

BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE

31 March 2023

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees) ¹	2.00	5.83	5.83	1.85	10.97	7.97	
Diversified Benchmark*	2.20	5.21	5.21	-0.69	8.98	6.52	-
Outperformance (Gross of Fees)	-0.20	0.61	0.61	2.53	1.99	1.45	-
BlackRock Tactical Growth Fund (Net of Fees) ²	1.98	5.66	5.66	1.04	10.06	7.08	7.73
Diversified Benchmark*	2.20	5.21	5.21	-0.69	8.98	6.52	7.96
Outperformance (Net of Fees)	-0.22	0.45	0.45	1.73	1.09	0.56	-0.24
BlackRock Balanced Fund (Net of Fees) ³	1.98	5.65	5.65	1.04	9.73	6.49	6.54
Diversified Benchmark*	2.20	5.21	5.21	-0.69	8.98	6.52	7.88
Outperformance (Net of Fees)	-0.22	0.44	0.44	1.73	0.75	-0.03	-1.34

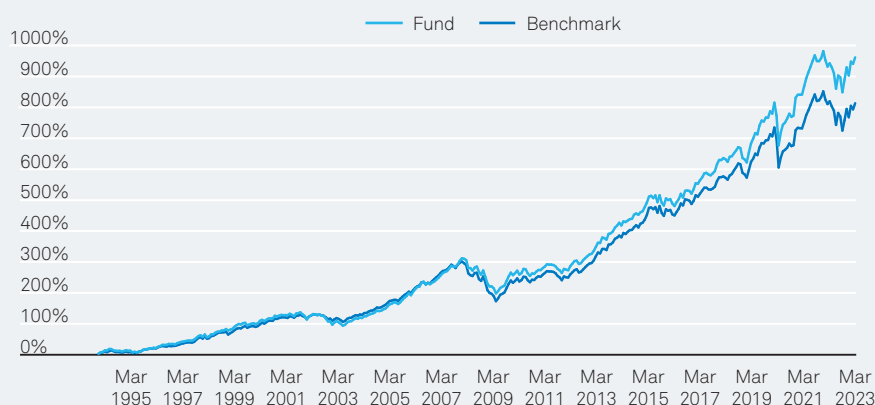
¹ Fund inception: 30/09/1992. ² Fund inception: 30/09/1992. ³ Fund inception: 30/04/1992.

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

* Please note that effective from 31 May 2022 the index and its weights representing the performance benchmark for the BlackRock Tactical Growth Fund have changed slightly to reflect the latest changes to the Fund's strategic asset allocation (i.e. the composite benchmark). This is reflected in the historical benchmark performance, with returns prior to 31 May 2022 reflecting those of the old benchmark weights while returns after this date reflect those of the updated benchmark weights.

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 Accumulation Index, MSCI World ex Aus Net Total Return Index, MSCI World ex Aus Hedged Index, FTSE EPRA Nareit Developed Net Total Return Index, FTSE Developed Core Infrastructure 50/50 Net Tax Index, MSCI Emerging Markets Net Index, Refinitiv Gold Fixing Price Index, Bloomberg AusBond Composite 0+Yr Index, Bloomberg AusBond Inflation Government Index, Bloomberg Barclays US Govt Inflation-Linked Hedged Index, ICE BofA Developed Markets HY Constrained Hedged Index, Bloomberg AusBond Bank Bill Index.

Cumulative Performance (Gross of fees) to 31 March 2023



Performance Summary

Market Overview – March 2023

Major asset classes performed strongly over the first quarter of 2023, despite significant turmoil within the financial sector. Global equities, as measured by the MSCI World Index, increased by 9.2% over Q1 in Australian dollar terms. Developed Markets outperformed their Emerging Market counterparts, with fears of broader contagion across the banking system easing late in March. However, investors remain alert for signs of any further financial cracks and economic damage following the collapse of Silicon Valley Bank and forced acquisition of Credit Suisse by UBS. Fixed

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged) saw meaningful volatility but gained 2.4% over the quarter.

