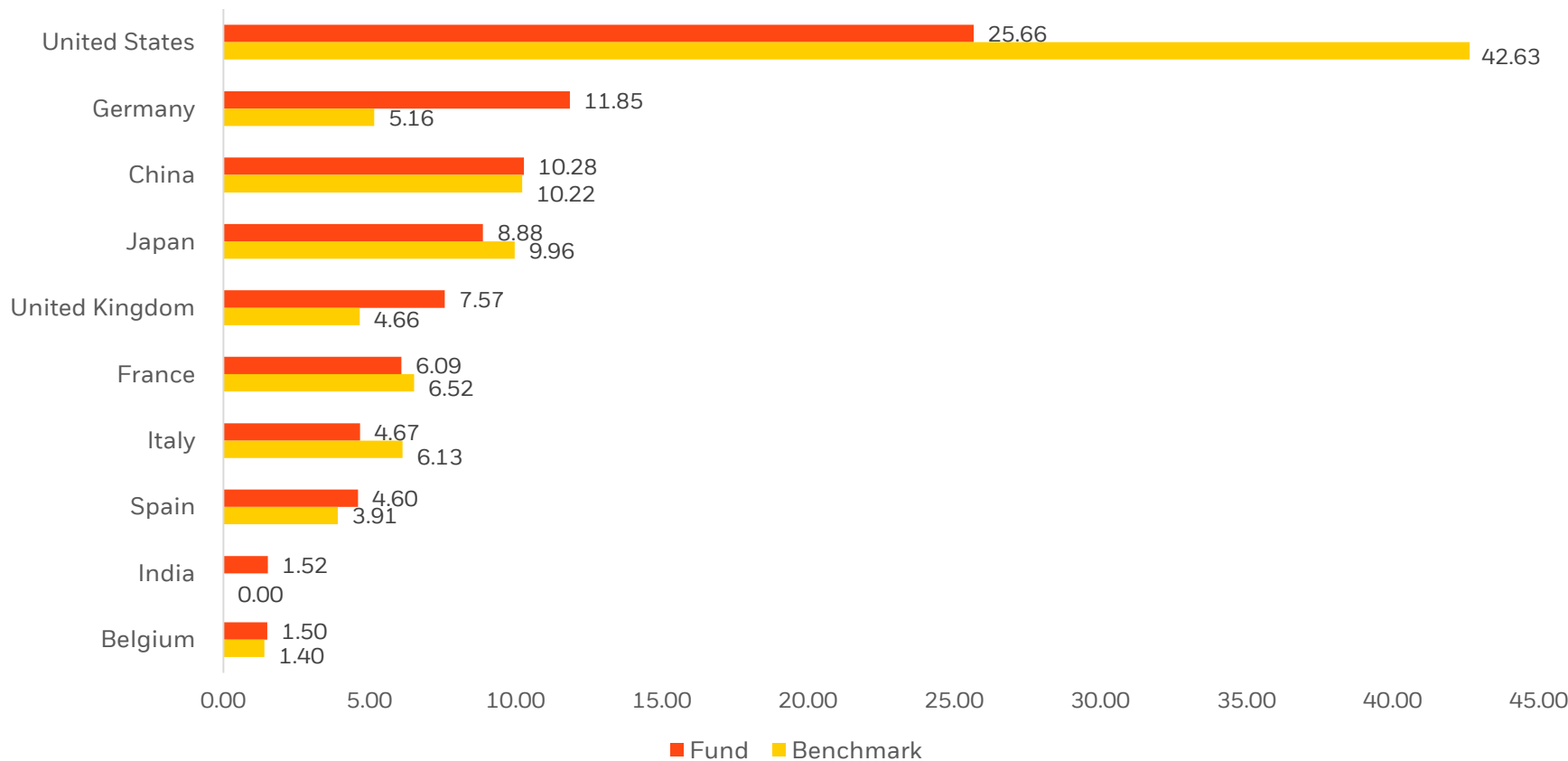
Macro Rates	2019	2020	2021	2022	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024
<b>Rates Total</b>	<b>79</b>	<b>127</b>	<b>67</b>	<b>81</b>	<b>-61</b>	<b>-62</b>	<b>-12</b>	<b>14</b>	<b>-36</b>	<b>-96</b>
<b>USD</b>	<b>-3</b>	<b>25</b>	<b>65</b>	<b>13</b>	<b>-56</b>	<b>-27</b>	<b>0</b>	<b>-8</b>	<b>-7</b>	<b>-43</b>
<b>JPY</b>	<b>-5</b>	<b>-4</b>	<b>-1</b>	<b>21</b>	<b>-26</b>	<b>0</b>	<b>1</b>	<b>-6</b>	<b>1</b>	<b>-4</b>
<b>EUR</b>	<b>12</b>	<b>64</b>	<b>1</b>	<b>42</b>	<b>-2</b>	<b>-17</b>	<b>1</b>	<b>21</b>	<b>0</b>	<b>5</b>
Germany	-16	2	17	34	16	-2	11	-11	13	11
France	12	5	2	12	-2	-3	-4	2	-10	-15
Italy	-1	31	0	27	-10	-1	-2	6	-2	0
Spain	3	12	-3	4	-9	-2	-1	4	7	8
Other*	14	14	-15	-35	4	-9	-3	19	-7	0
<b>GBP</b>	<b>17</b>	<b>0</b>	<b>14</b>	<b>16</b>	<b>6</b>	<b>-8</b>	<b>-2</b>	<b>0</b>	<b>-27</b>	<b>-36</b>
<b>CAD</b>	<b>-4</b>	<b>4</b>	<b>-8</b>	<b>-1</b>	<b>-3</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>
<b>AUD</b>	<b>-10</b>	<b>-3</b>	<b>-3</b>	<b>-1</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Other DM</b>	<b>0</b>	<b>-1</b>	<b>-2</b>	<b>1</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>1</b>	<b>1</b>
<b>EM Local</b>	<b>64</b>	<b>41</b>	<b>1</b>	<b>-9</b>	<b>22</b>	<b>-11</b>	<b>-12</b>	<b>8</b>	<b>-6</b>	<b>-21</b>
<b>Spread Sectors</b>										
<b>Inflation</b>	<b>6</b>	<b>-12</b>	<b>-22</b>	<b>-16</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>1</b>	<b>1</b>
<b>Credit Total</b>	<b>36</b>	<b>34</b>	<b>20</b>	<b>-29</b>	<b>61</b>	<b>15</b>	<b>12</b>	<b>2</b>	<b>9</b>	<b>39</b>
<b>IG</b>	<b>30</b>	<b>20</b>	<b>6</b>	<b>0</b>	<b>42</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>10</b>	<b>25</b>
USD IG	32	17	6	-1	32	2	1	1	0	3
EUR IG	-2	3	0	2	9	8	2	1	10	21
GBP IG	0	0	0	0	1	1	0	0	0	0
<b>HY</b>	<b>6</b>	<b>14</b>	<b>14</b>	<b>-29</b>	<b>19</b>	<b>5</b>	<b>10</b>	<b>0</b>	<b>-1</b>	<b>14</b>
USD HY	6	15	13	-18	15	1	4	-1	-2	1
EUR HY	0	-1	1	-10	3	4	5	1	1	11
<b>EM External Total</b>	<b>1</b>	<b>58</b>	<b>-50</b>	<b>-43</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>11</b>
Sovereign	-10	24	-9	-8	0	3	-1	1	1	5
Corporate	12	34	-41	-36	2	2	1	2	1	6
<b>Securitised Total</b>	<b>17</b>	<b>4</b>	<b>47</b>	<b>-24</b>	<b>52</b>	<b>19</b>	<b>9</b>	<b>7</b>	<b>19</b>	<b>54</b>
Agency MBS	2	-6	-6	1	11	4	0	0	7	11
CMBS	6	-2	16	-11	5	5	1	1	4	12
CLO	2	10	11	-1	24	4	4	2	3	13
ABS	5	4	8	-4	9	4	2	1	2	9
Non-Agency	2	-2	19	-9	4	2	2	3	3	9
<b>Other Spread</b>	<b>-28</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>3</b>	<b>2</b>
<b>Active FX</b>										
<b>DM FX</b>	<b>-32</b>	<b>11</b>	<b>-7</b>	<b>-19</b>	<b>-8</b>	<b>-8</b>	<b>0</b>	<b>-5</b>	<b>10</b>	<b>-3</b>
<b>EM FX</b>	<b>-30</b>	<b>-20</b>	<b>-15</b>	<b>4</b>	<b>5</b>	<b>-3</b>	<b>-4</b>	<b>-7</b>	<b>9</b>	<b>-5</b>
<b>Residuals</b>	<b>28</b>	<b>2</b>	<b>-12</b>	<b>11</b>	<b>-4</b>	<b>4</b>	<b>0</b>	<b>-9</b>	<b>2</b>	<b>-2</b>
<b>Active Return</b>	<b>88</b>	<b>207</b>	<b>28</b>	<b>-35</b>	<b>49</b>	<b>-29</b>	<b>7</b>	<b>4</b>	<b>19</b>	<b>1</b>

