BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

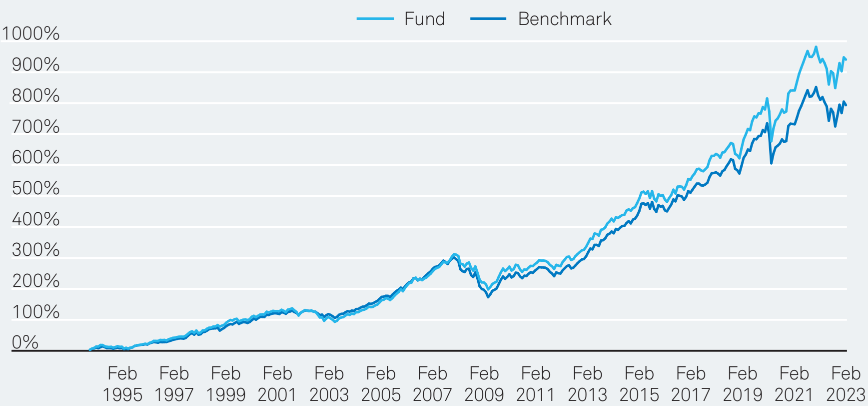
FUND UPDATE **28 February 2023**

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees)[1]	-0.67	1.12	3.75	0.88	6.01	7.29	-
Diversified Benchmark*	-1.26	-0.17	2.95	-1.88	3.81	5.86	-
Outperformance (Gross of Fees)	0.58	1.28	0.81	2.76	2.20	1.43	-
BlackRock Tactical Growth Fund (Net of Fees)[2]	-0.75	0.90	3.61	0.02	5.13	6.40	7.68
Diversified Benchmark*	-1.26	-0.17	2.95	-1.88	3.81	5.86	7.91
Outperformance (Net of Fees)	0.51	1.07	0.66	1.91	1.32	0.53	-0.23
BlackRock Balanced Fund (Net of Fees)[3]	-0.74	0.90	3.60	0.02	4.79	5.79	6.49
Diversified Benchmark*	-1.26	-0.17	2.95	-1.88	3.81	5.86	7.82
Outperformance (Net of Fees)	0.51	1.07	0.65	1.91	0.98	-0.07	-1.33

[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 28 February 2023



Performance Summary

Market Overview – February 2023

Following a strong start to the year, financial markets experienced more volatility in February as strong economic data drove a repricing higher in interest rates. Global equities, as measured by the MSCI World Index (hedged), declined by 1.6% over the month, while the unhedged index finished February up 2.1% as currency moves offset the decline in international share prices. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), recorded losses and closed the month down 1.8%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

US

In the US, the S&P 500 Index fell by 2.4% in February (in local currency terms), with Energy and Utilities sectors among the worst performers. Strong inflation prints again took centre stage over the month, as both headline and core inflation for January came in above expectations. In addition, the unemployment rate declined to a multi-decade low of 3.4% while US retail sales climbed to a two-year high. Signs that inflation is proving persistent and inconsistent with hopes for a quick return to the US Federal Reserve's (Fed) target, along with stronger-than-expected economic data, saw the notion of any potential rate cuts in 2023 fade. The corporate reporting season for Q4 also showed evidence of weaker fundamentals, with less companies beating earnings forecasts and a smaller proportion of firms raising earnings guidance compared to the previous season.

Europe

European equities, as represented through the Euro Stoxx 50 Index, increased by 1.9% in February (in local currency terms). European assets have outperformed most major markets in recent months, despite core inflation increasing to 5.3% in January. Business activity continued to improve across the Eurozone with improvements in flash Purchasing Managers' Index (PMI) readings. Over the month, the European Central Bank (ECB) hiked interest rates by 50 basis points to bring its policy rate to 2.50% and the Bundesbank President, Joachim Nagel, suggested the ECB may need to further tighten policy past its upcoming March meeting. Meanwhile, European corporate earnings disappointed with only four sectors recording positive earnings growth year-on-year.

In the UK, the FTSE 100 Index rose by 1.8% over February (in local currency terms). While UK inflation remains elevated, it dipped for the third month in a row to 10.1% in January which was below economist forecasts. Over the period, Prime Minister, Rishi Sunak struck a landmark deal with the European Union on post-Brexit trade rules for Northern Ireland to help resolve trade barriers and ease diplomatic tensions. Earlier in the month, the Bank of England (BOE) hiked rates by 50 basis points as expected but pushed back against future rate hikes.

Asia

Asian equity markets were mixed over the period. China's CSI 300 Index fell by 2.1% in February (in local currency terms), following a strong rally in prior months that was underpinned by the easing of COVID restrictions late last year. Over the month, the People's Bank of China (PBOC) implemented measures to slow the pace of bank lending. New bank loans reached a record high in January, driven by state-backed infrastructure projects, with banks under pressure to boost domestic consumption. China's manufacturing activity also expanded at the fastest pace in more than a decade in February, showing its economic restart is gathering pace.

Japanese equities, as represented by the Nikkei 225 Index, rose by 0.5% in February (in local currency terms). Nationwide core inflation rose to a three-decade high of 4.2% in January, driven by higher import prices amid the weak Japanese yen. With employee earnings rising 3.5% in December, wages in Japan are now growing at the strongest pace in almost three decades. However, Kazuo Ueda, the nominee to become the new Bank of Japan (BoJ) governor, suggested that more could be needed before a major policy shift.

