

BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE

31 March 2022

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees) ¹	1.02	-3.66	-3.66	7.68	9.28	9.15	
Diversified Benchmark*	0.97	-3.39	-3.39	7.87	7.81	7.84	-
Outperformance (Gross of Fees)	0.05	-0.27	-0.27	-0.19	1.47	1.31	-
BlackRock Tactical Growth Fund (Net of Fees) ²	0.95	-3.87	-3.87	6.79	8.37	8.23	7.96
Diversified Benchmark*	0.97	-3.39	-3.39	7.87	7.81	7.84	8.27
Outperformance (Net of Fees)	-0.02	-0.47	-0.47	-1.08	0.56	0.39	-0.31
BlackRock Balanced Fund (Net of Fees) ³	0.95	-3.86	-3.86	6.44	7.73	7.42	6.73
Diversified Benchmark*	0.97	-3.39	-3.39	7.87	7.81	7.84	8.18
Outperformance (Net of Fees)	-0.02	-0.47	-0.47	-1.43	-0.07	-0.42	-1.45

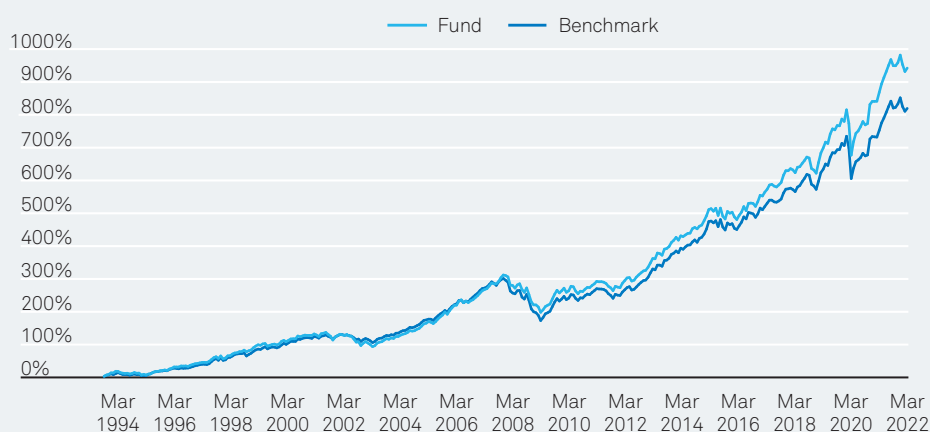
¹ Fund inception: 30/09/1992. ² Fund inception: 30/09/1992. ³ Fund inception: 30/04/1992.

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 March 2022



Performance Summary

Market Overview – March 2022

The first quarter of the year was a volatile one for financial markets. Russia's invasion of Ukraine, accelerating inflation, exacerbated global energy shock and rate hikes across global central banks added significantly to investor uncertainty over the period. Supply-driven inflation and commodity prices surged following the sanctioning of Russia, with risk assets extending their sharp rebound off the year's lows. Emerging markets were also weighed down by a new round of Omicron cases and

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broader geopolitical tensions. The U.S yield curve briefly inverted during the period, prompting recessionary concerns as central banks rhetoric turned more hawkish.

Most global sharemarkets finished the month in the red (in local currency terms). Developed market equities and emerging market counterparts (to a greater degree) declined steeply in a classic risk off move over the period.

Developed market government bond indices were volatile, with strong upside pressure on both short-end and long-end yields driven respectively by expectations for faster monetary tightening and inflationary concerns. Most global bond indices experienced a volatile period and finished the quarter down as rates continued to advance amidst upward trending inflation.

US

In the US, the S&P 500 Index detracted -4.6% over the quarter (in local currency terms) in line with broader market selloffs as investor's adopted a strict 'risk off' stance given the ongoing invasion of Ukraine by Russia. Energy was the only sector to make gains over the period with Technology and Communications detracting sharply.

On the policy front, the US Federal Reserve (Fed) raised interest rates by 0.25%, in line with market expectations, with further rate hikes expected to rapidly reduce the size of the Fed's \$9.0 trillion balance sheet. Markets have priced in a further six increases for the remainder of the year given record inflationary readings. Russia's invasion of Ukraine has placed additional strain on food and energy prices, with inflation accelerating to 7.9% in February, the highest reading since 1982. The US labour market remained resilient over the period with the unemployment rate falling to 3.8% and average hourly earnings growing by 0.5% in February. The flash services and manufacturing PMI reading in March increased to an eight-month high, with business activity more robust than expected.

