BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE **31 October 2022**

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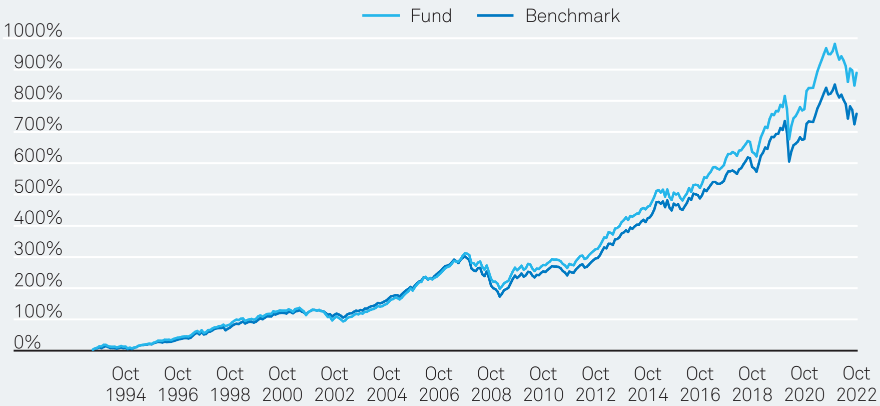
- Market Insights & Commentary
- Fund Performance
- Unit Prices

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees)[1]	4.28	-1.36	-8.55	-5.71	4.53	6.69	
Diversified Benchmark*	4.07	-2.66	-9.81	-6.95	2.63	5.35	-
Outperformance (Gross of Fees)	0.21	1.30	1.25	1.24	1.90	1.34	-
BlackRock Tactical Growth Fund (Net of Fees)[2]	4.20	-1.57	-9.20	-6.51	3.66	5.80	7.60
Diversified Benchmark*	4.07	-2.66	-9.81	-6.95	2.63	5.35	7.85
Outperformance (Net of Fees)	0.13	1.09	0.61	0.45	1.03	0.45	-0.26
BlackRock Balanced Fund (Net of Fees)[3]	4.20	-1.57	-9.18	-6.50	3.26	5.13	6.40
Diversified Benchmark^	4.07	-2.66	-9.81	-6.95	2.63	5.35	7.77
Outperformance (Net of Fees)	0.13	1.09	0.62	0.46	0.62	-0.22	-1.37

[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 October 2022



Performance Summary

Market Overview – October 2022

October saw a reprieve for risk assets, with the European energy crisis showing signs of easing and investors speculating there could soon be a potential dovish pivot by central banks. Global equities rallied over the month and the MSCI World Index rose by 7.8% in Australian dollar terms, with Developed Markets outperforming their Emerging Market counterparts. Fixed Income markets saw varied performance, with global bonds closing the month down by 0.4% while Australian bonds posted positive returns of 0.9%. Riskier parts of the fixed income market also recorded positive performance given the improvement in risk appetite and tightening of credit spreads.

US

In the US, the S&P 500 Index increased by 8.1% in October (in local currency terms). US equities were boosted by a resilient corporate earnings season for Q3, with more than two-thirds of companies that have reported results delivering a positive earnings surprise. That said, the magnitude of positive earnings surprise is notably below the 5-year and 10-year average figure – signalling slowing demand across the economy. Energy and Industrials sectors outperformed over the period, while several large-cap tech names, including Meta and Amazon, disappointed. US GDP growth was stronger than expected and bounced back in Q3 to 2.6% annualized, driven largely by higher energy exports. Core PCE, the US Federal Reserve's (Fed) preferred inflation measure, also accelerated slightly to 5.1% on annual basis over the month. Core inflation remains stubbornly high given strong wages growth and is not far from the 40-year high reached earlier this year.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 9.1% in October (in local currency terms). The European Central Bank (ECB) announced another 75bps rate hike in October, however ECB President, Christine Lagarde, took a dovish tone by signaling a slower pace of rate hikes ahead. European energy concerns also diminished over the period, with natural gas prices falling given Europe's success in building up supply ahead of winter. Country inflation data across Germany, France and Italy, which was released late in the month, beat analyst estimates and remains at elevated levels.

The UK equity market gained 3.0% in October (in local currency terms). British financial markets stabilized after a significant turnaround in UK fiscal policy and change in political leadership. Former Chancellor, Rishi Sunak, was appointed the new Prime Minister by the Conservative Party following the resignation of Liz Truss, who was forced to reverse her unfunded tax cuts. The new government was viewed by investors as a steadier hand on economic policy and will publish their budget plan in coming weeks to address the UK fiscal shortfall. The unemployment rate also fell to a 40-year low at 3.5% in the three months through August, although job vacancies weakened.

Asia

Asian equities were mixed over the month. China's CSI 300 Index fell by 7.7% in October (in local currency terms), selling off sharply after the 20th Communist Party Congress where Chinese President Xi Jinping secured an unprecedented third term. Investor disappointment over the lack of check-and-balances in the new Politburo Standing Committee, which represents the top leadership of the Chinese Communist Party, and implications of a more hard-line approach to national security and lockdown measures contributed to the decline. Smaller COVID outbreaks have persisted in many Chinese provinces with no sign of a meaningful change in the country's zero-COVID strategy. While Q3 GDP growth of 3.9% YoY beat expectations, it remains below the official target.