Source: BlackRock internal attribution model estimates, based on gross USD returns calculated internally and may not match official returns. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Data as of 31 December 2024. Figures presented above are in basis points (bps). \*Other includes other eurozone countries not listed. Please note: residuals are high months of heightened volatility, due to timing differences between benchmark and fund pricing, however over the long run these residuals average down to smaller numbers.



# BGF Global Government Bond Fund

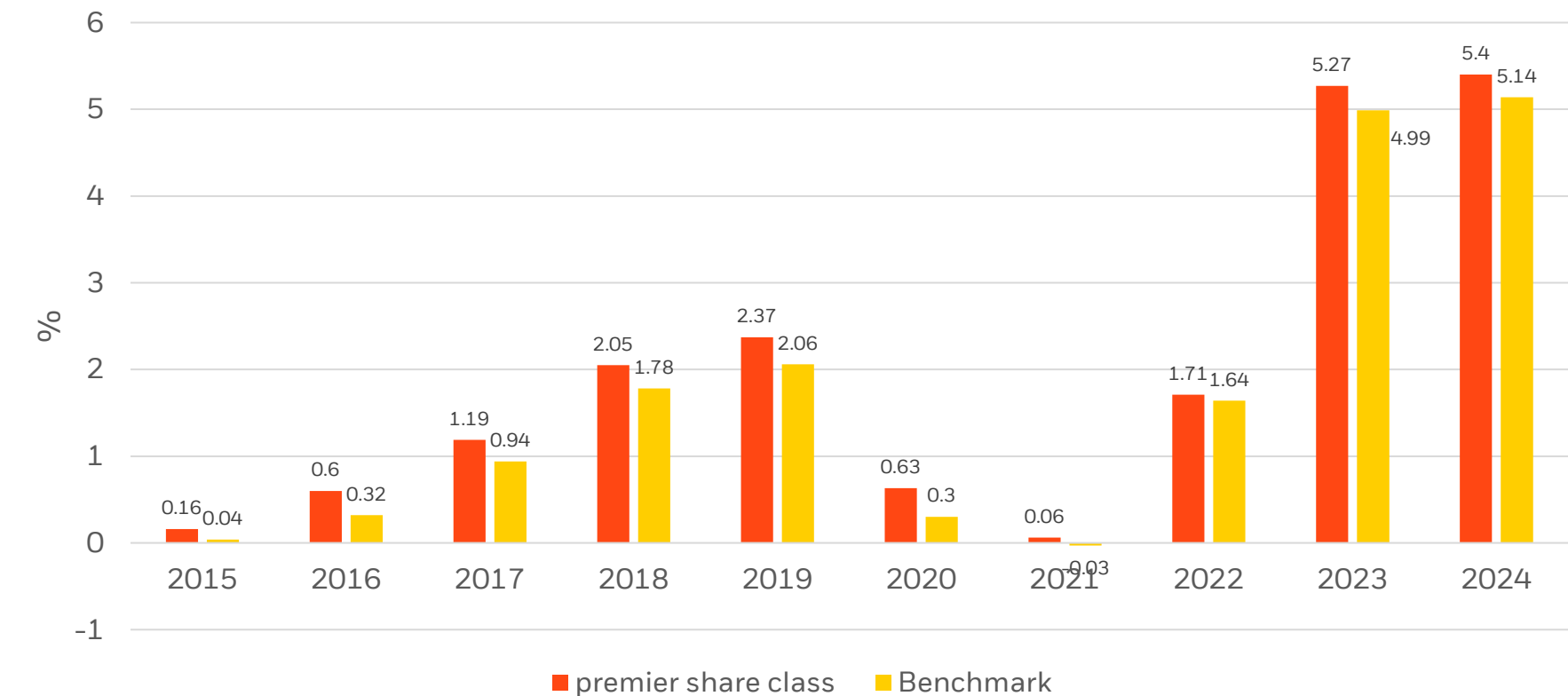
## Top Countries (%)



Geographic exposure relates principally to the domicile of the issuers of the securities held in the product, added together and then expressed as a percentage of the product's total holdings. However, in some instances it can reflect the country where the issuer of the securities carries out much of their business. "Others" excluded from the chart above.  
Benchmark: FTSE World Government Bond USD Hedged Index. Source: BlackRock. As of 31 December 2024