Europe

European equity markets represented through the Euro Stoxx 600 Index detracted -9.0% over the quarter (in local currency terms), underperforming most other developed markets. Concerns around Europe's heavy reliance on Russian oil and natural gas spiked risks of economic deceleration, energy-driven inflation and dampened consumer sentiment given the region's exposure to the ongoing conflict within Ukraine.

Within the European block, annual inflation grew to an all-time high of 7.5% in March, driven by high food and energy prices and a significant increase from February's 5.9% reading. Following a 12-billion-euro debt raising for its coronavirus recovery fund, the European Union discussed the possibility of issuing bonds to finance energy and defense spending to alleviate sharply rising energy costs. The European Central Bank (ECB) also confirmed the tapering of the pandemic emergency purchase program (PEPP) in June with a potential rate hike 'some time' after the conclusion of the asset purchase program (APP) in Q3. The flash services Eurozone PMI reading in March slightly fell to 54.5 yet remaining in positive territory as the region displayed strong economic resilience and robust demand recovery post rising COVID-19 cases in late 2021.

Within the UK, equity markets finished the quarter with positive gains of almost 2.9%, as measured by the FTSE Index. UK significantly outperforming most other developed markets due to its relatively higher exposure to energy and materials sectors, with strong contributions from the banking sector on the back of the Bank of England hiking rates by an additional 25 basis points in March. Inflation remains the primary concern within the region, with February's reading of 6.2% the highest in 30 years. Soaring food and energy prices prompted the announcement of a 6-billion-pound fiscal package to support household incomes and increase consumer purchasing power. UK Manufacturing PMI hit 13-month low given supply chain disruptions from the ongoing conflict in Ukraine, however, the Composite PMI remained broadly steady in March, surpassing expectations for a fall despite rising inflation prints.

Asia

Asian equities detracted sharply over the quarter, driven by an outbreak of the Omicron variant across China and rising commodity costs. Chinese equities particularly suffered over the period with lockdowns in Shenzhen and Shanghai forcing manufacturing plant shutdowns and a fall in the Manufacturing PMI to below 50 for the first time since late 2019. Concerns about stagflation also dampened investor confidence given the supply-side shock to commodities and subsequent impacts on inflation and reduced growth. The National Congress announced a GDP target of 5.5% for the year with further stimulus expected to support small businesses and consumers.

Japanese equities detracted 2.8% over the quarter (in local currency terms), however, rebounded in March with gains in financial related value stocks. Higher energy and raw material prices exasperated supply chain concerns within the region as manufacturing activity decreased for the first time in nearly two years. The Bank of Japan (BOJ) announced the purchase of unlimited fixed-rate government bonds to constrain yields within its target range given the rise of interest rates globally.

Australia

In Australia, the S&P/ASX 300 Accumulation Index recorded positive performance of 2.1% over the quarter. Energy, Consumer Staples, Utilities and Materials performed best, whilst growth sectors continued to detract. The Reserve Bank of Australia (RBA) continued to hold the cash rate at 10 basis points, however, noticeably shifted its tone by noting that inflation had picked up and was likely to rise further. The unemployment rate fell to a 13 year low of 4.0% with an uptake in full-time positions, however wage growth, a focus for the RBA, continues to remain weak in real terms. The lifting of Omicron related restrictions resulted in a rise in the Markit Manufacturing PMI, driven by purchasing activity, easing supply chain disruptions and higher employment levels. Gains in house prices continued to decelerate with the latest 0.3% month-over-month rise being the lowest since late 2020.

Fixed Income

Similar to equity markets, Fixed Income markets were also characterized by increased volatility. Global bond yields continued to rise with markets pricing in a faster pace of central bank normalization given ongoing inflationary pressures. The Australian composite bond index finished the quarter down 5.9%, whilst the global composite bond index finished the quarter down 5.2%. Moves were mainly driven by the front end of the curve, which is more sensitive to higher interest rate expectations, however, geopolitical tensions continue to weigh on the long end. Riskier parts of the fixed income markets, such as emerging markets debt and high yield indices recorded negative performance, with spreads in credit markets widening and investment grade also recording losses.