Japanese equities, as represented by the TOPIX Index, rose by 6.4% in October (in local currency terms). Japan's headline inflation jumped to an 8-year high of 3.1% YoY for September, but the core underlying measure saw a more muted increase. Consequently, the Bank of Japan (BoJ) kept its policy rate unchanged at -0.1% and yield curve control program in place, despite a sustained depreciation in the Japanese yen. The Japanese Ministry of Finance (MoF) continued to intervene in currency markets over the month to defend the yen, which had fallen to a 32-year low against the US dollar.

Australia

The S&P/ASX 300 Accumulation Index rose by 6.0% in October, with Financials and Energy sectors among the best performing sectors over the period. Earlier in the month, the Reserve Bank of Australia (RBA) surprised the market by hiking only 25bps, which was below economist and market expectations. The RBA cited the need to assess the impact of previous rate hikes on the domestic inflation outlook and economic growth. Meanwhile, Australian house prices continued their decline, dropping 1.2% nationally over the month (as represented by the CoreLogic Home Value index). Australian inflation increased by 7.3% YoY in Q3, which was above market predictions, and the annual pace of inflation is now at its fastest rate since 1990.

Fixed Income

Fixed Income markets saw varied performance over the period. The increase in global rates saw international bond prices fall, while the decline in domestic rates aided Australian bonds. As such, the Global Aggregate Bond index fell by 0.4% over the month, while the Australian Composite Bond index rose by 0.9%. Riskier parts of the fixed income markets, such as emerging markets debt and high yield credit indices, rose as spreads tightened amid improved risk sentiment.

Commodities & FX

Energy prices rose over October, with the decision by OPEC+ to cut oil production by two million barrels per day expected to put further upward pressure on prices. Gold and other metals declined across the period. Within currencies, the US dollar halted its recent ascent against its developed market peers, weakening by 0.2% over the month. The Australian dollar was roughly flat against the US dollar for the month but remains 11.9% lower on a year-to-date basis. Across 2022, the depreciation of the Australian dollar has acted as a welcome buffer for international equity investors, as it has meant that the fall in global share prices has been less pronounced from an unhedged perspective.

Strategy Commentary – October 2022

The BlackRock Tactical Growth Fund recorded performance of 4.20% in October (after fees), ahead of its diversified benchmark which gained 4.07%. The fund outperformed by 0.13% (after fees) in the month of October.

Looking at total returns over the month, most asset classes experienced relatively strong performance. The clear exceptions were Emerging Market Equities and Gold- the former being underwhelmed by the measures coming out of the 20th Chinese Communist Party as previously mentioned, while Gold gave back most of the strong returns from September.

The Fund outperformed its diversified benchmark in October (after fees). The key contribution to active performance came from Global Macro, which enables the fund to take in macro-driven, high conviction tactical views.

Outlook and Positioning

The month of October provided some relief from the past few months performance. High inflation rates, hawkish central bank rhetoric and action, as well as slowing global growth concerns continue to take centre stage however.

October saw most companies within the US S&P 500 index report their earnings. While perhaps they were in aggregate not as bad as feared, the reality was that expectations for earnings themselves had moderated in the weeks preceding. Moreover, excluding the energy sector, earnings saw negative quarter-over-quarter growth. Mega-cap stocks such as Meta (Facebook), Tesla and Amazon experienced heavy losses as their reporting disappointed analyst estimates.

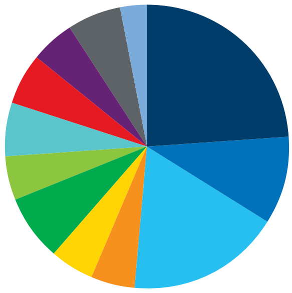
The Reserve Bank of Australia (RBA) hiked its Official Cash Rate (OCR) by "only" 25bps in October to 2.60%, the market assigned some probability of a larger increase. The RBA believe they have reached a point where they can slow the pace of rate hikes and assess the impact of prior tightening on inflation and the labour market. Nonetheless, the Bank continues to suggest more rate hikes are to come as it is committed to returning inflation to the 2-3% range, over time.

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 and overweight in Australia- particularly at the shorter-end where markets continue to expect continued interest rate hikes from the RBA out to the first half of next year. While we remain cautious overall on duration, we think the idiosyncrasies of the Australian economy- particularly household indebtedness, makes this an appealing place to express a long duration exposure. Moreover, this long duration position helps offset short duration exposures elsewhere in the portfolio. 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	5.96	1.43
International Shares - unhedged	10.00	7.81	0.78
International Shares - hedged	17.50	7.22	1.26
International Infrastructure	5.00	4.05	0.20
International Property	5.00	3.55	0.18
Emerging Market Equity	7.50	-2.57	-0.19
Australian Bonds	5.00	0.93	0.05
Aust. Inflation-Linked Bonds	6.00	4.06	0.24
US Inflation-Linked Bonds	6.00	1.23	0.07
Global High Yield	5.00	2.56	0.13
Gold	6.00	-1.52	-0.09
Cash	3.00	0.24	0.01

Total Benchmark Return: 4.07

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	421 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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