

BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE

30 November 2022

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees) ¹	4.03	3.23	-4.87	-2.80	5.08	7.12	-
Diversified Benchmark*	4.26	2.83	-5.97	-4.08	3.26	5.85	-
Outperformance (Gross of Fees)	-0.23	0.40	1.10	1.29	1.82	1.27	-
BlackRock Tactical Growth Fund (Net of Fees) ²	3.96	3.01	-5.60	-3.62	4.20	6.23	7.71
Diversified Benchmark*	4.26	2.83	-5.97	-4.08	3.26	5.85	7.98
Outperformance (Net of Fees)	-0.30	0.18	0.36	0.46	0.94	0.38	-0.27
BlackRock Balanced Fund (Net of Fees) ³	3.95	3.01	-5.60	-3.61	3.81	5.57	6.52
Diversified Benchmark*	4.26	2.83	-5.97	-4.08	3.26	5.85	7.90
Outperformance (Net of Fees)	-0.31	0.17	0.37	0.47	0.55	-0.28	-1.38

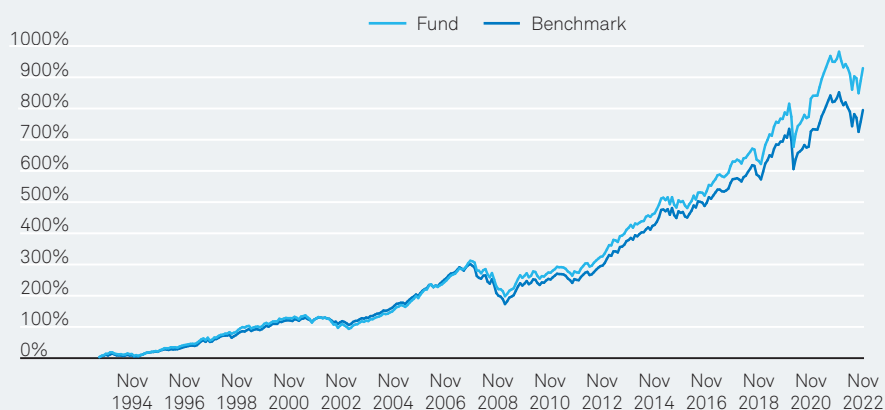
¹ Fund inception: 30/09/1992. ² Fund inception: 30/09/1992. ³ Fund inception: 30/04/1992.

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 30 November 2022



Performance Summary

Market Overview – November 2022

The recovery in global equity and fixed income markets continued over November. Risk assets gained amid speculation that monetary tightening by global central banks has begun to moderate, while policy developments in China and softer inflation data across key economies supported investor sentiment. Global equities, as measured by the MSCI World Index, increased by 2.0% over the month in Australian dollar terms, with Emerging Markets outperforming their Developed Market

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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

counterparts. Fixed Income markets also saw positive performance, with global bonds closing the month up 2.4% and Australian bonds rising by 1.5%.

US

In the US, the S&P 500 Index increased by 5.6% in November (in local currency terms), with Materials and Industrials sectors outperforming. US equities rallied when inflation data came in below consensus forecasts, with inflation rising 7.7% in October on an annual basis, compared to the 7.9% print predicted. Expectations that the US Federal Reserve (Fed) will moderate future rate increases on the back of softening inflation also helped markets trend higher. However, various Fed speakers continued to emphasise that policy tightening still has further to go and the overall level of interest rates is more important than the pace of hikes. Meanwhile, the US midterm elections saw Republicans take control of the House of Representatives, while the US unemployment rate also rose to 3.7% with the labour market seeing early signs of cooling.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 9.7% in November (in local currency terms), despite lackluster economic data and weak consumer sentiment. The initial negative market reaction to a missile landing in Poland was quickly unwound when it became apparent this was an unintended accident by Ukraine's air defense systems. Purchasing Managers' Index (PMI) data showed that activity in the European services sector shrank in October – an indication of the growing economic damage from central bank tightening. This tradeoff was also acknowledged in previous European Central Bank (ECB) meeting minutes.

The UK equity market gained 7.1% in November (in local currency terms). As expected, the Bank of England (BoE) raised rates by 75bps, representing its biggest single hike since 1989. Investors also digested the UK government's anticipated budget statement, which cut spending and raised taxes. This stabilizes the British budget on a new lower level of economic activity, however most of the austerity measures will come beyond the next scheduled election in early 2025. Headline UK inflation hit a new four-decade high and pushed above 11% per annum on the back of higher energy and food prices.

Asia

Asian equities were also positive over the month. China's CSI 300 Index rose by 9.8% in November (in local currency terms) after falling sharply in previous months. Market sentiment was buoyed by the incremental relaxation of China's zero-COVID policy. The easing of pandemic controls came amidst widespread anti-lockdown protests across multiple Chinese cities following a recent flare up in COVID-19 cases and accompanying social restrictions. These demonstrations mark one of the largest acts of civil unrest in over a decade and led to a reassessment of pandemic controls to placate public demands. Earlier in the month, Chinese authorities rolled out several measures to support the property market and ease the liquidity crunch faced by developers.

Japanese equities, as represented by the TOPIX Index, rose by 1.4% in November (in local currency terms). Japan's core inflation data beat expectations over the month, jumping to a 3.6% annual rate. This marked the fastest increase in inflation over three decades, and was driven by higher import prices given the Japanese Yen's weakness against major trading partners. Higher inflation is expected to put more pressure on the Bank of Japan's (BoJ) current policy stance, especially its yield curve control policy which caps Japanese government 10-year bond yields.

