BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE **31 March 2021**

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

- 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]	2.84	2.91	2.91	24.61	10.19	10.29	-
Diversified Benchmark[*]	2.46	2.24	2.24	20.81	8.58	8.70	-
Outperformance (Gross of Fees)	0.38	0.67	0.67	3.80	1.61	1.59	-
BlackRock Tactical Growth Fund (Net of Fees)[2]	2.77	2.69	2.69	23.57	9.27	9.34	8.00
Diversified Benchmark[*]	2.46	2.24	2.24	20.81	8.58	8.70	8.28
Outperformance (Net of Fees)	0.31	0.45	0.45	2.76	0.69	0.64	-0.28
BlackRock Balanced Fund (Net of Fees)[3]	2.72	2.54	2.54	22.83	8.39	8.37	6.74
Diversified Benchmark[^]	2.46	2.24	2.24	20.81	8.58	8.70	8.19
Outperformance (Net of Fees)	0.26	0.30	0.30	2.03	-0.20	-0.33	-1.45

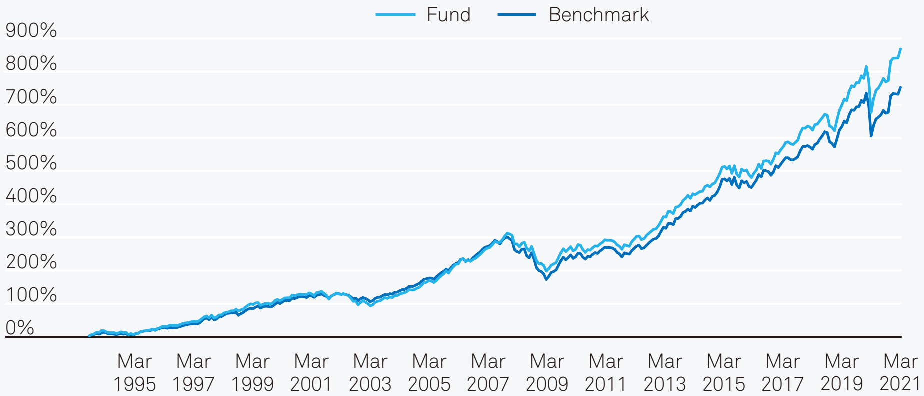
[1] Fund inception: 30/09/1992. [2] Fund inception: 30/09/1992. [3] Fund inception: 30/04/1992.

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 Index[SM], 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 Index[SM].

Cumulative Performance (Gross of fees) to 31 March 2021



Performance Summary

Market Review

Financial markets experienced mixed performance in the first quarter of 2021. A broad risk-on rally buoyed equities, energy and high yield credit, given the accelerated economic restart that is underpinned by progress on the vaccine rollout, continued US fiscal stimulus support and accommodative monetary policy around the globe. More defensive assets such as Sovereign bonds and gold struggled amidst this more optimistic backdrop.

Within the equities composite, developed markets outperformed their emerging markets counterparts. A pickup in virus cases in emerging markets, challenges with the vaccine rollout and limitations in terms of policy support weighed on financial markets in the region. European equities were amongst the best performers over the quarter. From a sector perspective, more cyclical sectors – especially, energy, financials and industrials have led the rally, with 'Value' stocks outperforming 'Growth' stocks.

US

In the US, the S&P 500 Index gained over 6% this quarter. One of the key headlines coming out of the US was the staggering US$1.9 trillion of additional fiscal stimulus. The bill was approved by Congress in early March and was seen as the first major win for President Biden. This large coronavirus relief package secured a flurry of new federal spending and a temporary yet dramatic increase in anti-poverty programs aimed to help millions of Americans still struggling amid the pandemic. It is considered one of the largest economic rescue packages in US history and has caused economic and inflation forecasts to be revised up for the year. In addition, the vaccine rollout has gathered pace in the US and many investors expect the local economy to bounce back strongly in 2021. This development was supported by earnings outlook data from various US corporations and macro indicators that showed significant improvements in the US services sector and labour market. Corporate earnings results over the quarter were also broadly positive. The US Federal Reserve Bank ('Fed') re-affirmed its highly accommodative stance, which was well received by financial markets, diffusing concerns around inflation-led intervention. The minutes of the Fed's March meeting confirmed that officials thought it would still be "some time" before substantial further progress would be made on its inflation and employment goals – and thus before it would start to flag an eventual tapering of its bond purchases.

Europe

European equity markets led the rally within the equities composite. The Euro Stoxx 600 Index gained over 10% this quarter, while German markets closed approximately 9% higher and the UK FTSE Index gained almost 5%. Within the European block, the domestic recovery story has been encouraging as evidenced by strong corporate earnings and forecasts. European manufacturing companies have benefitted from the rebound in global goods demand, while the financial sector benefitted from steeper yield curves. However, news around significant challenges with the vaccine rollout kept investors on their toes. Italy experienced political instability as Prime Minister Conte resigned. Macro data was mixed, though mostly positive. Within the UK, the vaccine rollout has been relatively successful as measured by vaccines administered per capita. A large proportion of UK companies have reported earnings figures that are ahead of expectations even though the recent lockdowns have weighed on economic activity.

Asia

Asian equities recorded mixed performance over the quarter. A stronger US dollar weighed on performance, while higher commodity prices helped commodity-heavy countries. Economic data was generally positive in the region, but investors have become increasingly concerned that higher inflation and weakness in local currencies could lead to policy tightening – seen as a negative for emerging markets. Chinese equities have had a difficult quarter, with higher volatility and negative performance overall. Japanese equities were amongst the best performers in the Asia region (up 7%), supported by strong exports and a higher cyclical exposure within the composite.

