

BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE

31 January 2022

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees) ¹	-2.70	0.33	-2.70	11.89	11.75	10.04	-
Diversified Benchmark*	-2.84	0.24	-2.84	11.07	9.87	8.66	-
Outperformance (Gross of Fees)	0.14	0.09	0.14	0.82	1.88	1.38	-
BlackRock Tactical Growth Fund (Net of Fees) ²	-2.77	0.12	-2.77	10.97	10.82	9.12	8.05
Diversified Benchmark*	-2.84	0.24	-2.84	11.07	9.87	8.66	8.34
Outperformance (Net of Fees)	0.07	-0.12	0.07	-0.10	0.95	0.46	-0.29
BlackRock Balanced Fund (Net of Fees) ³	-2.77	0.11	-2.77	10.50	10.11	8.26	6.81
Diversified Benchmark*	-2.84	0.24	-2.84	11.07	9.87	8.66	8.24
Outperformance (Net of Fees)	0.07	-0.13	0.07	-0.57	0.24	-0.40	-1.43

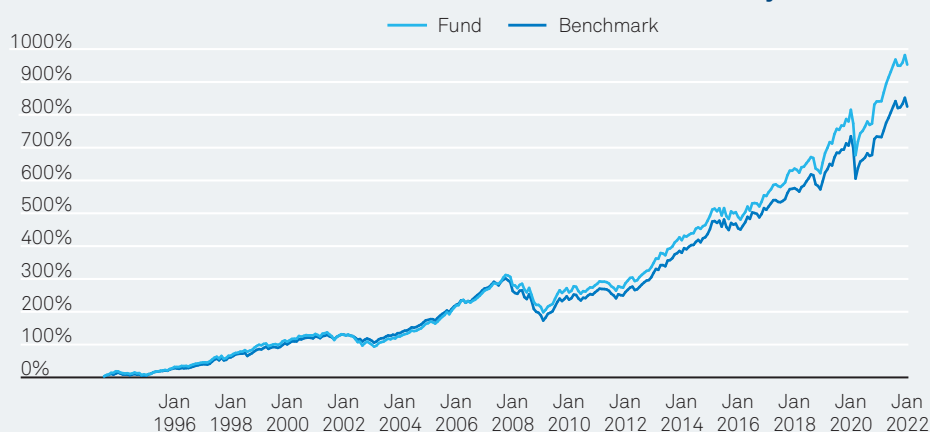
¹ Fund inception: 30/09/1992. ² Fund inception: 30/09/1992. ³ Fund inception: 30/04/1992.

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 IndexSM, 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 IndexSM.

Cumulative Performance (Gross of fees) to 31 January 2022



Performance Summary

Market Overview – January 2022

January was a rough month for financial markets. Volatility spiked on the back of ongoing inflation concerns and central bank tightening, along with increasing political tensions in Europe (especially Ukraine). Markets priced in hawkish pivots by various central banks around the globe, including the US Federal Reserve (Fed) and the Reserve Bank of Australia (RBA). The ensuing higher bond yields contributed to sharp rotations across sectors and styles such as a strong rotation into value stocks and out of growth stocks (especially smaller, less profitable companies). Investors were

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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

also grappling with rallying commodity prices and turbulent inflationary readings. Nonetheless, many investors attempt to look through the noise and volatility and focus on the more positive outlook, which points to healthy corporate earnings growth and growing economies as many countries recover from the effects of the Omicron wave.

Most global sharemarkets finished the month in the red (in local currency terms). Developed market equities and emerging market counterparts (to a lesser degree) declined as steeply valued stocks sold-off over the period. Developed market government bond indices also detracted, with strong upside pressure on bond yields as inflationary concerns triggered an end to the supportive rate environment.

US

US equities represented through the S&P 500 Index declined 5.2% in January, though recovered from the indices worst start in history after reaching lows of -11.4% during the month. A combination of the Federal Reserve's (Fed) increased emphasis on interest rate hikes to battle inflation and escalating tensions in Eastern Europe drove market adjustment sell offs. Energy and Financial stocks held up reasonably well and were the top performing sectors in the US, while Consumer Discretionary and IT declined sharply.

A key event for investors was the Federal Open Market Committee (FOMC) meeting on January 26th where the US Federal Reserve provided an update on monetary policy and rates. The tone of the press conference was perceived as more hawkish than anticipated. A "substantial amount of balance sheet shrinkage" was outlined as a potential scenario and markets started to price in four rate hikes in 2022, with the first one likely to occur in March. Macro data releases were mixed over the period. Both the manufacturing and services Markit PMI dropped sharply as supply disruptions and labour shortages continued. Q4 2021 GDP rose 6.9% YoY, ahead of market estimates of +5.5%.