# BlackRock ICS US Dollar Liquidity Fund

## Net annualised Monthly Yield for the past 12 months in %

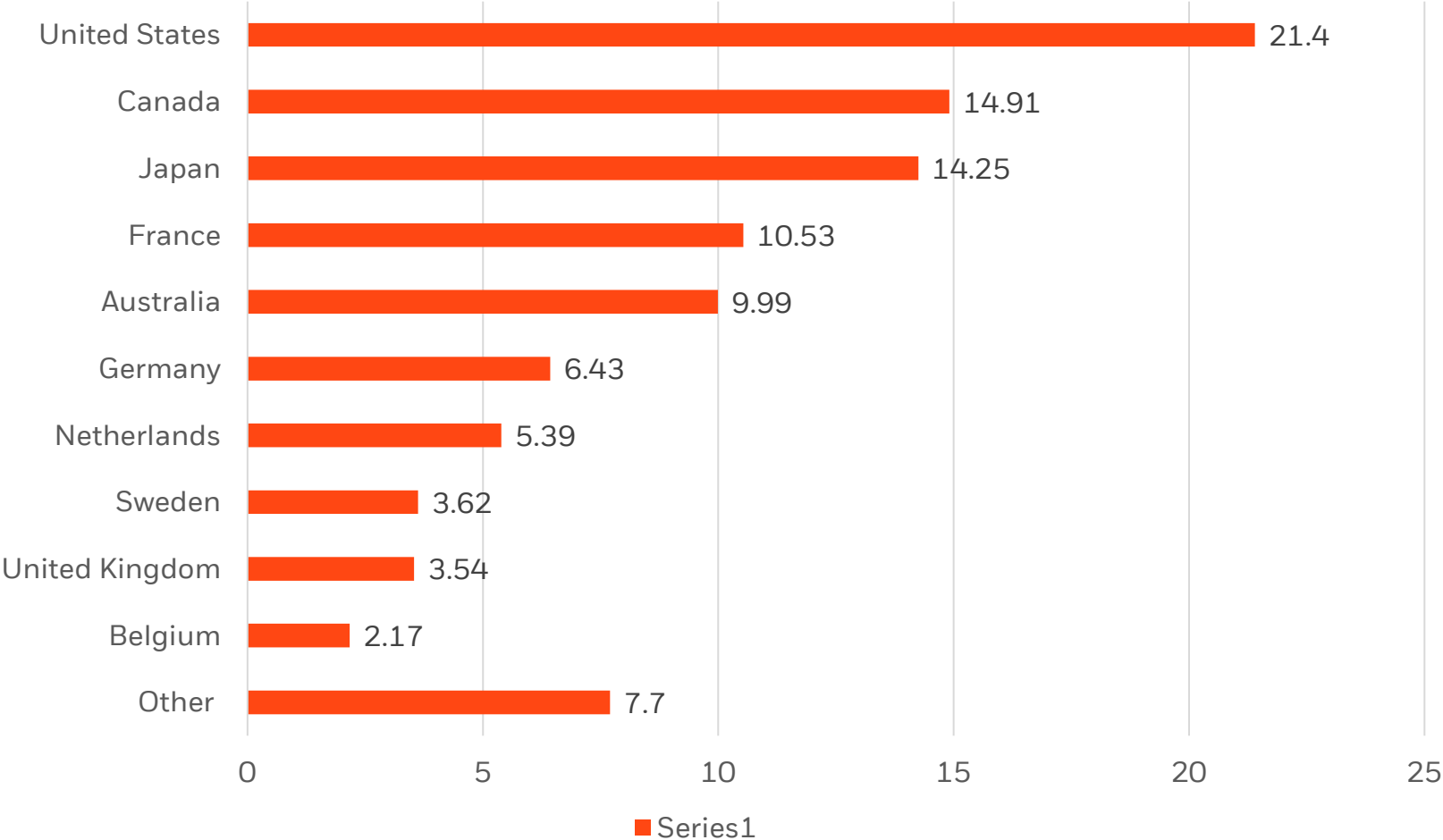


The NAV chart shows the share class level mark-to-market NAV for the period shown.  
The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.  
Benchmark: Secured Overnight Financing Rate (SOFR)  
Source: BlackRock as at 31 December 2024



# BlackRock ICS US Dollar Liquidity Fund

## Top Countries (%)

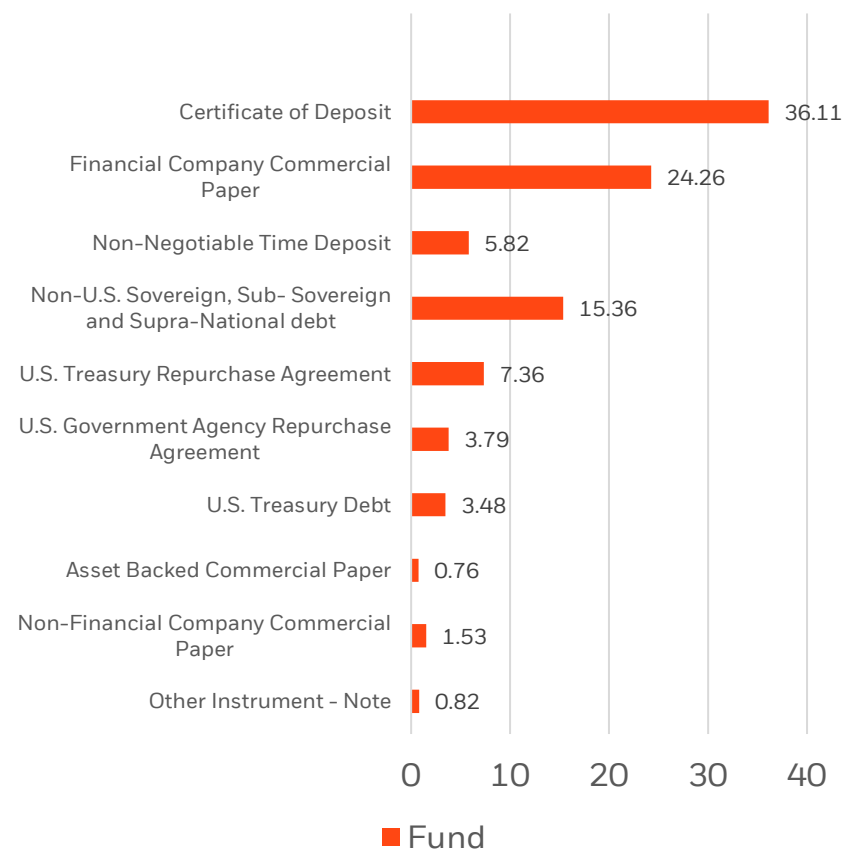


The exposure is calculated based on the fund holdings, settled and unsettled, as at 31 December 2024 and may affect % Par and the WAL. It does not include cash, accrued income and/or payables/receivables.

