

BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE

31 January 2024

Investment Performance (%)

| | 1 Mth | 3 Mths | CYTD | 1 Yr | 3 Yrs | 5 Yrs | Inc |
|---|-------|--------|------|-------|-------|-------|-------|
| BlackRock Tactical Growth Fund (Gross of Fees) ¹ | 1.43 | 9.11 | 1.43 | 10.06 | 7.02 | 8.86 | |
| Diversified Benchmark* | 1.03 | 9.23 | 1.03 | 9.20 | 5.87 | 7.22 | - |
| Outperformance (Gross of Fees) | 0.40 | -0.12 | 0.40 | 0.87 | 1.15 | 1.64 | - |
| BlackRock Tactical Growth Fund (Net of Fees) ² | 1.36 | 8.88 | 1.36 | 9.20 | 6.15 | 7.97 | 7.77 |
| Diversified Benchmark* | 1.03 | 9.23 | 1.03 | 9.20 | 5.87 | 7.22 | 8.01 |
| Outperformance (Net of Fees) | 0.33 | -0.35 | 0.33 | 0.01 | 0.27 | 0.74 | -0.24 |
| BlackRock Balanced Fund (Net of Fees) ³ | 1.36 | 8.86 | 1.36 | 9.18 | 5.99 | 7.55 | 6.62 |
| Diversified Benchmark* | 1.03 | 9.23 | 1.03 | 9.20 | 5.87 | 7.22 | 7.93 |
| Outperformance (Net of Fees) | 0.33 | -0.37 | 0.33 | -0.01 | 0.12 | 0.32 | -1.31 |

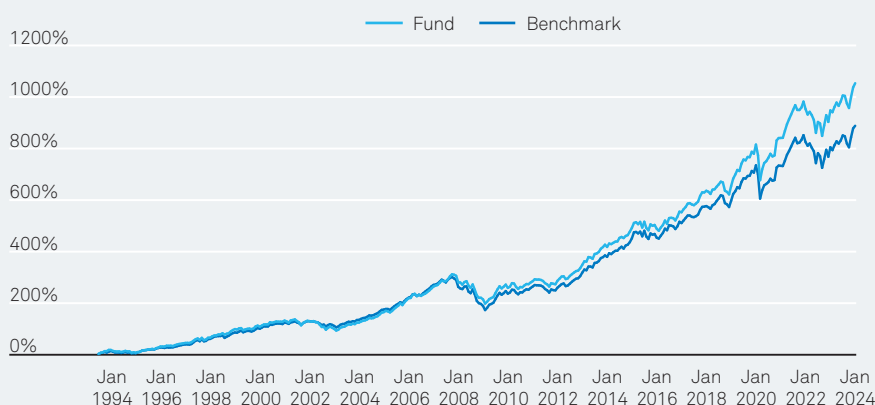
¹ Fund inception: 30/09/1992. ² Fund inception: 30/09/1992. ³ Fund inception: 30/04/1992.

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 March 2023 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 March 2023 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/ASX300 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 US Govt Inflation-Linked Hedged Index, ICE BofA Developed Markets HY Constrained Hedged Index, Bloomberg AusBond Credit 0+ Yr Index and Bloomberg AusBond Bank Bill Index.

Cumulative Performance (Gross of fees) to 31 January 2024



Performance Summary

Market Overview – January 2024

Robust economic data continued to support risk assets in January. However, performance diverged across sectors and geographies amid changes in policy expectations and a resurgence in geopolitical concerns. Global equities, as measured by the MSCI World Index (hedged), ended the month up 1.8% in Australian dollar terms and Developed Market equities outperformed their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), finished down 0.3% over the month.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index rose by 1.7% in January (in local currency terms), with the Information Technology sector outperforming. Three major developments have helped spur stocks higher since late 2023, including that of the US Treasury announcing it would borrow less than it previously estimated, strong economic growth coupled with resilient corporate earnings raising hopes for a soft economic landing, and a growing disinflationary narrative supporting sentiment. However, hopes for imminent rate cuts were dashed towards month end when Fed Chairman, Jerome Powell, suggested policy easing may not be as forthcoming as initially expected. On the data front, core inflation of 2.9% year-on-year for December was the slowest increase since March 2021. Meanwhile, US stocks are now reporting year-over-year growth in earnings for Q4 – with more companies beating estimates and by a wider margin – compared to earlier in the reporting cycle.

