BLACKROCK TACTICAL GROWTH FUND

BLACKROCK®

FUND UPDATE **31 March 2024**

Investment Performance (%)

	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Tactical Growth Fund (Gross of Fees)[1]	3.17	6.85	6.85	14.44	7.87	8.75	-
Diversified Benchmark*	2.86	6.24	6.24	13.78	6.82	7.20	-
Outperformance (Gross of Fees)	0.32	0.61	0.61	0.66	1.04	1.55	-
BlackRock Tactical Growth Fund (Net of Fees)[2]	3.10	6.62	6.62	13.48	6.98	7.85	7.90
Diversified Benchmark*	2.86	6.24	6.24	13.78	6.82	7.20	8.14
Outperformance (Net of Fees)	0.24	0.38	0.38	-0.30	0.16	0.65	-0.24
BlackRock Balanced Fund (Net of Fees)[3]	3.09	6.61	6.61	13.45	6.86	7.47	6.75
Diversified Benchmark*	2.86	6.24	6.24	13.78	6.82	7.20	8.06
Outperformance (Net of Fees)	0.24	0.37	0.37	-0.33	0.03	0.26	-1.31

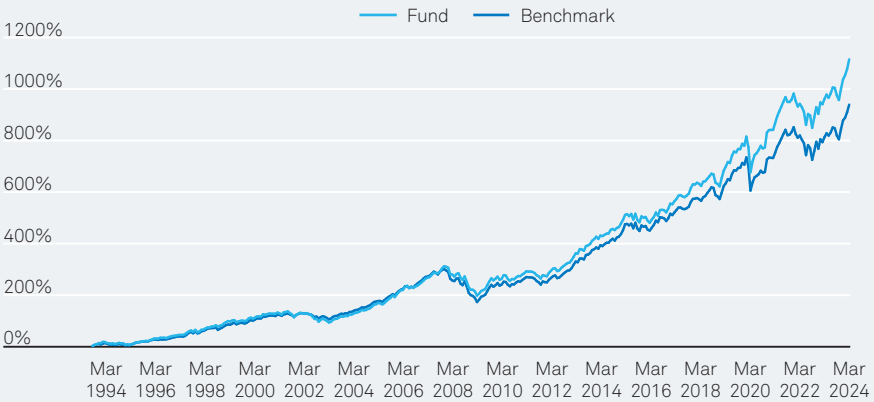
[1] Fund inception: 30/09/1992. [2] Fund inception: 30/09/1992. [3] Fund inception: 30/04/1992.

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/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.

Cumulative Performance (Gross of fees) to 31 March 2024



Performance Summary

Market Overview – Q1 2024

Global equity markets rose strongly over the first quarter of 2024. Optimism regarding a soft economic landing and bullish sentiment regarding artificial intelligence (AI) supported risk assets. By contrast, sovereign bonds saw modestly negative returns as investors pushed out the timing and magnitude of central bank rate cuts amid sticky inflation. Global equities, as measured by the MSCI World Index (hedged), ended the quarter up 10.0% in Australian dollar terms, while Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), declined 0.3%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index rose by 10.6% over the quarter and by 3.2% in March (in local currency terms), with Information Technology and Communication Services sectors among the best performers. US stocks remain close to record highs, with overall market returns largely driven by the Magnificent Seven (namely Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla). Strong corporate earnings and resilient economic data underpinned sentiment, while US core inflation moderated to 2.8% annualised in February following an upward revision to the January inflation print. Meanwhile, the US Federal Reserve (Fed) tempered its dovish tone and cautioned about the risks of easing too quickly, leading markets to price in only three rate cuts this year, in line with the Fed's projections.

Europe

European equities, as represented through the Euro Stoxx 50 Index, rose by 12.8% in the first quarter and 4.3% in March (in local currency terms). The European Central Bank (ECB) left policy rates unchanged over Q1 although revised near-term economic growth and inflation downwards – with core inflation expected to settle at 2% towards the end of 2025. Despite striking a cautious tone, ECB President, Lagarde, also appeared to endorse market pricing that the first rate cut by the central bank would occur mid-year. However inflationary pressures remain elevated in Europe, driven by continued tightness in the labour market and subdued productivity.

In the UK, the FTSE 100 Index underperformed its developed market peers and gained 4.0% over the quarter and 4.9% in March (in local currency terms). Alongside most other central banks, the Bank of England (BoE) kept the official bank rate unchanged over the period as expected. Headline CPI dipped to 3.4% year-on-year in February, while UK unemployment rose to 3.9% in January and wages growth slowed. Meanwhile, Britain slipped into technical recession as the economy contracted 0.3% during Q4 2023, recording two consecutive quarters of negative economic growth.

Asia

China's CSI 300 gained 3.1% over the quarter and 0.6% in March (in local currency terms). At the annual National People's Congress meeting held in March, Chinese officials announced an economic growth target of "around 5%" for 2024. However, investors were left disappointed with the lack of major stimulus measures announced despite sluggish underlying activity. Chinese markets also halted their rebound towards the end of the quarter and were weighed down by weaker corporate earnings results. Meanwhile, monthly inflation rose 0.7% year-on-year in February – largely supported by Lunar New Year spending – which saw China move out of deflationary territory.

Japanese equities, as represented by the Nikkei 225 Index, extended their rally and outperformed most major markets, rising by 21.5% in Q1 and 3.8% over the month (in local currency terms). The Bank of Japan (BoJ) ended its negative interest rate stance in March and hiked rates for the first time since 2007, having judged that the "achievement of 2% inflation is in sight". This policy change comes after Japan's largest trade union federation reported that its 7 million members will receive a landmark 5.3% annual wage hike – an indication that strong wages growth may allow inflation to remain close to the BoJ's target. Meanwhile, a leading indicator of nationwide prices, Tokyo core inflation, rose 2.8% year-on-year in February.

