BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE **29 February 2024**

Investment Performance (%)

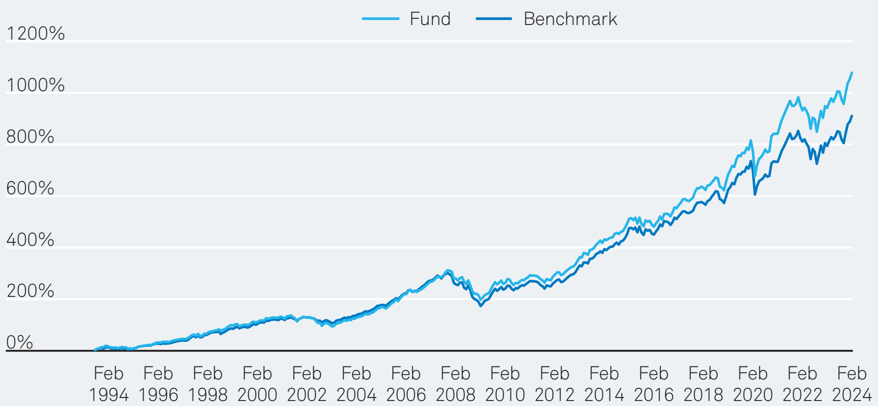
	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees)[1]	2.10	7.06	3.56	13.14	7.75	8.50	-
Diversified Benchmark*	2.24	7.07	3.29	13.06	6.69	6.90	-
Outperformance (Gross of Fees)	-0.14	-0.01	0.27	0.07	1.06	1.60	-
BlackRock Tactical Growth Fund (Net of Fees)[2]	2.02	6.83	3.41	12.25	6.87	7.61	7.82
Diversified Benchmark*	2.24	7.07	3.29	13.06	6.69	6.90	8.07
Outperformance (Net of Fees)	-0.21	-0.24	0.13	-0.81	0.18	0.70	-0.25
BlackRock Balanced Fund (Net of Fees)[3]	2.02	6.82	3.41	12.22	6.73	7.20	6.67
Diversified Benchmark*	2.24	7.07	3.29	13.06	6.69	6.90	7.98
Outperformance (Net of Fees)	-0.22	-0.25	0.12	-0.84	0.04	0.30	-1.32

[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/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 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.

Visit **BlackRock.com.au** for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Cumulative Performance (Gross of fees) to 29 February 2024



Performance Summary

Market Overview – February 2024

Global equity markets continued to rally strongly over February, alongside positive corporate earnings and bullish sentiment regarding artificial intelligence (AI). However, sovereign bond yields broadly rose as investors pushed out the timing and magnitude of central bank rate cuts – resulting in negative returns for most fixed income asset classes. Global equities, as measured by the MSCI World Index (hedged), ended the month up 4.6% in Australian dollar terms, while Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), declined 0.8%.

United States

In the US, the S&P 500 Index rose by 5.3% in February (in local currency terms), to reach new highs with the Magnificent Seven (namely Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) driving overall market returns. Strong earnings results for Q4 2023 underpinned sentiment and saw investors downplay US core inflation, which printed above consensus at 3.9% annualised for January. In a closely-watched release, US chipmaker, Nvidia, significantly beat lofty earnings forecasts driven by strong growth in its AI-related businesses. On the other hand, meeting minutes by the US Federal Reserve (Fed) struck a hawkish tone and showed most participants worried about acting "too quickly to ease the stance of policy" – implying the Fed sees greater risks of inflation remaining sticky above their target. As a result, markets priced out their expectations of rate cuts this year and now reflect a more muted easing cycle in 2024.

Europe

European equities, as represented through the Euro Stoxx 50 Index, gained 5.0% over the month (in local currency terms), benefitting from the AI-fuelled rally and expectations that interest rates have peaked in the region. With the majority of European companies having now reported their earnings for Q4 2023, most missed expectations with earnings down 13% year-on-year. The European Central Bank's (ECB) January meeting minutes also underscored unease over premature easing, citing that the risk of cutting policy rates too early outweighed that of cutting rates too late. Markets continued to dial back expectations of ECB rate cuts after inflation fell less than expected in February at 2.6% year-on-year.

In the UK, the FTSE 100 Index underperformed its developed market peers and gained 0.5% over the month (in local currency terms). Britain slipped into technical recession as the economy contracted 0.3% during Q4 2023, recording two consecutive quarters of negative economic growth. This places the UK as the weakest performer among the G7 economies alongside Germany. Subsequently, the Bank of England's (BoE) Governor, Andrew Bailey, noted that inflation does not need to fall to the BoE's target of 2% before cutting interest rates. UK inflation steadied in January at an annualised rate of 4.0%, which was unchanged from December.

Asia

China's CSI 300 Index rose sharply over February (in local currency terms) to gain 9.4%, outperforming most other major markets, after struggling in 2023. Chinese equities bounced across the period after a slew of policy announcements and reports that President, Xi Jinping, will discuss the nation's stock market with financial regulators. However, policymakers appear to be sticking to targeted easing measures rather than aggressive stimulus to address sluggish sentiment. China's main onshore index remains near a five-year low as ongoing property concerns, geopolitical risks and sluggish growth continue to remain headwinds. Earlier in the month, inflation for January declined 0.8% year-on-year which was the biggest drop since 2009 and underscored that deflationary pressures remain persistent in China.