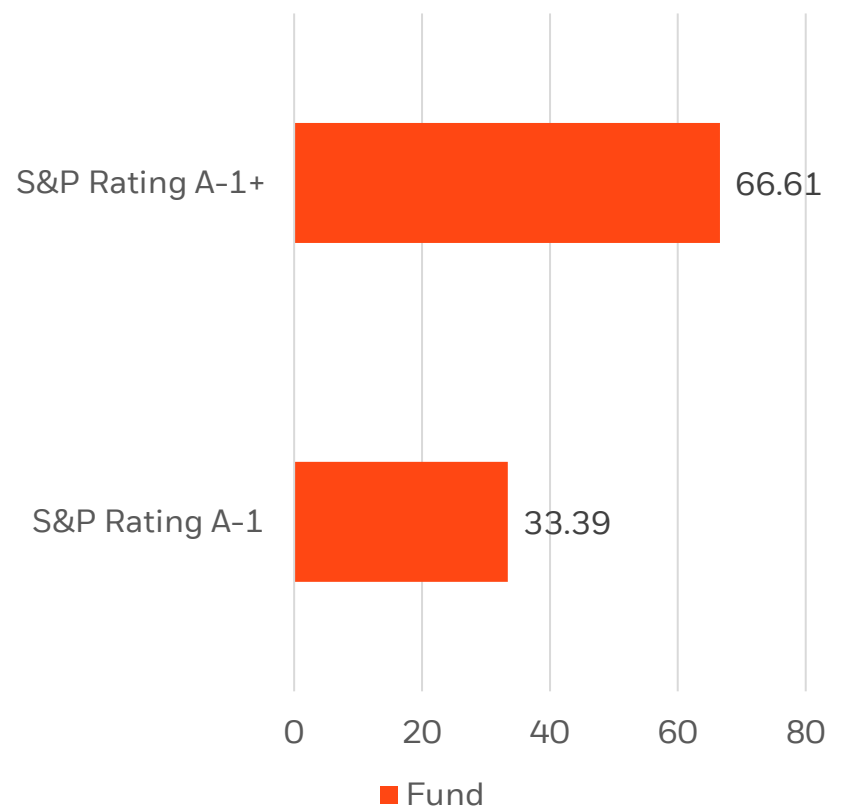


# BlackRock ICS US Dollar Liquidity Fund

## Portfolio Composition %



## Credit Quality Rating



In Credit Quality Rating, the values reported include cash, accrued income, and/or payables/receivables which may result in negative weightings in specific circumstances (including timing differences between trade and settle dates of securities purchased by the funds). Allocations are subject to change.

\*Fixed or floating med-term notes, issued by banks or corporates

Source: BlackRock as of 31 December 2024

# Investment Outlook

# 2025 Global outlook themes

## 1. Financing the future

Mega forces including AI are transforming economies. We see capital markets – especially private markets – playing a vital role in building this transformation.

## 2. Rethinking investing

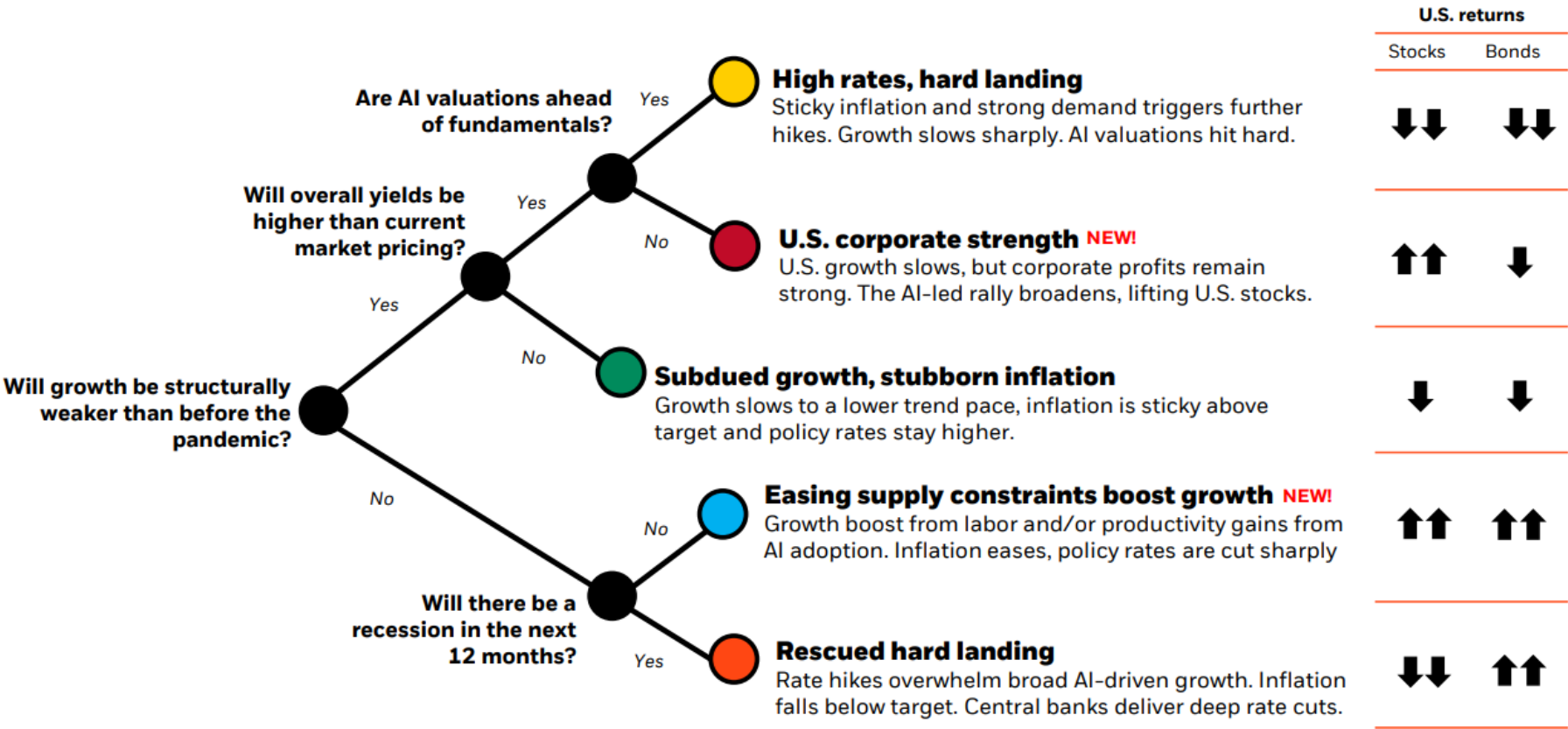
This transformation raises questions about how to build portfolios for an ever-changing outlook. We think investors should focus on themes and put more weight on tactical views.

