BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE **28 February 2021**

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees)[1]	0.04	1.08	0.06	7.75	8.73	10.14	-
Diversified Benchmark*	-0.09	0.70	-0.22	4.15	7.37	8.62	-
Outperformance (Gross of Fees)	0.13	0.38	0.28	3.60	1.37	1.52	-
BlackRock Tactical Growth Fund (Net of Fees)[2]	-0.03	0.86	-0.08	6.85	7.83	9.19	7.92
Diversified Benchmark*	-0.09	0.70	-0.22	4.15	7.37	8.62	8.21
Outperformance (Net of Fees)	0.06	0.17	0.14	2.70	0.46	0.57	-0.29
BlackRock Balanced Fund (Net of Fees)[3]	-0.08	0.72	-0.18	6.21	6.94	8.22	6.66
Diversified Benchmark^	-0.09	0.70	-0.22	4.15	7.37	8.62	8.12
Outperformance (Net of Fees)	0.01	0.02	0.04	2.06	-0.43	-0.40	-1.46

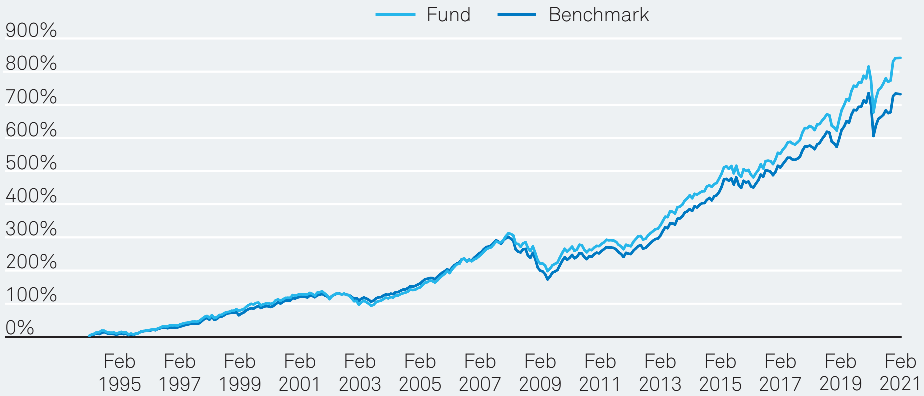
[1] Fund inception: 30/09/1992. [2] Fund inception: 30/09/1992. [3] Fund inception: 30/04/1992.

Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* Please note that effective from 28 February 2019 the index representing the performance benchmark for the BlackRock Tactical Growth Fund has changed as a result of the latest strategic asset allocation review. Global credit, as measured by the Bloomberg Barclays Global Aggregate Corporate Index (hedged in AUD) was added to the index. This is reflected in the historical benchmark performance, with returns prior to 28 February 2019 reflecting those of the old benchmark while returns from 28 February reflect those of the updated benchmark.

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. The benchmark is a diversified allocation of the S&P/ASX 300 Total Return Index, MSCI World ex Australia Index (hedged and unhedged in AUD with net dividends reinvested), MSCI Emerging Markets IMI ex Tobacco ex Controversial ex Nuclear Weapons Net TR Index (Unhedged in AUD), FTSE Developed Core Infrastructure 50/50 Net Tax Index (Unhedged in AUD), FTSE EPRA/NAREIT Developed Dividend+ Net Index (Unhedged in AUD), Bloomberg AusBond Composite 0+ Yr Index℠, Bloomberg Barclays Global Aggregate 500 Index (Hedged in AUD), Bloomberg Barclays Global Aggregate Corporate Index (hedged in AUD), J.P. Morgan EMBI Global Core Index (Hedged in AUD) and the Bloomberg AusBond Bank Bill Index℠.

Cumulative Performance (Gross of fees) to 28 February 2021



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Review

Most global equity markets recorded somewhat positive performance in February, while other asset classes such as fixed income, gold and listed infrastructure declined over the month. Global COVID-19 infection numbers improved and the vaccination rollout continued. The rise in longer-term government bond yields was a major topic amongst investors in February, and unsettled both equity and fixed income markets especially towards the end of the month. Bond volatility spiked to the highest level since April of last year, spilling over to other asset classes. Whilst still very low from a historical perspective, bond yields have risen meaningfully over the last two months on the back of higher inflation expectations and optimism regarding the return to normalcy.