Commodities & FX

Major commodities including energy and industrial materials gained over the quarter, driven by the invasion of Ukraine by Russia pushing prices higher. Gold prices also rose meaningfully over the period on a flight to safety alongside strong price rises for crude oil and Brent crude. Looking at currencies, the USD trade-weighted index gained slightly by 1.7% in March, whilst the Australian trade-weighted index appreciated by 5.0% over the period.

Strategy Commentary – Q1 2022

The first quarter of the year was challenging for the BlackRock Tactical Growth Fund both in total and active return space. The portfolio detracted by 3.87% in Q1 (after fees), lagging the diversified benchmark return (-3.39%).

Looking at the total return over the quarter, key performance detractors came from the risk off moves in international growth assets including international equities, emerging market equities and international property. The Fund's more defensive asset classes, primarily Australian fixed income also detracted.

Top contributions were driven by positioning in Australian equities which were resilient compared to international counterparts and supported

Fund returns. The allocations to Gold and listed infrastructure also acted as useful diversifiers and contributed positively to overall performance.

The Fund underperformed its diversified benchmark over the quarter (after fees).

Security selection in Emerging Equities was the key detractor of active performance. The Fund's allocation to the Global Fixed Income selection strategy and the market-neutral style premia strategy also detracted from active returns over the period. Tactical asset allocation decisions were the key contributor to active returns and provided material protection, which helped cushion active performance somewhat. The allocations to Emerging market bonds and Listed Infrastructure also contributed positively to active returns.

Outlook and Positioning

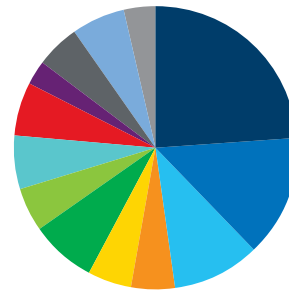
The Ukraine war has aggravated inflationary pressures and has put central banks in a bind. We believe the drive for energy security will increase inflation and hurt growth in the short term. Greater supply of U.S. and other non-Russian fossil fuels will be needed. Further out, this should reinforce the net-zero transition in Europe yet make its pace more divergent across the world.

The US Federal Reserve has signalled that it will rapidly raise rates and it may need to go beyond its current estimate of neutral policy rates – the point at which they are neither stimulating nor restricting the economy. For the moment, we think this is tough talk. Supply-driven inflation can be dampened only at high cost to growth. Further expectations for monetary policing tightening will hinge around whether inflation expectations become unanchored. That would encourage central banks to do more to look to temper inflation in the near-term- a stitch in time saves nine.

In terms of portfolio positioning and key return drivers, our strategic diversified benchmark is our primary source of risk. Our portfolios allocations to global real estate and listed infrastructure, inflation linked bonds and Gold serve as ballast and provide resiliency in a higher inflationary environment. In addition, we can employ tactical asset allocation decisions (usually derivative structures) which can provide some optionality and reduce the portfolio's growth/defensive split in case of a market correction.

Relative to our strategic benchmark, we are fairly neutrally positioned. We have low-cost option hedges in relation to our high yield exposures, we also have exposures in place to protect the portfolio from widening investment grade credit spreads. We are overweight domestic shorter maturity bonds where we think the market pricing for rates hikes in Australia is too aggressive- both from a quantity and speed perspective. We strategically prefer inflation-linked bonds over nominal bonds for portfolio duration exposure. We remain wary of the high degree of uncertainty within markets and the economy and continue to monitor and react dynamically to risks from a higher rate environment and ongoing geopolitical tensions.

Benchmark Allocation



Asset Class	Benchmark Weight (%)	Market Performance	Contribution to Benchmark Return
Australian Shares	24.00	2.53	0.61
International Shares - unhedged	14.00	-8.61	-1.20
International Shares - hedged	10.00	-4.94	-0.49
International Infrastructure	5.00	0.49	0.02
International Property	5.00	-6.47	-0.32
Emerging Market Equity	7.50	-9.76	-0.73
Australian Bonds	5.00	-5.98	-0.30
Aust. Inflation-Linked Bonds	6.00	-6.64	-0.40
US Inflation-Linked Bonds	6.00	-3.42	-0.21
Emerging Market Debt	3.00	-10.13	-0.30
Global High Yield	5.00	-4.70	-0.23
Gold	6.00	2.81	0.17
Cash	3.50	0.01	0.00

Total Benchmark Return: -3.39

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	489 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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