## 3. Staying pro-risk

We remain pro-risk and further upgrade U.S. stocks thanks to U.S. corporate strength. But we stay nimble. Key signposts for changing our views include any surge in long-term bond yields or an escalation in trade protectionism.

The opinions expressed are as of December 2024 and are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

# Evolving our near-term scenarios

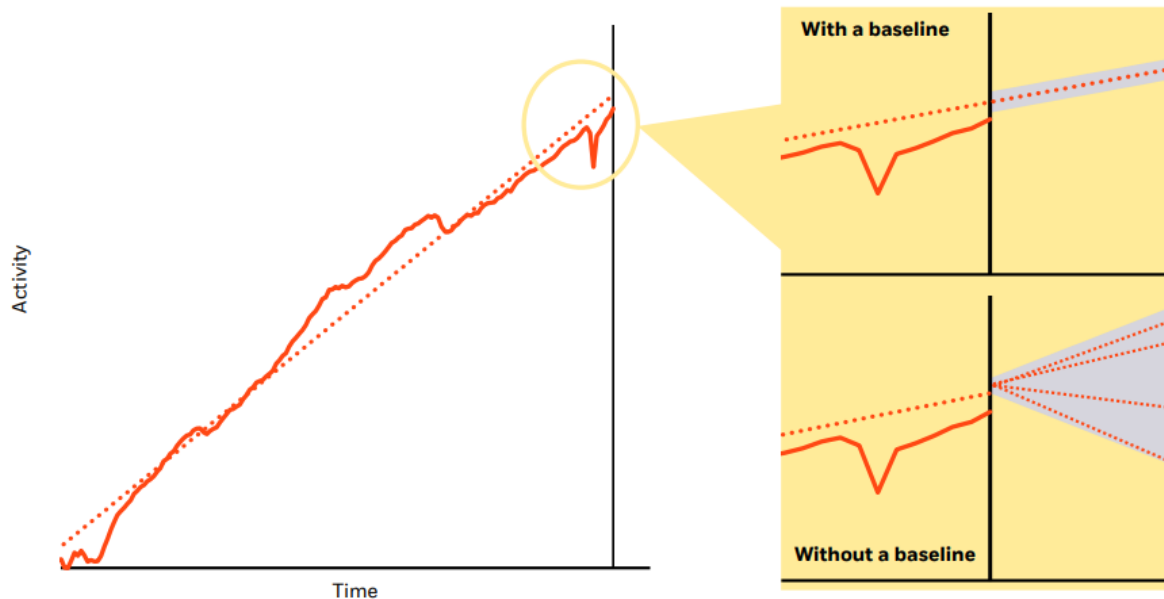


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# We are learning about the future growth trend now

We think this is an unusual environment. Mega forces are transforming the economy – and lead to a wide array of potential outcomes. This is a break from the pre-pandemic era when deviations around a central trend were small.

## Hypothetical evolution of U.S. GDP

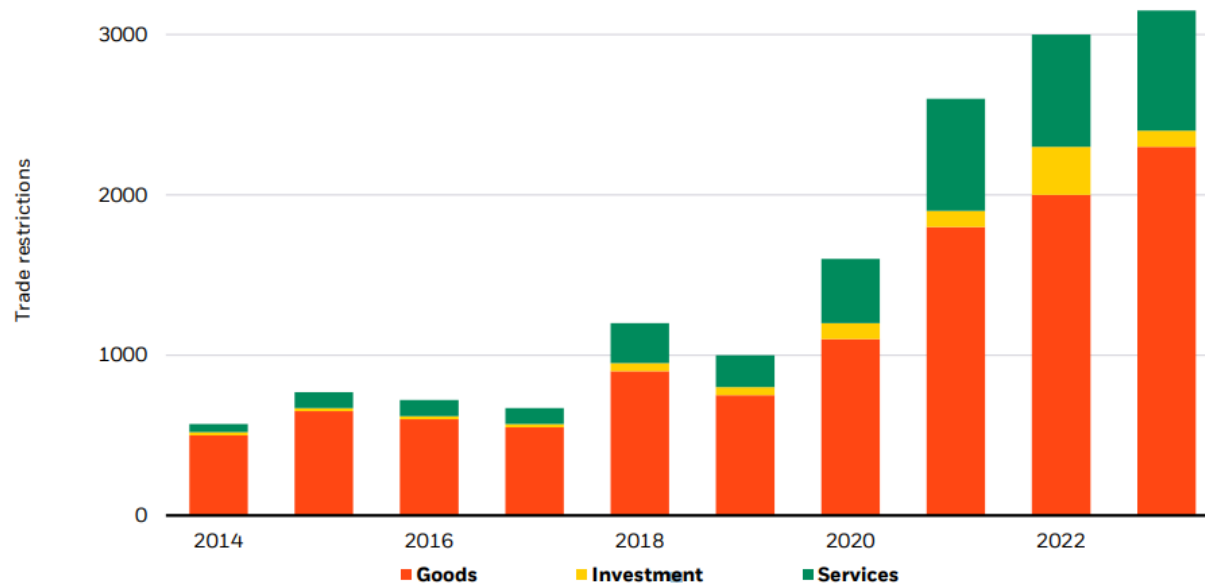


For illustrative purposes only. This is a hypothetical illustration and projections of previous growth trends may not come to pass. Source: BlackRock Investment Institute, December 2024. Notes: The charts show an illustration of how economic output could evolve – the chart on the left and top right assume there is one single central trend for growth and the chart on the bottom right assumes that there is not one single central trend for growth, but many different trends possible.

# Macro policy could be more disruptive and less of a stabilizer

We see macro policy becoming a potential source of disruption going forward – as seen in the rising trade restrictions around the globe. That could put the onus on markets to enforce discipline, such as with fiscal policy.