Europe

European equity markets represented through the Euro Stoxx 600 Index declined 2.8% in January, driven by ongoing concerns about inflation, upcoming rate hikes from the US Federal Reserve and uncertainty in Ukraine. Highly valued segments underperformed as a slowing macro-outlook saw declines within IT and healthcare sectors. Energy and Financials continued to perform strongly over the period.

Within the European block, January headline inflation rose to 5.1% (year-on-year), slightly above December's figure and well above the European Central Bank's (ECB) targeted rate. High energy prices driven by gas supply shortages as well as rising food and goods prices added heavily to the latest inflation reading. Whilst the ECB signalled that rates are unlikely to rise in 2022 despite record inflation, it acknowledged that the 'situation has changed' and remains flexible in its approach to future policy. January PMI readings reflected weakened conditions as the composite PMI dropped to 52.4 on the back of renewed COVID restrictions and a slowdown in services activity. However, there are signs the pandemic appears to be easing with manufacturing PMI rising to 59.0, reflecting improvements in supply bottlenecks that are expected to pick up over the year.

Concerns remain around Europe's energy supply and supply shocks as a result of Russian aggression against Ukraine. A joint EU-US statement sought to support the situation with contingency plans for gas supply disruptions, however any solutions would be purely short-term in nature.

The UK equity market as measured by the FTSE Index gained 1.1% over the month, significantly outperforming most other developed markets. Commodities and Financial stocks rallied whilst Technology detracted over the period. Corporate earnings growth showed resilience over the recent volatile period and the UK economy grew more than expected, as many macro indicators moved closer to pre-pandemic levels.

Asia

Asian equities declined in January, in line with their global peers. Chinese equities suffered the most, underperforming the broader Asian market. Weakened sentiment over the US Federal Reserve's hawkish pivot created uncertainty within the Chinese ecosystem, as debt heavy sectors such

as Technology and Property detracted heavily over the month. Increased regulation in the technology space also contributed to downfalls as China aims to limit the monopolistic powers of tech giants. China maintained its zero COVID policy pending the commencement of the Winter Olympics games, though break-through cases have prompted regional snap lockdowns limiting consumer spending and retail sales growth. The latest data from China's National Bureau of Statistics reported Q4 GDP annual growth rate of +4.0%, down from +4.9% in Q3. The People's Bank of China (PoBC) reduced its benchmark lending rates to lower borrowing costs and spur business activity.

Japanese equities continued to detract in January and declined -6.2% for the month. Japan also felt the wrath of the US interest rate volatility, as technology stock prices were severely undercut. The Bank of Japan (BoJ) held policy rates unchanged during the January meeting in line with consensus.

Australia

In Australia, the S&P/ASX300 Accumulation Index declined by -6.5% in January, underperforming most other developed markets. Energy and Utilities fell the most over the month.

The Consumer Price Index (CPI) rose to 3.5% in December, driven by increased prices for new dwellings and automotive fuel. On the other hand, the Producer Price Index (PPI) rose to 3.7%, indicating some of the production costs are being consumed by businesses. The Reserve Bank of Australia (RBA) announced to maintain its cash rate at 10 basis points and continue to expand their balance sheet, though would re-assess their position in February. The RBA commented on the economy's recovery from the previous Delta outbreak leading to a strong labour market and comparative low levels of inflation to other developed nations, though will remain prepared to act once inflation is sustainably within the 2-3% target range.

Fixed Income

Fixed Income markets recorded negative performance in January as bond yields gained on the back of expected tightening from central banks. The Australian composite bond index declined almost 1% as the RBA announced its intention to cease further purchases under the bond purchase program, with the final purchases to take place in early February.

Global government bond yields also rose at a similar pace to Australia, which led to many global bond indices finishing the month in the red. Short end rates were particularly sensitive to the Federal Reserve's most recent hawkish shift, gaining 45 basis points over the period. Riskier parts of the fixed income markets, such as emerging markets debt and high yield indices declined heavily over the month as credit spreads widened.

Commodities & FX

Major commodities including energy and iron ore gained in January, driven by sharp rises in prices of crude and Brent oil. The ongoing conflict in the Ukraine and tensions within the Middle East were coupled with supply shortages – pushing energy prices higher. Looking at currencies, the flight to safety in January benefited the US dollar as the USD trade-weighted index reached its highest level since mid-2020. The Australian dollar depreciated against most major currencies.