US

In the US, the S&P 500 Index increased by 7.5% over the quarter and by 3.7% in March (in local currency terms). The Information Technology sector outperformed while Financials recorded losses as US regional banks sold off after the collapse of Silicon Valley Bank. Despite the recent banking stress, the US Federal Reserve (Fed) increased the Fed funds rate by 50 basis points over Q1 but introduced a new liquidity backstop to help banks meet depositor withdrawals. Fed Chair, Jerome Powell, also cautioned that the Fed was not contemplating any rate cuts later this year, contrary to market expectations for a policy pivot following the latest banking tumult. Meanwhile, core inflation rose less than forecast at 4.6% year-on-year in February, while key housing market indicators have also shown signs of slowdown.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 14.2% in the first quarter and by 2.0% in March (in local currency terms). The takeover of Credit Suisse by UBS took the spotlight, with Swiss regulators swiftly facilitating the acquisition given sustained capital flight by the bank's depositors. Meanwhile, the European Central Bank's (ECB) hiked twice by 50 basis points over Q1. Following the March rate decision, ECB President, Christine Lagarde, struck a hawkish tone by re-stating the priority of reining in inflation – having seen core Eurozone inflation reach an all-time high of 5.7% over February.

In the UK, the FTSE 100 Index gained by 3.6% over the quarter but lost 2.5% in March (in local currency terms). The Bank of England pushed up its policy rate to 4.25%, having hiked rates twice over the period. UK inflation remains stubbornly high, with February CPI data increasing unexpectedly to 10.4% on the back of rising food prices and energy bills. Britain experienced widespread worker strikes over Q1, with unions across a range of industries protesting pay and working conditions, amidst a tight UK labour market.

Asia

Asian equities recorded positive returns in Q1. China's CSI 300 Index rose by 4.7% over the quarter but declined by 0.5% in March (in local currency terms), with gains earlier in the quarter underpinned by the country's economic reopening. In March, the country set its new GDP growth target of "around 5%" for 2023, representing its lowest for more than three decades and below last year's goal of 5.5%. China's domestic restart continues apace with February data showing strong activity and credit growth, while official non-manufacturing PMI hit a 12-year high late in the quarter.

Japanese equities, as represented by the Nikkei 225 Index, gained 8.5% over the quarter and rose by 3.1% in March (in local currency terms). Persistent domestic inflation has added pressure to the Bank of Japan (BoJ) to adjust its ultra-loose monetary policy which appears increasingly at odds with the hawkish stance in other developed economies. Japan's core-core CPI that strips out energy and food prices rose 3.5% over February – the fastest pace in more than four decades – while retail sales rose 6.6% year-on-year in February ahead of market expectations. Earlier in Q1, Kazuo Ueda was confirmed as the nominee to become the new Bank of Japan (BoJ) governor in April.

Australia

The S&P/ASX 300 Accumulation Index gained 3.3% over the quarter but lost 0.2% in March, with Information Technology and Consumer Discretionary among the best performing sectors while Financials recorded losses. The Reserve Bank of Australia (RBA) increased the cash rate to 3.60% over Q1, however March meeting minutes indicated the central bank is contemplating an upcoming pause in rate rises. Although the monthly CPI indicator has decelerated for the last two consecutive months from 8.4% in December to 6.8% year-on-year in February, inflationary pressures remain elevated by historical standards. Meanwhile, Australian house prices fell 0.6% nationally over the quarter but increased by 0.6% in March to break a 10-month streak of consecutive declines (as represented by the CoreLogic Home Value index).

Fixed Income

Fixed Income markets finished the quarter in positive territory, having recovered from a sharp sell-off in February. Government bonds experienced heightened volatility as markets initially pushed expectations higher for global interest rates before retracing lower in March as financial cracks drove a belief that monetary tightening by central banks will begin to moderate. The US and Australian 10-year yields fell by 41 basis points and 75 basis points across Q1 to end the period at 3.5% and 3.3% respectively. The decline in rates saw bond prices rise. As such, the Australian composite bond index increased by 4.6% and the Global Aggregate index (hedged) by 2.4% over the quarter. Riskier parts of the fixed income markets, such as emerging market debt and corporate credit indices, also realised gains.

Commodities & FX

Commodities gained over Q1 while energy prices declined. Industrials metals performed strongly, with Iron Ore and Copper rising 10.0% and 7.3% respectively alongside China's economic reopening, while Gold also gained 8.0% over the period. However, Oil prices fell by 5.7% due to recessionary fears while Natural Gas prices also retreated as the effects of the European energy shock abated. Within currencies, the US dollar depreciated against its developed market peers, weakening by 1.3% in Q1. The Australian dollar depreciated by 1.9% against the US dollar, with lower commodity prices dragging the currency down.