Japanese equities, as represented by the Nikkei 225 Index, rose by 8.0% (in local currency terms) in February and remain amongst the best performing sharemarkets in 2024, underpinned by the return of inflationary pressures coupled with robust earnings and corporate reforms. Investors are closely watching the Bank of Japan (BoJ) for signs that the central bank will end negative interest rates, although the BoJ is likely to remain cautious to avoid disrupting an exit from decades of disinflation. Japanese core consumer inflation printed at 2.0% year-on-year for January to beat economist consensus and focus now shifts to the annual wage negotiations held in March, with expectations that large firms could offer significant wage rises.

Australia

The S&P/ASX 300 Accumulation Index gained 1.0% in February, with Financials and Consumer Discretionary the best performing sectors. The Reserve Bank of Australia (RBA) left interest rates on hold during its first meeting of the year but surprised markets by retaining a mild tightening bias. The RBA noted that the interest rate trajectory remains data dependent, and "further increases in interest rates cannot be ruled out". Australia's headline inflation held steady at 3.4% year-on-year in January, while Australian unemployment hit a two-year high at 4.1% over the month. Although retail sales grew 1.1% month-on-month, seasonal spending patterns from Black Friday sales inflated these numbers. Australian house prices, as represented by CoreLogic Home Value Index, rose 0.6% in February, its strongest monthly gain since October 2023.

Fixed Income

Fixed income markets were weaker in February as markets repriced yields higher on the back of central banks appearing hesitant to implement rate cuts in the near-term. Over the month, the US 10-year yield rose by 34 basis points, while the Australian 10-year yield increased by 12 basis points to end February at 4.3% and 4.1% respectively. The rise in rates pushed bond prices lower. The Global Aggregate index (hedged) finished the month down 0.8%, while the Australian composite bond index fell 0.3% over February. Riskier parts of the fixed income market saw mixed performance, with high yield corporate credit and emerging market debt indices gaining slightly over the period.

Commodities & FX

Commodity markets and energy prices were generally lower over the month. Iron Ore fell by 10.2% and Copper declined 2.1%, while European natural gas prices also saw weakness. However, Oil was an exception and rose by 2.0% in February amid speculation that OPEC+ would extend their production cuts. Gold was modestly up 0.2% across the period. Within currencies, the US dollar appreciated 0.5% over the month against its developed market peers, while the Australian dollar fell 1.1% against the US dollar.

Strategy Commentary – February 2024

The BlackRock Tactical Growth Fund recorded a positive return for February of 2.02% (after fees), compared to its diversified benchmark which rose by 2.24% over the month. In terms of absolute performance, growth assets delivered strong returns over the month led by Global Equities, Australian Equities and Emerging Market Equities. The Fund's more defensive asset classes underperformed in February as Australian Fixed Income, US Inflation Linked Bonds, and Australian Inflation Linked Bonds detracted, although partially offset by the defensive allocation to Gold which contributed over the month.

On the active front, the Fund underperformed its diversified benchmark in February by -0.21% (after fees). The fundamental Emerging Markets strategy was the largest detractor over the month, due to security selection within China and Brazil, while active equity strategies in Asia and Australia also underperformed their benchmarks. The Fund's Global Macro strategy was the largest contributor, driven by short positioning in fixed income and directional long equity positions. The Market-Neutral Style Premia strategy and allocation to Global Listed Infrastructure were modestly additive, while Global REITS detracted from active returns.

Outlook and Positioning

Global equities continued to reach all-time highs in February alongside positive corporate earnings and bullish investor sentiment, despite a repricing of central bank rate cuts. With US economic data printing strongly and European inflation coming in hotter than expected, it appears equity markets are responding to the robust growth narrative as opposed to tighter financial conditions. This backdrop of strong data, combined with central banks continuing to signal a willingness to ease in 2024, has provided ongoing support to risk assets but acted as a headwind for government bonds.

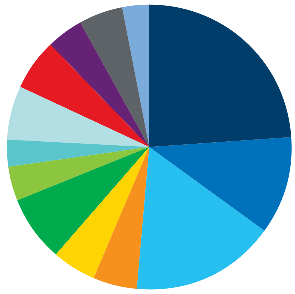
On the domestic front, the RBA held the official cash rate unchanged at 4.35% in February and appears to have shifted to a neutral stance by removing a reference to further hikes in their post-meeting statement. The central bank also maintained its forecast that core inflation would return to its 2-3% target band by late 2025, while highlighting that unemployment would need to rise to achieve this. Although Australian headline CPI surprised to the downside in January and was below economist expectations, wages growth picked up further in Q4 2023.

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 a long-dated option strategy within Australian interest rates that would benefit the Fund if the outlook for interest rates falls in an orderly way over the next year. We believe these positions 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	0.98	0.24
International Shares - unhedged	11.00	5.92	0.65
International Shares - hedged	16.50	4.68	0.77
International Infrastructure	5.00	1.66	0.08
International Property	5.00	0.91	0.05
Emerging Market Equity	7.50	6.35	0.48
Australian Bonds	4.00	-0.30	-0.01
Australian Corporate Bonds	3.00	0.05	0.00
Aust. Inflation-Linked Bonds	6.00	-0.48	-0.03
US Inflation-Linked Bonds	6.00	-1.18	-0.07
Global High Yield	4.00	0.26	0.01
Gold	5.00	1.21	0.06
Cash	3.00	0.34	0.01

Total Benchmark Return: 2.24

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	467 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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