## Trade restrictions, 2014–2023

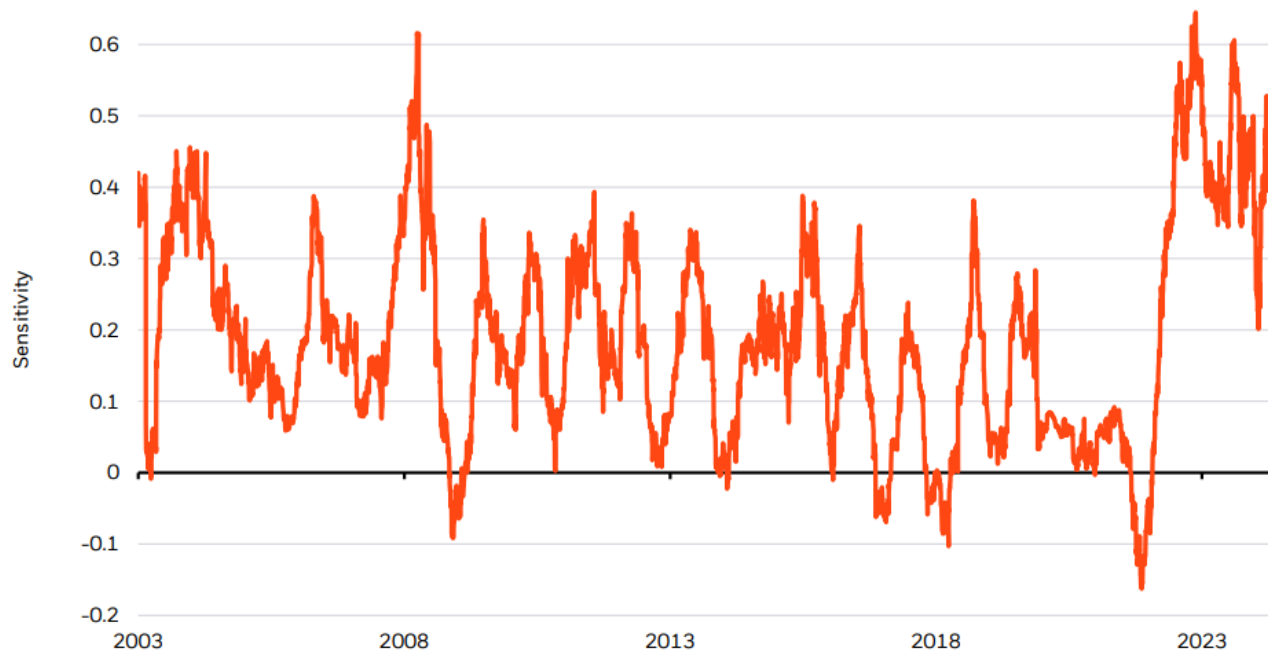


Source: BlackRock Investment Institute, IMF, globaltradealert.org (or with the data from globaltradealert.org), December 2024. Notes: The chart shows the number of unilateral non-liberalizing trade interventions (as classified by globaltradealert.org) taken by countries around the world.

# Markets view today's data through the lens of a business cycle

We think heightened sensitivity of long-term assets to short-term surprises reflects markets viewing new information through the lens of a typical business cycle rather than in the context of a transformation reshaping the outlook.

## Estimated sensitivity of U.S. 10-year yield to economic surprises, 2003–2024

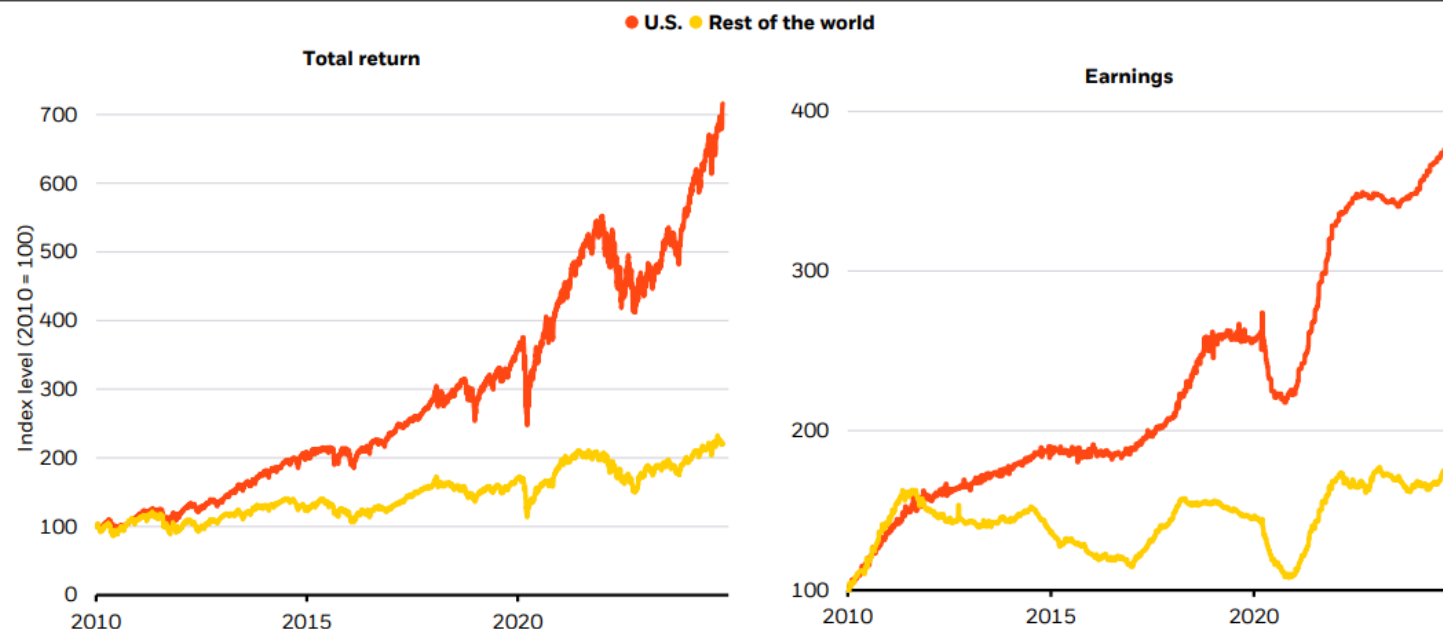


Past performance is no guarantee of future results. Source: BlackRock Investment Institute, with data from LSEG Datastream, December 2024. Notes: The line shows how sensitive the U.S. 10-year Treasury yield is to economic surprises, using regression analysis to estimate the relationship between U.S. 10-year Treasury yields and the Citi Economics Surprise Index over a rolling six-month window. This is only an estimate of the relationship between the 10-year Treasury yield and economic surprises.

# We think U.S. stocks can keep outperforming

U.S. equities have outperformed the rest of the world, fueled by robust corporate earnings. We see divergences across regional markets staying wide as mega forces reshape economies and sectors – creating opportunities.