Australia

In Australia, the S&P/ASX300 Accumulation Index gained 4.1% over the quarter. Markets and sectors including the domestic housing sector continued to be supported by the accommodative monetary conditions. The Reserve Bank of Australia (RBA) maintained its dovish stance and continued to push through its conventional program with the purchase of additional bonds this quarter. Macro data was generally positive. The Australian labour market continued to improve, as the unemployment rate fell to 5.8%. The domestic labour market has recorded four consecutive monthly declines in unemployed persons coupled with new job generation, which has pushed employment back above its March 2020 level and near its pre-pandemic level.

Fixed Income

Fixed Income as an asset class contributed to heightened portfolio volatility as government bonds saw sharp declines over the quarter. Global yield curves steepened significantly, as longer-term rates increased while short term rates stayed relatively steady. Sovereign bonds – particularly Australian and US government bonds – experienced record selloffs. For example, Australian 10-year government bonds recorded their largest monthly yield increase since October 1985 (with yields rising 0.78% in February), which caused bond prices to drop. The significant rise in longer-term government bond yields was a major topic amongst investors and unsettled both equity and fixed income markets. The rise in bond yields reflects generally better macro data in developed economies, a brighter outlook around the virus and vaccines and an increase in inflation expectations. The Australian Composite Bond Index and the Global Aggregate Bond Index (hedged to AUD) declined 3.1% and 2.5% respectively over the quarter, despite some recovery towards quarter-end.

While credit spreads widened within the higher-quality investment grade space, positive vaccine news led to some tightening in the riskier parts of the credit composite and High Yield indices generally gained somewhat over the quarter.

Commodities & FX

Commodity indices advanced over the quarter, benefitting from expectations for a quick rebound in economic activity and a backdrop of supply constraints. Energy stood out within the commodities block gaining over 20% over the quarter. On the other end, safe haven assets such as Gold struggled (down 9%), amidst higher yields and a stronger US dollar. The US dollar continued to strengthen as investors priced in a steeper yield curve. On the flipside, the Euro and several other currencies depreciated. The Turkish Lira was one of the worst-performing currencies this quarter, after President Erdogan moved to replace the Turkish central bank Governor. The Australian dollar weakened somewhat, especially against the US dollar.

Strategy Commentary – Q1 2021

The BlackRock Tactical Growth Fund gained 2.69% over the quarter (after fees), ahead of its diversified benchmark which gained 2.24%. Growth assets such as Australian and international equities, global REITs and listed infrastructure had a positive quarter and added to total returns. The portfolio's more defensive asset classes such as fixed income and gold offset performance over the period.

Looking at active returns, the Fund outperformed its diversified benchmark by 0.45% over the quarter (after fees). The outperformance was driven by active security selection in international equities (especially emerging markets equities) and fixed income markets, along with positive active returns from global REITs. Tactical asset allocation decisions recorded mixed performance over the quarter, with the overall return contribution from this component roughly flat. Security selection in Australian equities was the only active return source that detracted slightly over the period.

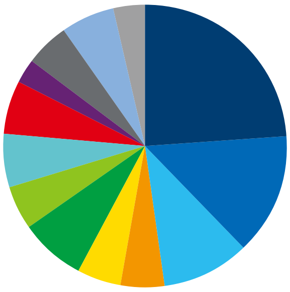
Outlook and Positioning

The rollout of Covid vaccines around the globe and signs of falling virus cases – especially in countries that are further along the vaccination journey – translates into a more optimistic outlook for the global economy. Several countries have already begun to ease mobility restrictions, and this is expected to continue through 2021. The easing of restrictions is expected to allow contact intense services activity to return to more normal operations and release some pent-up demand, which would ultimately speed up the global economic recovery that is bolstered by significant fiscal and ongoing monetary support.

Despite the widespread optimism, the team remains somewhat cautious with a significant amount of good news already priced into markets. Notwithstanding, the portfolio's growth/defensive split is tilted with an overweight to developed market equities and underweight to duration (relative to our strategic benchmark). We have derivative structures in place however which provide optionality that would reduce the growth/defensive split should we experience a correction in risk markets.

Looking further ahead, we expect inflation to rise, driven by increased cost pressures due to de-globalization, a change in monetary policy frameworks and higher government debt levels putting pressure on monetary policy to remain easier. The recent addition of inflation-linked bonds and gold to the portfolio's strategic allocations addresses this belief and is expected to better protect the real value of the portfolio should this scenario play out.

Benchmark Allocation



Asset Class	Benchmark Weight (%)	Market Performance	Contribution to Benchmark Return
Australian Shares	24.00	4.10	0.98
International Shares – unhedged	14.00	6.28	0.88
International Shares – hedged	10.00	6.09	0.61
International Infrastructure	5.00	5.11	0.25
International Property	5.00	7.22	0.36
Emerging Market Equity	7.50	4.19	0.31
Australian Bonds	5.00	-3.20	-0.16
Aust. Inflation-Linked Bonds	6.00	-3.85	-0.23
US Inflation-Linked Bonds	6.00	-1.87	-0.11
Emerging Market Debt	3.00	-5.43	-0.16
Global High Yield	5.00	1.03	0.05
Gold	6.00	-9.07	-0.54
Cash	3.50	0.00	0.00

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	533 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.

IMPORTANT INFORMATION: Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**). This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material. Any potential investor should consider the latest product disclosure statement, prospectus or other offer document (**Offer Documents**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. Offer Documents can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances Offer Documents are also available on the BIMAL website at www.blackrock.com.au. BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL. © 2021 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

BLACKROCK®