Europe

European equities, as represented through the Euro Stoxx 50 Index, gained 2.9% across the month (in local currency terms). The Eurozone narrowly avoided a shallow recession in the final quarter of 2023, with GDP expanding by 0.1% year-on-year to beat expectations. The European Central Bank (ECB) left interest rates unchanged over the month and continues to remain data dependent. Market expectations for an early interest rate cut began to fade after inflation posted a year-over-year increase of 2.9% in December, up from 2.4% in November.

In the UK, the FTSE 100 Index underperformed its developed market peers and fell by 1.3% over the month (in local currency terms). The Bank of England (BoE) continued to hold its policy rate steady at 5.25% in January and, similar to the US Fed, wants to see more evidence of cooling wage pressures. That may make the BOE relatively slower to cutting rates with Chief Economist, Huw Pill, noting that any cuts are “still some way off”. Meanwhile, headline inflation unexpectedly reaccelerated over December and printed at 4.0% year-over-year.

Asia

China's CSI 300 Index declined by 6.3% across January (in local currency terms), underperforming most other major markets. Although the country recorded 5.3% annualised economic growth for Q4 to beat expectations, China's economy has faltered amid an underwhelming post-Covid restart and ongoing structural economic challenges. Policy support, including that of the larger-than-expected reduction in the reserve requirement ratio, failed to lift sentiment against the backdrop of a protracted property crisis which saw the indebted property giant Evergrande liquidated.

Japanese equities, as represented by the Nikkei 225 Index, rose by 8.4% (in local currency terms) over the month, outperforming most other share markets. The Bank of Japan (BoJ) left policy unchanged in January, although many market participants expect it could end its yield curve control measures and begin rate hikes in 2024. Although services inflation is accelerating, the BoJ will need to be convinced that wages growth – which was just 0.2% annualized in November – is consistent with its 2% inflation target. Moreover, Tokyo core CPI rose only 1.6% year-on-year over the month which was below economist forecasts.

Australia

The S&P/ASX 300 Accumulation Index gained 1.1% in January to close the month at a record high, with Financials and Healthcare among the best performing sectors. On the data front, headline inflation for Q4 slowed to 4.1% to reach a two-year low, with softer prints observed across goods and services inflation. Australian unemployment also held steady at 3.9% as the domestic jobs market remains tight, however retail sales plunged by 2.7% in December. Australian house prices, as represented by the CoreLogic Home Value index, posted a 0.4% increase in January to start the year on a positive note.

Fixed Income

Fixed income markets were slightly weaker in January as investors lost faith that rate cuts by central banks would occur in the first quarter of 2024. Over the month, the US 10-year yield rose by 3 basis points, while the Australian 10-year yield increased by 6 basis points to end January at 3.9%

and 4.0% respectively. The rise in rates pushed bond prices lower in certain markets, such as European government debt. The Global Aggregate index (hedged) finished the month down 0.3%, while the Australian composite bond index modestly rose 0.2% over January. Riskier parts of the fixed income market saw mixed performance – while corporate credit realised modest gains, emerging market debt indices sold-off across the period.

Commodities & FX

Commodity markets and energy prices were mixed over the month. Oil prices rose sharply by 4.7% in January as geopolitical tensions spiked in the Middle East. While Copper modestly rose 0.4%, Iron Ore fell by 5.3% having rallied strongly in late 2023 alongside Chinese economic stimulus announcements. Gold also declined 1.1% across the period. Within currencies, the US dollar appreciated 2.1% over the month against its developed market peers. The Australian dollar fell 3.6% against the US dollar over January given weakness in the Australian inflation data and changes in US policy expectations.