Strategy Commentary – March 2023

The BlackRock Tactical Growth Fund recorded performance of 5.66% in Q1 (after fees), ahead of its diversified benchmark which increased 5.21%. The fund outperformed by 0.45% (after fees) in the first quarter.

Looking at total returns over the quarter, growth assets such as Australian Equities, International Equities and Emerging Market Equities contributed. Global Infrastructure and Global Property also modestly contributed in Q1. The Fund's more typical defensive asset classes, primarily Australian Fixed Income and International Fixed Income also added to overall performance. The defensive allocation to Gold further contributed to the Fund's performance.

The Fund outperformed its diversified benchmark in Q1 (after fees). The key contribution to active performance came from a market-neutral style premia strategy. This sub-strategy seeks to capture positive returns from a range of style factors (i.e., Momentum, Quality, Minimum Volatility, Value and Carry) across global asset classes, while maintaining low correlation to broad market indices. Across style factors, Value, Carry, Minimum Volatility and particularly strong returns in Quality given the U.S. regional banking crisis, drove outperformance. Momentum was the lone detractor over the quarter.

International Equities, Australian Equities and Global Infrastructure were also positive active contributors over the quarter. The allocation to Global Macro strategies, which enables the fund to take in macro-driven, high conviction tactical views detracted from the fund's active returns, after a strong 2022. However, some timely tactical portfolio tilts in Australian bonds contributed positively and helped cushion active performance.

Outlook and Positioning

Q1 was a good period for asset returns across the board – as fears of broader contagion across US and European banks eased late in the quarter. Some of the better tone to markets in January can also be attributed to Investors' hope for an economic soft landing, where we avoid a recession in 2023. However, this changed rapidly as Feb and early March were marked by high volatility, with both equities and fixed income selling off.

The US Federal Reserve (Fed) hiked its policy rate by 50bps over the quarter and hinted at more rate hikes to come as they remain steadfast in seeking to bring inflation below 2%. Central banks more broadly, have sought to separate their actions around shoring up the banking system/s and their interest rate policy.

Locally, the Reserve Bank of Australia (RBA) also hiked its Official Cash Rate (OCR) by 50bps in the first quarter to 3.60%. Looking forward, the Board is considering a pause in the rate hike cycle to reassess the impact of interest rate tightening that has already occurred. The RBA also continues to reiterate its commitment in returning inflation to the 2–3% range, over time, but notes the path to achieve a soft-landing remains narrow. The RBA has forecasted the Inflation to return to their target range only by mid-2025.

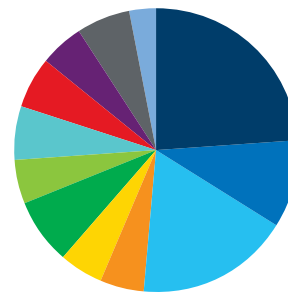
For all the concern about containing inflation, we see policymakers ultimately living with somewhat higher inflation than they would necessarily prefer- particularly as it relates to inflation that is being primarily driven by supply issues, rather than being driven strictly by demand. In near term,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

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 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.

Finally, at the end of March- following our approximately annual review, we implemented changes to the portfolio's strategic asset allocation. The changes were incremental- the most significant shift was an introduction of Australian Corporate Bonds. We think the yields on offer here are relatively attractive given the asset class risk has historically been quite low. This new allocation was funded from small reductions in broad Australian Fixed Income, Global High Yield Bonds and Gold. Details for this SAA refresh are available on the BlackRock website here.

Benchmark Allocation



Asset Class	Benchmark Weight (%)	Market Performance	Contribution to Benchmark Return
Australian Shares	24.00	3.33	0.81
International Shares - unhedged	10.00	9.20	0.91
International Shares - hedged	17.50	7.14	1.25
International Infrastructure	5.00	2.54	0.13
International Property	5.00	2.04	0.10
Emerging Market Equity	7.50	5.26	0.40
Australian Bonds	5.00	4.60	0.23
Aust. Inflation-Linked Bonds	6.00	6.82	0.41
US Inflation-Linked Bonds	6.00	2.96	0.18
Global High Yield	5.00	3.07	0.15
Gold	6.00	9.97	0.61
Cash	3.00	0.79	0.02

Total Benchmark Return: 5.21

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	418 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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