## U.S. equity performance vs. the rest of the world, 2010–2024



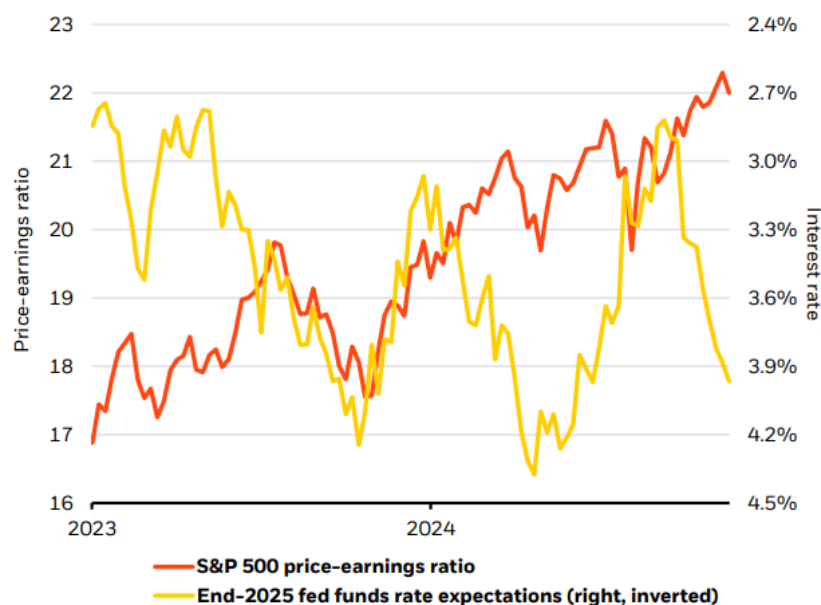
Past performance is not a reliable indicator of future results. It is not possible to invest directly in an index. Indexes are unmanaged and performance does not account for fees. Source: BlackRock Investment Institute, with data from LSEG Datastream, December 2024. Notes: The charts show the indexed performance of U.S. equities compared to the rest of the world. Index proxies used: MSCI USA, MSCI ACWI ex. USA.



# Signposts for changing our risk-on stance

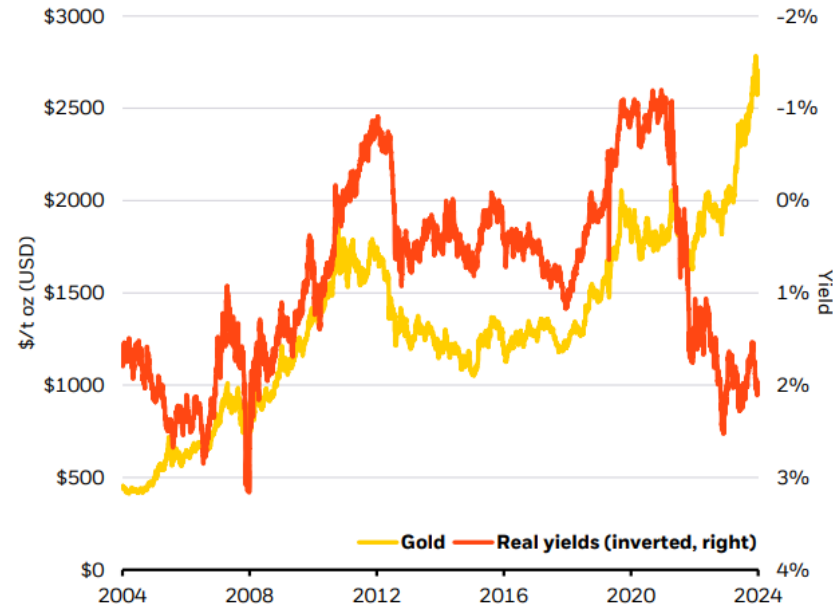
Growing trade protectionism or a spike in long-term bond yields could challenge our pro-risk stance. Equities have pushed higher even with the renewed pricing of higher-for-longer rates. We see gold as a potential diversifier.

**S&P 500 valuation vs. Fed rate pricing, 2023–2024**



Past performance is not an indicator of current or future results. Forward looking estimates may not come to pass. It is not possible to invest in an index. Indexes are unmanaged and index performance does not account for fees. Source: BlackRock Investment Institute, with data from LSEG Datastream and Haver Analytics. Notes: The chart shows the 12-month forward price-earnings ratio of the S&P500 and interest rate expectations for the end of 2025 using SOFR futures.

**Gold prices and U.S. real yields, 2004–2024**



Past performance is not an indicator of current or future results. Source: BlackRock Investment Institute with data from LSEG Datastream and ICE Benchmark Administration, December 2024. Notes: The chart shows the U.S. dollar price of gold bullion in U.S. dollars per metric ton and the U.S. 10-year Treasury real yield - the yield minus inflation measured by the annual U.S. CPI inflation rate.

# Our big calls for 2025











Our highest conviction views on tactical (6–12 month) and strategic (long-term) horizons, December 2024

Tactical	Reasons
U.S. equities	<ul style="list-style-type: none"><li>• We see AI creating opportunities across sectors and tap into non-tech beneficiaries including industrials, real estate and utilities.</li></ul>
Japanese equities	<ul style="list-style-type: none"><li>• Mild inflation, stronger corporate pricing power and shareholder-friendly reforms are boosting earnings. Yet risks from yen strength to earnings remain.</li></ul>
Selective in fixed income	<ul style="list-style-type: none"><li>• We prefer European credit and UK gilts over U.S. fixed income. We're underweight long-term U.S. Treasuries.</li></ul>
Strategic	Reasons
Infrastructure equity and private credit	<ul style="list-style-type: none"><li>• We see opportunities in infrastructure equity due to attractive valuations and mega forces. We think private credit will earn lending share as banks retreat – and at attractive returns relative to public credit risk.</li></ul>
Fixed income granularity	<ul style="list-style-type: none"><li>• We prefer intermediate credit on a risk-adjusted basis. We also like short-term government bonds and UK gilts.</li></ul>
Equity granularity	<ul style="list-style-type: none"><li>• We favor emerging over developed market stocks. We get selective in EM via mega forces. Within DM, we like Japan.</li></ul>

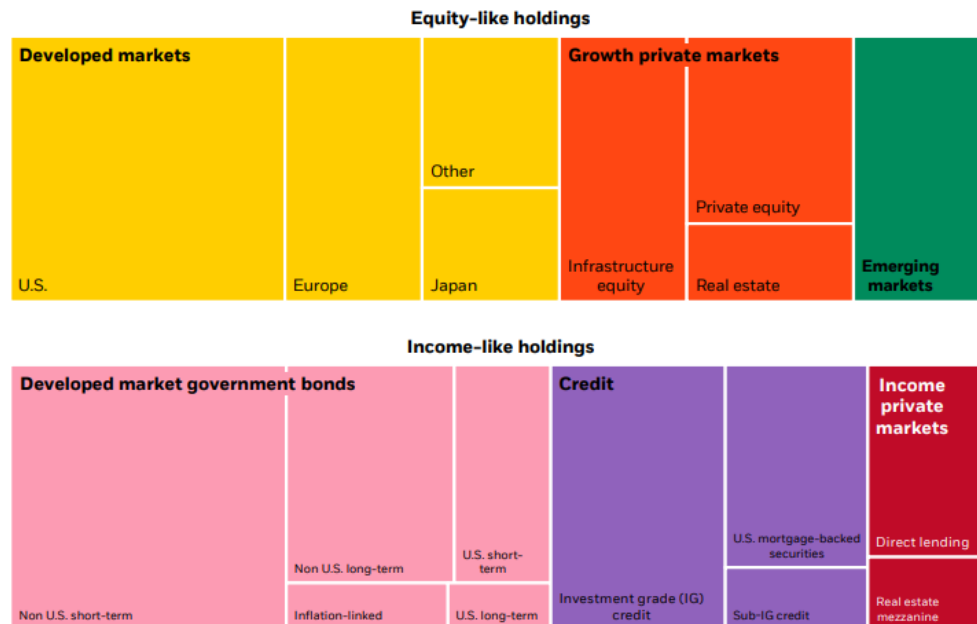
Note: Views are from a U.S. dollar perspective, December 2024. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