Strategy Commentary – January 2024

The BlackRock Tactical Growth Fund recorded a positive return for January of 1.36% (after fees), compared to its diversified benchmark which rose by 1.03% over the month. In terms of absolute performance, most growth assets including Australian Equities and Global Equities delivered strong performance over the month, however Emerging Market Equities detracted as Chinese markets fell while Global Property also declined. The Fund's more defensive asset classes were mixed as modest gains across Gold and fixed income allocations were partially offset by Australian Inflation Linked Bonds which detracted.

On the active front, the Fund outperformed its diversified benchmark in January by 0.33% (after fees). The Fund's Market-Neutral Style Premia strategy was the largest contributor led by Momentum and Value factors which added to active returns. The Fund's underweight positioning in fixed income via the Global Macro strategy contributed, as sovereign bond yields increased which pushed bond prices lower, while tactical portfolio tilts and active equity strategies in Asia were also additive. The allocation to Global Fixed Income detracted as both the fundamental and systematic strategy modestly underperformed.

Outlook and Positioning

Global markets trended higher in January to continue the rally in risk assets that began in late 2023. Central bank meetings towards the end of the month, including by the US Federal Reserve, European Central Bank, and the Bank of England, saw a general theme of policymakers trying to curb the growing expectations of imminent rate cuts, especially in the face of strong US data. The sudden share price drop of a regional US bank and commercial real estate concerns also reminded market participants there are still risks that could impede a soft economic landing.

On the domestic front, the RBA's multiple rate hikes over 2023 appear to be taking effect. Headline inflation for Q4 was softer than expected which added fuel to the rally in local equities, while the NAB business survey saw business conditions easing late in the year. However, the Australian labour market is showing signs of cooling and saw a sharp fall in full-time jobs over December.

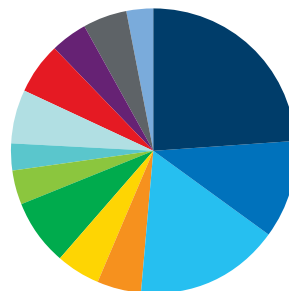
In terms of portfolio positioning and key return drivers, our strategic diversified benchmark exposures are our primary source of risk. At a strategic level, we look to optimise asset class exposures which are complimentary to each other, can generate returns in different economic regimes and have some degree of “inbuilt” resilience to unexpected shocks. 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.

The sharp swings in narratives and markets over year have provided further evidence that we are in a new macro regime that provides different but abundant investment opportunities. Relative to our strategic benchmark we are neutral on growth assets and are underweight bonds in the US and Europe. We have some tactical option exposures in US equities that would partially offset our exposure should market momentum and

the strong gains we've seen reverse. In addition, we added two tactical option exposures in December – to the Australian dollar and US high yield corporate bonds – which may reverse their recent strength should risk assets come under renewed pressure. We believe these additions to be risk reducing from a whole of portfolio perspective and complement the other portfolio strategies across asset classes more broadly.

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 | 1.10 | 0.26 |
| International Shares - unhedged | 11.00 | 4.52 | 0.50 |
| International Shares - hedged | 16.50 | 1.77 | 0.29 |
| International Infrastructure | 5.00 | 0.19 | 0.01 |
| International Property | 5.00 | -0.93 | -0.05 |
| Emerging Market Equity | 7.50 | -1.57 | -0.12 |
| Australian Bonds | 4.00 | 0.21 | 0.01 |
| Australian Corporate Bonds | 3.00 | 0.41 | 0.01 |
| Aust. Inflation-Linked Bonds | 6.00 | -0.69 | -0.04 |
| US Inflation-Linked Bonds | 6.00 | 0.05 | 0.00 |
| Global High Yield | 4.00 | 0.17 | 0.01 |
| Gold | 5.00 | 2.58 | 0.13 |
| Cash | 3.00 | 0.37 | 0.01 |

Total Benchmark Return: 1.03

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 | 457 mil |
| Buy/Sell Spread | 0.12%/0.12% |
| Management Fee | 0.85% p.a. |

| BlackRock Balanced Fund | |
|-------------------------|------------|
| APIR | PWA0013AU |
| Management Fee | 0.85% p.a. |

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