Strategy Commentary – January 2022

The BlackRock Tactical Growth Fund detracted -2.77% in January (after fees), slightly ahead of its diversified benchmark. Most asset classes declined in January as markets experienced substantial volatility. Growth assets including Australian and International Equities as well as International Property recorded negative performances and detracted from total returns. The Fund's more defensive asset classes, including Global bonds, US Inflation Linked Bonds and Australian Fixed Income also performed negatively over the month. Emerging market equities and Gold held up well and acted as valuable diversifiers in the portfolio.

Looking at active returns, the Fund slightly outperformed its diversified benchmark over the month (after fees). Stock selection in global equities generated positive active returns, while security selection in global REITs and Australian equities detracted. The Fund's liquid alternative allocation, which is implemented via a market-neutral style premia strategy also added meaningfully to active returns over the period. For example, on the factor front, Value dominated performance, delivering one of the strongest months on record. In addition, tactical asset allocation decision offered some protection during the volatile period in January. The portfolio had some defensive derivative structures in place, which cushioned the fall in growth assets somewhat.

Outlook and Positioning

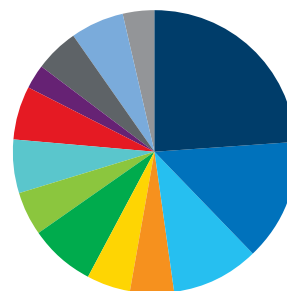
Volatility continues to dominate market dynamics as hawkish policy signals by central banks, high inflation figures and geopolitical tensions add to investor concerns. Positive December half-year earnings results provided much needed support to equity markets with some reversal of earlier month declines in late January.

The highest US inflation in 40 years put more pressure on the Federal Reserve to accelerate their normalisation process to pre-pandemic rate levels, with markets pricing in 5 rate hikes within 2022. This sentiment was echoed by their global counterparts as the European Central Bank (ECB) suggested an early end to their asset purchase program whilst the Bank of England (BoE) raised rates by 25bps once more. Inflation continues to be driven by supply bottlenecks, energy mismatches and resources reallocation, however, uncertainty remains over consecutive rate hikes coming at a cost to economic growth given the broader reopening of the global economy. Although underlying inflation rose to 2.6% in Australia, RBA governor Phillip Lowe maintained his stance that market reactions to inflationary pressures are blown out of proportion. The RBA continues to emphasise that wage growth would need to accelerate at a much more sustainable pace before rate hikes are warranted, however, has formally ended its quantitative easing program. We continue to maintain the view that eventual policy responses to inflation will be more muted than current market predictions. However, volatility will likely continue to feature in markets in the period ahead.

We currently prefer to take risk at a sector and country level (e.g. overweight Spanish, Italian and Japanese equities), rather than being directionally overweight. We expect government bond yields to continue to move higher, but at a slower pace than in previous cycles. We maintain our underweight position to developed market (DM) government bonds relative to our strategic benchmark – specifically concentrated on European government bonds. We prefer inflation-linked bonds over nominal bonds for portfolio duration exposure.

We have derivative structures in place which provide some optionality and would reduce the portfolio's growth/defensive split in case of a market correction. A significant sell-off in equity markets is not our base-case, but we are mindful that some of the risk to equity valuations from higher interest rates remain, and the geopolitical tensions the market focussed on in January are unlikely to fully resolve themselves anytime soon.

Benchmark Allocation



Asset Class	Benchmark Weight (%)	Market Performance	Contribution to Benchmark Return
Australian Shares	24.00	-6.45	-1.55
International Shares - unhedged	14.00	-2.20	-0.31
International Shares - hedged	10.00	-5.07	-0.51
International Infrastructure	5.00	-0.34	-0.02
International Property	5.00	-2.14	-0.11
Emerging Market Equity	7.50	0.94	0.07
Australian Bonds	5.00	-1.02	-0.05
Aust. Inflation-Linked Bonds	6.00	-1.20	-0.07
US Inflation-Linked Bonds	6.00	-2.30	-0.14
Emerging Market Debt	3.00	-3.08	-0.09
Global High Yield	5.00	-2.47	-0.12
Gold	6.00	0.95	0.06
Cash	3.50	0.01	0.00

Total Benchmark Return: -2.84

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	500 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.

IMPORTANT INFORMATION: Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**). This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material. Any potential investor should consider the latest product disclosure statement, prospectus or other offer document (**Offer Documents**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. Offer Documents can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances Offer Documents are also available on the BIMAL website at www.blackrock.com.au. BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL. © 2021 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.