US

The S&P 500 Index traded in a choppy fashion but finished the month 2.8% higher. Most US companies have now reported their fourth-quarter earnings, with the results largely positive. Corporate earnings have generally surprised to the upside and are growing again after three consecutive quarters of year-on-year declines. Forward-looking earnings guidance has also been revised upwards for several companies. On the macro side, investors are expecting the US Congress to approve Joe Biden's rescue plan of approximately $1.9 trillion. Once restrictions are lifted, the additional stimulus cheques and unemployment benefits could lead to a significant acceleration in consumption – seen as a positive for equity markets. However, investors are concerned about inflation, given the size of the stimulus package combined with already loose monetary conditions. The US Federal Reserve ("Fed") kept its guidance on asset purchases unchanged in its January meeting, stressing that it would be "some time" before it considers tapering. Economic momentum in the US is solid with the February composite PMI coming in at 59.5, above January's 58.8, led by the service sector which had previously been a drag due to lockdown restrictions. The US labour market also showed signs of improvement, with the unemployment rate dropping 0.4% to 6.3%.

Europe

European equity markets recorded positive performance in February. Some European companies reported quarterly earnings and the results were generally encouraging – in line with their US counterparts. About three quarters of companies beat earnings forecasts, which is relatively high compared to historic results. On the political front, the European Parliament has given the go-ahead for an US$815 billion (672.5 billion euro) recovery package of loans and grants to help member nations recover more quickly from the pandemic. EU member nations can submit their national recovery and resilience plans for assessment by the European Commission (EC). These plans are expected to set out national reforms and public investment projects, which would then be supported by Europe's Recovery and Resilience Facility (RRF) if approved. Financial markets saw this development as a positive in driving reforms and economic growth in the region, with Italian and Spanish sharemarkets amongst the best performers in February.

In the UK, the FTSE 100 Index gained 1.6% over the month but macro data was relatively lacklustre. The UK saw a slight increase in the unemployment rate to 5.1% in the three months to December as the country was under national lockdown restrictions. UK's composite PMI came in at 49.6. Although this was an improvement from January, it indicated that business activity remained in contractionary territory (a PMI below 50 is considered contraction territory).

Asia

Asian equity markets recorded broadly positive performance in February. The Chinese sharemarket was somewhat of an outlier and declined slightly over the month. China appears to have managed the pandemic reasonably well and is one of the very few countries globally to record positive economic growth in 2020. However, recent economic indicators suggest a slowing in momentum. For example, Chinese manufacturing and non-manufacturing PMIs slowed in February (but remained in expansion territory). A gradual withdrawal of monetary stimulus by the Chinese government and a less supportive policy stance were likely drivers of the recent softening. In Japan, the Nikkei 225 Index gained nearly 5% in February and outperformed most of its global peers. Japan's economy grew more than expected in the last quarter of 2020 (+3.0% in Q4 20), supported by strong exports. Nonetheless, Japan is poised to enter a double-dip recession in Q1 21 following the announcement of a second state of emergency earlier in the year. This includes strict lockdown restrictions following a major Covid outbreak in Tokyo and surrounding districts.

Australia

In Australia, the S&P/ASX300 Accumulation Index gained 1.5% over the month. Returns varied significantly by sector. Materials and Energy were amongst the best performers, while IT and Healthcare declined. Australian REITs also recorded negative performance in February. Domestic economic data was generally positive over the month. The Australian labour market continued to improve, as 29,100 new jobs were created in the previous month and the unemployment rate fell 0.2% to 6.4%. The economy has now almost recovered all the jobs lost during 2020, with 59,000 less people employed compared to March last year.

Fixed Income

Fixed income assets recorded negative performance over the month. Global yield curves continued to steepen, as longer-term rates increased – meaning a decline in bond prices. Short-term rates stayed relatively steady. For example, the yield on US 10-year government bonds increased by 0.34% in February to a level of 1.40%, while 2-year yields stayed low at 0.13%. In Australia, the yield on 10-year government bonds increased by 0.78% to 1.92%, while 2-year rates remained anchored at 0.12%. For context, the 0.78% jump in Australian 10-year yields was the largest monthly increase since October 1985. The significant rise in longer-term government bond yields was a major topic in February and unsettled both equity and fixed income markets, especially towards the end of the month. The rise in bond yields reflects generally better macro data in developed economies, a brighter outlook around the virus and vaccines and an increase in inflation expectations. Bond volatility spiked to the highest level since April of last year, spilling over to other asset classes.

Commodities

Commodity markets recorded mixed performance over the period. Industrial metals, oil and iron ore gained, while precious metals (including gold) saw price falls in February. Looking at currency markets, the Australian dollar trade-weighted index increased by 2.4%. The Australian dollar appreciated against most major currencies except for the British Pound (GBP).