# Strategic views

Hypothetical U.S. dollar 10-year strategic views vs equilibrium, December 2024

Asset Class	View
Developed market (DM) government bonds	
Emerging market (EM) equity	
Income private markets	
Inflation-linked bonds	
Developed market equity	
DM high yield and EM debt	
Mortgage-backed securities	
Global investment grade (IG) credit	
Growth private markets	
Chinese government bonds	

Underweight
Neutral
Overweight
● Previous view



This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute. Data as of 30 September 2024. Notes: The chart shows our asset views on a 10- year view from an unconstrained U.S. dollar perspective against a long-term equilibrium allocation. Global government bonds and EM equity allocations comprise respective China assets. Income private markets comprise infrastructure debt, direct lending, real estate mezzanine debt and U.S. core real estate. Growth private markets comprise global private equity buyouts and infrastructure equity. The allocation shown is hypothetical and does not represent a real portfolio. It is intended for information purposes only and does not constitute investment advice. Index proxies: a combination of Bloomberg Treasury 1-10 Year Index, Bloomberg US Long Treasury Index, Bloomberg Euro Treasury 1-15 Year index, Bloomberg Euro Aggregate Treasury 15 Year+ Index, Bloomberg Sterling Aggregate: Gilts 1-10 Year Index, Bloomberg Sterling Aggregate: Gilts 10+ Year Index and Bloomberg Asia Pacific Japan Treasury Index for DM government bonds. MSCI EM for emerging market equity, Bloomberg US Government Inflation-Linked Bond Index for inflation-linked bonds. MSCI World US\$ for developed market equity. Bloomberg US MBS Index for mortgage-backed securities. A combination of the Bloomberg US High Yield, Bloomberg Euro High Yield and JP Morgan EMBI Global Diversified indexes for DM high yield and EM debt. A combination of Bloomberg US Credit, Bloomberg Euro Corporate Credit, Bloomberg UK Corporate Credit indexes for Global IG credit, Bloomberg China Treasury + Policy Bank Total Return Index for Chinese government bonds. We use BlackRock proxies for growth and income private market assets due to lack of sufficient data. These proxies represent the mix of risk factor exposures that we believe represents the economic sensitivity of the given asset class. The hypothetical portfolio may differ from those in other jurisdictions, is intended for information purposes only and does not constitute investment advice.

# Tactical granular views: equities



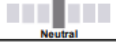
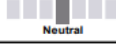


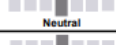
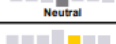
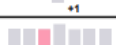





Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, December 2024

Our approach is to first determine asset allocations based on our macro outlook – and what’s in the price. The table below reflects this and, importantly, leaves aside the opportunity for alpha, or the potential to generate above-benchmark returns. The new regime is not conducive to static exposures to broad asset classes, in our view, but is creating more space for potential alpha.

Equities	View	Commentary
<b>Developed markets</b>		
United States		We are overweight as the AI theme and earnings growth broaden. Valuations for AI beneficiaries are supported by tech companies delivering on earnings. Resilient growth and Fed rate cuts support sentiment. Risks include any long-term yield surges or escalating trade protectionism.
Europe		We are underweight. Valuations are fair. A growth pickup and European Central Bank rate cuts support a modest earnings recovery. Yet political uncertainty could keep investors cautious.
UK		We are neutral. Political stability could improve investor sentiment. Yet an increase in the corporate tax burden could hurt profit margins near term.
Japan		We are overweight. A brighter outlook for Japan's economy and corporate reforms are driving improved earnings and shareholder returns. Yet a stronger yen dragging on earnings is a risk.
<b>Emerging markets</b>		
		We are neutral. The growth and earnings outlook is mixed. We see valuations for India and Taiwan looking high.
China		We are modestly overweight. China's fiscal stimulus is not yet enough to address the drags on economic growth, but we think stocks are at attractive valuations to DM shares. We stand ready to pivot. We are cautious long term given China's structural challenges.
<div> <div>Underweight</div> <div>Neutral</div> <div>Overweight</div> <div>● Previous view</div> </div>		

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# Tactical granular views: fixed income

Fixed income	View	Commentary
Short U.S. Treasuries	 Neutral	We are neutral. Markets are pricing in fewer Federal Reserve rate cuts and their policy rate expectations are now roughly in line with our views.
Long U.S. Treasuries	 -1	We are underweight. Persistent budget deficits and geopolitical fragmentation could drive term premium up over the near term. We prefer intermediate maturities less vulnerable to investors demanding more term premium.
Global inflation-linked bonds	 Neutral	We are neutral. We see higher medium-term inflation, but cooling inflation and growth may matter more near term.
Euro area govt bonds	 Neutral	We are neutral. Market pricing reflects policy rates in line with our expectations and 10-year yields are off their highs. Political developments remain a risk to fiscal sustainability.
UK gilts	 +1	We are overweight. Gilt yields offer attractive income, and we think the Bank of England will cut rates more than the market is pricing given a soft economy.
Japanese govt bonds	 -2	We are underweight. Stock returns look more attractive to us. We see some of the least attractive returns in JGBs.
China govt bonds	 Neutral	We are neutral. Bonds are supported by looser policy. Yet we find yields more attractive in short-term DM paper.
U.S. agency MBS	 Neutral	We are neutral. We see agency MBS as a high-quality exposure in a diversified bond allocation and prefer it to IG.
Short-term IG credit	 +1	We are overweight. Short-term bonds better compensate for interest rate risk.
Long-term IG credit	 -1	We are underweight. Spreads are tight, so we prefer taking risk in equities from a whole portfolio perspective. We prefer Europe over the U.S.
Global high yield	 Neutral	We are neutral. Spreads are tight, but the total income makes it more attractive than IG. We prefer Europe.
Asia credit	 Neutral	We are neutral. We don't find valuations compelling enough to turn more positive.
EM hard currency	 Neutral	We are neutral. The asset class has performed well due to its quality, attractive yields and EM central bank rate cuts. We think those rate cuts may soon be paused.
EM local currency	 Neutral	We are neutral. Yields have fallen closer to U.S. Treasury yields, and EM central banks look to be turning more cautious after cutting policy rates sharply.

Underweight

Neutral

Overweight

● Previous view

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