BLACKROCK TACTICAL GROWTH FUND

BlackRock

FUND UPDATE **31 July 2024**

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- 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]	3.33	5.43	10.57	13.71	6.18	7.96	–
Diversified Benchmark*	3.56	5.86	10.12	13.27	5.21	6.55	–
Outperformance (Gross of Fees)	-0.23	-0.42	0.45	0.43	0.97	1.42	–
BlackRock Tactical Growth Fund (Net of Fees)[2]	3.25	5.21	10.03	12.75	5.30	7.07	7.93
Diversified Benchmark*	3.56	5.86	10.12	13.27	5.21	6.55	8.17
Outperformance (Net of Fees)	-0.31	-0.64	-0.09	-0.52	0.09	0.53	-0.25
BlackRock Balanced Fund (Net of Fees)[3]	3.25	5.21	10.02	12.73	5.29	6.76	6.78
Diversified Benchmark*	3.56	5.86	10.12	13.27	5.21	6.55	8.09
Outperformance (Net of Fees)	-0.31	-0.65	-0.11	-0.54	0.08	0.21	-1.31

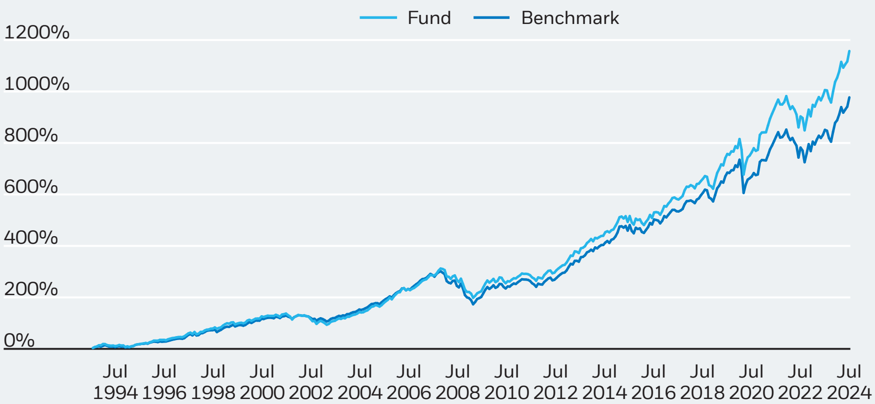
[1] Fund inception: 30/09/1992. [2] Fund inception: 30/09/1992. [3] Fund inception: 30/04/1992.

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 2024 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 2024 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 July 2024



Performance Summary

Market Overview – July 2024

Global markets saw a partial reversal over July. While developed market equities rallied to all-time highs in the first half of the month, stocks pared gains in the second half of July amid economic growth concerns – particularly in the US – and lackluster quarterly tech earnings. Expectations for interest rate cuts also saw small-cap stocks outperforming large-caps across the period. Meanwhile, sovereign bonds recorded positive returns as softer inflation data cemented hopes for a less restrictive monetary policy stance. Global equities, as measured by the MSCI World Index (hedged), held onto slight gains and finished the month up 1.2% in

Australian dollar terms, while fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), rose 1.9%.

United States

In the US, the S&P 500 Index rose by 1.2% in July (in local currency terms), with Industrials and Financials sectors among the best performers. Large-cap stocks initially rallied in the first half of July driven by continued optimism around the artificial intelligence (AI) thematic. However, lackluster tech earnings for Q2 and heightened expectations for imminent interest rate cuts saw gains tempered and drove a rotation towards more interest rate sensitive small-cap stocks. The US Federal Reserve (Fed) kept policy rates unchanged in July but signalled a potential rate cut at their September meeting, citing that the US is back on a "disinflationary path". Following the meeting, inflation eased to 0.1% in June and unemployment ticked up to 4.1%, bolstering market expectations for near-term rate cuts.

Europe

European equities, as represented through the Euro Stoxx 50 Index, declined by 0.3% in July (in local currency terms) amid mixed economic data and French political uncertainty. The European Central Bank (ECB) held rates steady over the month and reinforced that future interest rate decisions will be "data dependent" and determined "meeting by meeting". The decision came before Eurozone core inflation – which excludes volatile food and energy prices – moderated to 2.9% in June compared to the previous year, but services inflation continued to prove sticky at 4.1%. While Eurozone GDP overshot expectations with a 0.3% rise in Q2, the Purchasing Managers' Index (PMI) showed economic activity tempered in July, with weakness observed in countries such as Germany.