Strategy Commentary – February 2021

The BlackRock Tactical Growth Fund recorded a roughly flat return in January (-0.03%, after fees), while its diversified benchmark declined 0.09%. Growth assets such as Australian and international equities had a positive month and added to total returns. The portfolio's more defensive asset classes such as fixed income and gold offset performance over the period.

Looking at active returns, the Fund slightly outperformed its diversified benchmark by 0.06% over the month (after fees). The small outperformance was driven by active security selection in emerging markets equities and fixed income markets, along with positive active returns from global REITs. On the flipside, security selection in Australian equities and tactical asset allocation decisions detracted slightly.

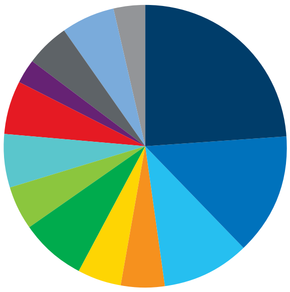
Outlook and Positioning

The roll-out of Covid vaccines around the globe and signs of falling virus cases translates into a more optimistic outlook for the global economy. Several countries have already begun to ease mobility restrictions, and this is expected to continue through 2021. The easing of restrictions is expected to allow contact intense services activity to return to more normal operations and release some pent-up demand, which would ultimately speed up the global economic recovery.

Despite the widespread optimism, the team remains somewhat cautious with a significant amount of good news already priced into markets. The portfolio's growth/defensive split is currently close to benchmark; however, we have derivative structures in place which provide optionality that would reduce the growth/defensive split should we experience renewed market weakness.

Looking further ahead, we expect inflation to rise, driven by increased cost pressures due to de-globalization, a change in monetary policy frameworks and higher government debt levels putting pressure on monetary policy to remain easier. The recent addition of inflation-linked bonds and gold to the portfolio's strategic allocations addresses this belief and is expected to better protect the real value of the portfolio should this scenario play out.

Benchmark Allocation



	Asset Class	Benchmark Weight (%)	Market Performance	Contribution to Benchmark Return
	Australian Shares	24.00	1.48	0.35
	International Shares – unhedged	14.00	1.64	0.23
	International Shares – hedged	10.00	2.65	0.27
	International Infrastructure	5.00	-1.58	-0.08
	International Property	5.00	2.75	0.14
	Emerging Market Equity	7.50	0.43	0.03
	Australian Bonds	5.00	-3.58	-0.18
	Aust. Inflation-Linked Bonds	6.00	-4.37	-0.26
	US Inflation-Linked Bonds	6.00	-1.84	-0.11
	Emerging Market Debt	3.00	-2.93	-0.09
	Global High Yield	5.00	0.43	0.02
	Gold	6.00	-6.87	-0.41
	Cash	3.50	0.00	0.00

Total Benchmark Return: -0.09

About the Fund

Investment Objective

The investment objective of the Fund aims to outperform peer performance consistent with a "growth" orientated investment strategy encompassing:

- a broadly diversified exposure to Australian and international assets
- active asset allocation, security selection and risk management
- flexibility to deviate meaningfully from the strategic asset allocation to help manage total portfolio risk

The Fund aims to outperform its benchmark indices over a 5-year rolling period before fees.

Fund Strategy

The investment strategy of the Funds is to provide investors with a diversified exposure to the best investment teams and strategies that BlackRock has globally within the context of an Australian based globally diversified investment portfolio.

The strategy is built around two steps:

1. Establishing the most appropriate strategic benchmark subject to the growth/income splits and market risk exposures consistent with a "growth" oriented fund; and
2. Enhancing the returns of the Fund relative to the strategic benchmark to the maximum extent possible by utilising investment teams, strategies and techniques from BlackRock's resources around the globe subject to a risk budgeting framework.

Should be considered by investors who ...

- Seek a fund which aims to provide a combination of capital growth and income.
- Seek a fund that is actively managed within a risk controlled framework to provide diversified exposure to multiple asset classes with a single layer of fees.
- Seek a fund that evolves to incorporate 'Best of BlackRock' investment insights.

Fund Details

BlackRock Tactical Growth Fund	
APIR	PWA0822AU
Fund Size	514 mil
Buy/Sell Spread	0.175%/0.175%
Management Fee	0.85% p.a.

BlackRock Balanced Fund	
APIR	PWA0013AU
Management Fee	1.455% p.a.

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