Australia

The S&P/ASX 300 Accumulation Index increased by 5.4% in Q1 and by 3.3% in March, with Information Technology and Real Estate among the best performing sectors. While the Reserve Bank of Australia (RBA) left interest rates on hold over the quarter at 4.35%, the central bank remains data dependent with Governor Bullock stating that risks to their outlook are "finely balanced". On the data front, GDP grew by 1.5% year-on-year in Q4 2023 with the domestic economy showing signs of slowing amid weak consumer spending. Australian inflation held steady across the period with headline CPI rising 3.4% annualised over February, although the labour market remains tight with unemployment falling to 3.7%. Australian house prices, as represented by the CoreLogic Home Value index, continued to rise and posted a 1.6% increase over the quarter.

Fixed Income

Global fixed income markets declined across Q1 and underperformed Australian bonds amid the re-pricing of interest rate expectations. Over the quarter, the US 10-year yield rose by 32 basis points, while the Australian 10-year yield was roughly flat to end March at 4.2% and 4.0% respectively. The rise in rates pushed global bond prices lower. The Global Aggregate index (hedged) was down 0.3%, while the Australian composite bond index rose 1.0% over the period. Riskier parts of the fixed income markets saw mixed performance, with high yield corporate credit and emerging market debt indices realising gains as credit spreads tightened.

Commodities & FX

Commodity markets and energy prices broadly rose over the quarter. Oil prices advanced sharply over Q1 and gained 13.5% on the back of geopolitical uncertainty and OPEC+ supply cuts. While Copper increased 2.5% and Gold gained 8.1% over the quarter, Iron Ore was a clear outlier and fell 25.8% alongside ongoing property woes in China. Within currencies, the US dollar appreciated 2.7% over Q1 against its developed market peers, while the Australian dollar depreciated 4.3% against the US dollar.

Strategy Commentary – Q1 2024

The BlackRock Tactical Growth Fund recorded a positive return in Q1 of 6.62% (after fees), compared to its diversified benchmark which rose by 6.24% over the quarter. In terms of absolute performance, growth assets delivered strong returns over the quarter led by Global Equities and Australian Equities. Across the Fund's more defensive asset classes, Gold was the largest positive contributor. Australian Investment Grade Corporate Bonds and Global High Yield Corporate Bonds realised slight gains, although partially offset by US Inflation Linked Bonds which modestly detracted.

On the active front, the Fund outperformed its diversified benchmark in Q1 by 0.38% (after fees). The Fund's Global Macro strategy was one of the largest contributors due to overweight equity positioning and underweight positioning in fixed income. The Market-Neutral Style Premia strategy contributed, led by Momentum and Value factors, while our systematic allocation within Global Fixed Income added to alpha. The fundamental Emerging Markets strategy was the largest detractor over the quarter, due to security selection within Brazil and India. The allocation to Global Listed Infrastructure and Global REITS also modestly detracted from active returns.

In addition, the Fund's strategic asset allocation was updated at the end of March 2024, which led to an increased allocation to Australian Equities and a reduction in Global Equities. Within defensive asset classes, an increased allocation to Australian Investment Grade Corporate Bonds was funded by a slight decrease in exposure to Australian Inflation-Linked Bonds, US Inflation-Linked Bonds and Global High Yield Corporate Bonds.

Outlook and Positioning

Global stocks continued to rally over the quarter and equities reached new highs across several developed markets as fears of a sharp economic slowdown abated. Although central banks continued to signal a willingness to adjust monetary policy in 2024, government bonds faced headwinds with investors pricing out the timing and magnitude of potential rate cuts. This backdrop has provided ongoing support to risk assets which appear sanguine on any risks to the disinflationary outlook over the year ahead.

On the domestic front, the RBA held the official cash rate unchanged in Q1 and appears to have shifted to a neutral stance. Of note, the meeting minutes from March showed that the central bank did not consider the option to raise rates for the first time since May 2022 – a shift in language from past meetings. Australian inflation held steady across the period, although continues to print above the RBA's target, and there are early signs that the domestic economy is slowing despite a tight labour market.

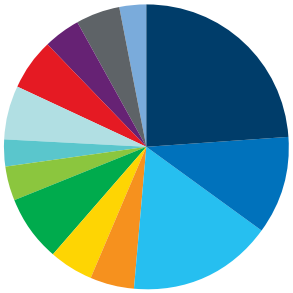
In terms of portfolio positioning and key return drivers, our strategic diversified benchmark exposures are our primary source of risk. At a strategic level, we look to optimise asset class exposures which are complementary to each other, can generate returns in different economic

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 the recent period has 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	5.43	1.31
International Shares - unhedged	11.00	14.06	1.50
International Shares - hedged	16.50	10.10	1.64
International Infrastructure	5.00	5.28	0.27
International Property	5.00	3.23	0.17
Emerging Market Equity	7.50	7.07	0.54
Australian Bonds	4.00	1.03	0.04
Australian Corporate Bonds	3.00	1.37	0.04
Aust. Inflation-Linked Bonds	6.00	0.15	0.01
US Inflation-Linked Bonds	6.00	-0.42	-0.02
Global High Yield	4.00	1.34	0.05
Gold	5.00	13.03	0.65
Cash	3.00	1.09	0.03

Total Benchmark Return: 6.24

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	503 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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