Australia

The S&P/ASX 300 Accumulation Index rose by 6.5% in November, with Utilities and Materials sectors among the best performing sectors over the period. The Australian labour market remains tight and the unemployment rate fell to 3.4% in October, while the wage price index beat forecasts by increasing 1.0% over the third quarter. Earlier in the month, the Reserve Bank of Australia (RBA) hiked interest rates by 25bps, bringing the official cash rate to 2.85%. Meanwhile, monthly inflation data showed an unexpected dip to 6.9% year-on-year.

Fixed Income

Fixed Income markets were supported by lower bond yields in November due to expectations that the pace of interest rate hikes by central banks will slow going forward. US and Australian 10-year yields fell by 44bps and 23bps in November (after rising sharply earlier in the year) to end the month at 3.6% and 3.5% respectively. The decline in rates saw bond prices rise. As such, the Australian composite bond index increased by 1.5% and the Global Aggregate index by 2.5% over the month. Riskier parts of the fixed income markets, such as emerging market debt and corporate credit indices, also realised gains as credit spreads tightened amid improved risk sentiment.

Commodities & FX

Commodity and energy prices were mixed over November. Oil prices retraced gains to fall by 4.4% as recessionary concerns loom across global economies, while Gold rose over the period. Iron Ore prices rebounded to their highest levels in two months after China unveiled a support package for its property sector. Within currencies, the US dollar depreciated against its developed market peers, weakening by 4.8% over the month. The Australian dollar appreciated against the US dollar by 6.1% over the month alongside stronger commodity prices and improvement in risk sentiment. The appreciation of the Australian dollar saw hedged international equities outperform that of unhedged equities, as it meant that the rise in global share prices was protected against currency moves.

Strategy Commentary – November 2022

The BlackRock Tactical Growth Fund recorded performance of 3.96% in November (after fees), behind its diversified benchmark which gained 4.26%. The fund underperformed by 0.30% (after fees) in the month of November.

Looking at total returns over the month, most asset classes experienced relatively strong performance. Growth assets such as Australian Equities and International Equities drove the fund's total return, Emerging Market Equities rebounded as result of incremental relaxation of China's zero-COVID policy. The Fund's more typical defensive asset classes, primarily Australian Fixed Income, International Fixed Income and Global High Yield also contributed positively to overall performance. The returns from allocation to International Infrastructure and Gold were additive.

The Fund underperformed its diversified benchmark in November (after fees). The key detractor to active performance came from Global Fixed Income selection and Global Listed Real Estate. The allocation to Global Macro, contributed modestly to active returns.

Outlook and Positioning

November was another good month for asset returns across the board-building on the strength in October. Some of this better tone to markets can be attributed to many central banks taking a more balanced approach between fighting inflation and an awareness that a meaningful amount of interest rate tightening has already occurred; and the full effects of that tightening is yet to be felt. Additionally, the prospect of a faster than expected China COVID re-opening bolstered financial market sentiment.

U.S Stocks surged after the October core CPI rose less than expected, stoking market hopes a Federal Reserve (Fed) pause on rate hikes is nearer. We think it is premature, Goods inflation is easing as it needed to, but the labour constraints driving wage growth and core inflation persist, so the Fed is still on a path to create a recession via policy overtightening.

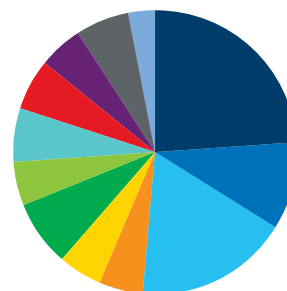
The Reserve Bank of Australia (RBA) hiked its Official Cash Rate (OCR) once again by 25bps in November to 2.85%. The Bank continues to suggest more rate hikes are to come as it is committed to returning inflation to the target. The RBA has revised its central forecast for GDP growth down to 3% in 2022, as the result of higher interest rates and lower real wages, as well as the broader effects of global growth slowdown.

For all the concern about containing inflation, we see policymakers ultimately living with somewhat higher inflation than they would necessarily prefer- particularly as it relates to inflation that is being primarily driven by supply issues, rather than being driven strictly by demand. In near term, we expect central banks to overtighten policy causing economic damage and flare-ups of financial stability risk.

In terms of portfolio positioning and key return drivers, our strategic diversified benchmark is our primary source of risk. Our portfolio's allocations to Listed Infrastructure, Australian and US Inflation Linked Bonds and Gold have historically served as ballast and provide resiliency in a higher inflationary/ lower growth 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.

Relative to our strategic benchmark, we are relatively neutrally positioned. We are underweight bonds in the US and Europe. We have closed out our overweight Australian three-year bond position, on a belief that current pricing is too optimistic on where the RBA might land in terms of policy rates. We have some tactical option exposures across US and Australian equities into late December- there are several key events over this period and the cost for a bit of 'insurance' in our estimation was reasonable. 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, higher cross-asset correlations, ongoing geopolitical tensions and a likely increase in growth volatility for developed market economies going forward.

Benchmark Allocation



Asset Class	Benchmark Weight (%)	Market Performance	Contribution to Benchmark Return
Australian Shares	24.00	6.49	1.56
International Shares - unhedged	10.00	2.02	0.20
International Shares - hedged	17.50	5.43	0.95
International Infrastructure	5.00	3.15	0.16
International Property	5.00	1.91	0.10
Emerging Market Equity	7.50	9.64	0.72
Australian Bonds	5.00	1.55	0.08
Aust. Inflation-Linked Bonds	6.00	2.48	0.15
US Inflation-Linked Bonds	6.00	1.75	0.10
Global High Yield	5.00	2.20	0.11
Gold	6.00	2.07	0.12
Cash	3.00	0.25	0.01

Total Benchmark Return: 4.26

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	429 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. © 2022 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.