Australia

The S&P/ASX 300 Accumulation Index fell by 2.5% in February, with Materials and Financials sectors among the worst performing sectors over the period. The Reserve Bank of Australia (RBA) raised interest rates by 25 basis points over the month, with meeting minutes showing the RBA Board was decidedly more hawkish and considered an even steeper rate hike in February. Australian employment data was weaker than expected with the unemployment rate rising to 3.7%, its highest level since May 2022 but still low historically. Meanwhile, Australian house prices continued to decline, dropping 1.0% nationally over January (as represented by the CoreLogic Home Value index).

Fixed Income

Fixed Income markets were negative in February, as markets significantly repriced their expectations higher for interest rates. The US and Australian 10-year yields rose sharply by 41 and 30 basis points respectively to end the month at 3.9% each. The rise in rates saw bond prices fall. As such, the Australian composite bond index decreased by 1.3% and the Global Aggregate index by 1.8% over the month. Riskier parts of the fixed income markets, such as emerging market debt and investment grade credit indices, also realised losses as credit spreads widened amid the risk-off sentiment.

Commodities & FX

Commodity and energy prices were weaker over February. Industrials metals declined, with Iron Ore and Copper falling 2.4% and 3.4% respectively, while Gold also lost 5.3% over the period. Oil and gas prices also retreated as the Northern Hemisphere continued to experience a mild winter. Within currencies, the US dollar appreciated against its developed market peers, strengthening by 2.6% over February. The Australian dollar depreciated by 4.6% against the US dollar, as weaker risk sentiment and lower commodity prices dragged the currency lower.

Strategy Commentary – February 2023

The BlackRock Tactical Growth Fund recorded performance of -0.75% in February (after fees), ahead of its diversified benchmark which declined 1.26%. The fund outperformed by 0.51% (after fees) in the month of February.

Looking at total returns over the month, most asset classes experienced several headwinds and detracted from the fund's performance. Growth assets such as Australian Equities and International Equities curbed the fund's total return and the Emerging Market Equities also declined over the month after a strong performance in previous months. The portfolios significant exposure to movements in the Australian dollar helped ameliorate overall returns- in the case of our global equity exposure, unhedged returns were actually positive in February thanks to a weaker AUD. The Fund's more typical defensive asset classes, primarily Australian Fixed Income and International Fixed Income also detracted from the overall performance as sharp rise in rates meant for falling bond prices. The allocation to Gold also declined over the period.

The Fund outperformed its diversified benchmark in February (after fees). The key contribution to active performance came from Global Macro strategies, which enables the fund to take in macro-driven, high conviction tactical views. This sub-strategy has been a significant contributor over the past year and was meaningful again this month after giving back some gains last month. The strategy has a meaningful underweight position in German, US and Japanese bonds, combined with overweight to US Value Equities. Active contributions from International Equites and a Style Premia strategy were also additive over the month. Global Property and Global Fixed Income also outperformed their underlying benchmark, while Global Infrastructure was relatively flat across the period.

Outlook and Positioning

February was marked by volatility, with both equities and fixed income selling off.

U.S Stocks slumped as Inflation data heated along with a stronger-than-expected Economic data and tighter labour market with unemployment at its lowest in five decades. The surge in core consumer price index (CPI) was mostly driven by services but goods prices, which had recently started to decline, rose again. The US Federal Reserve (Fed) hiked its policy rate by 25bps over the month and with the heightened inflation print, expectation of the Fed nearing a pause on its rate-hike cycle has reversed. We think the sticky inflation data signals that the major central banks will hike interest rates higher and keep them there for longer to get inflation back down to their 2% targets.

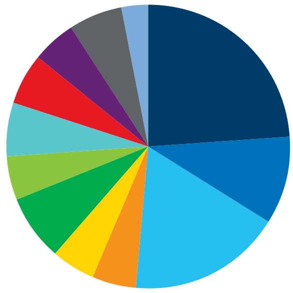
Locally, the Reserve Bank of Australia (RBA) also hiked its Official Cash Rate (OCR) by a hawkish 25bps in February to 3.35% and continues to suggest more rate hikes are to come as it is committed to returning inflation back to the 2-3% range over time. The RBA revised their inflation and wage forecasts and noted there being more than expected near-term domestic inflation risks.

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- at the shorter-end where markets expect ongoing interest rate hikes from the RBA. 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, 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	-2.55	-0.61
International Shares - unhedged	10.00	2.09	0.21
International Shares - hedged	17.50	-1.63	-0.29
International Infrastructure	5.00	-0.33	-0.02
International Property	5.00	-0.12	-0.01
Emerging Market Equity	7.50	-2.28	-0.17
Australian Bonds	5.00	-1.32	-0.07
Aust. Inflation-Linked Bonds	6.00	-2.20	-0.13
US Inflation-Linked Bonds	6.00	-1.55	-0.09
Global High Yield	5.00	-1.05	-0.05
Gold	6.00	-0.66	-0.04
Cash	3.00	0.24	0.01

Total Benchmark Return: -1.26

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	417 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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