In the UK, the FTSE 100 Index ended the month up 2.5% (in local currency terms) as economic activity rebounded. The British economy continued to recover and grew 0.4% in May compared to the prior month, with signs of economic momentum following its Q1 recession. Meanwhile, despite headline inflation staying within the Bank of England's (BoE) 2% target in June, services inflation remained at record highs and rose 5.7%. The BoE's Chief Economist, Huw Pill, highlighted that key measures of inflation remained "uncomfortably high", citing labour market tightness, resilient wage growth, and persistent services inflation.

Asia

China's CSI 300 saw modest gains of 0.6% in July (in local currency terms) despite Chinese authorities' continued efforts to reinvigorate investor confidence. Surprise policy rate cuts as well as commitments from authorities to "unswervingly achieve the full-year growth target" and "proactively expand domestic demand", were seen to fall short of delivering the stimulus measures necessary to boost activity in the sluggish market. Economic data for the month also disappointed, with home prices continuing to decline, inflation printing at 0.2% in June, and Q2 GDP growth coming in at 4.7% year-on-year.

Japanese equities, as represented by the Nikkei 225 Index, declined 1.2% over the month (in local currency terms). The Bank of Japan (BoJ) hiked interest rates to 0.25% in July while providing guidance for further rate hikes ahead. The BoJ also updated its macroeconomic projections and signalled confidence that inflation will sustainably stay within the central bank's target band. The decision to hike rates helped stem the decline in the Japanese yen, which has been one of the worst-performing G10 currencies this year. The Tokyo core inflation, a leading indicator of nationwide prices which excludes volatile fresh food costs, accelerated 2.2% year-on-year.

Australia

The S&P/ASX 300 Accumulation Index outperformed other developed markets and rose 4.1% in July, with Financials and Consumer Discretionary among the best performing sectors. Australia's headline inflation for Q2 printed at 3.8%, which was slightly softer than expectations and saw investors discount the likelihood of any potential policy tightening by the Reserve Bank of Australia (RBA) at the upcoming August meeting. Meanwhile, the unemployment rate also ticked up to 4.1% in July suggesting that the domestic labour market is showing signs of easing. Australian house prices, as represented by CoreLogic Home Value Index rose 0.5% in July which marked the 18th consecutive monthly increase.

Fixed Income

Fixed income markets rallied alongside a decline in government bond yields with key economic data surprising to the downside and potential central bank rate cuts coming into view. Over the month, the US 10-year yield fell 37 basis points, while the Australian 10-year yield declined 20 basis point to end July at 4.0% and 4.1% respectively. The fall in rates pushed bond prices higher. The Global Aggregate index (hedged) finished the month up 1.9%, while the Australian composite bond index gained 1.5% over July. Riskier parts of the fixed income market, namely corporate credit and emerging market debt indices also realised gains across the period.

Commodities & FX

Commodity markets and energy prices were mostly weaker over the month. Across industrial metals, Copper and Iron Ore declined 4.9% and 4.8% respectively in July with concerns persisting of a Chinese housing slowdown. Despite heightened geopolitical tensions in the Middle East, Oil also fell by 4.0% as the global growth outlook soured. Gold was an outlier and gained 5.2% across the period. Within currencies, the US dollar declined 1.2% over the month against its developed market peers, although the Australian dollar depreciated 1.9% against the US dollar.

Strategy Commentary – July 2024

The BlackRock Tactical Growth Fund recorded a positive return in July of 3.25% (after fees), compared to its diversified benchmark which rose by 3.56% over the month. In terms of absolute performance, growth assets were positive over the month with gains led by Australian Equities, while Global Infrastructure and Global Property also contributed strongly in July. The Fund's more defensive asset classes recorded positive returns across the period, particularly the defensive allocation to Gold.

On the active front, the Fund underperformed its diversified benchmark in July by -0.31% (after fees). The fundamental Asian Equities and Emerging Markets Equities strategies were the largest detractors over the month, primarily driven by security selection in China and India. The Global Macro strategy underperformed due to directional short duration positions but remains one of the largest contributors over the past year, while the allocation to systematic Global Fixed Income also detracted in July. In terms of contributors, tactical portfolio tilts were positive due to long US rates positioning, while both fundamental and systematic Australian Equities contributed over the month.

Outlook and Positioning

Global markets realised gains in July. International equities ended the month higher, although a sector rotation away from large-cap technology stocks towards more interest rate sensitive small-cap stocks was noteworthy. Government bonds benefitted from a decline in yields over the month, alongside growing investor confidence that economic growth and inflation have meaningfully slowed in the US. The rally in fixed income intensified after the Fed meeting in July, where Governor Powell shifted focus to the US labour market and indicated the possibility of several rate cuts by year-end – although market pricing of upcoming policy easing appears optimistic.

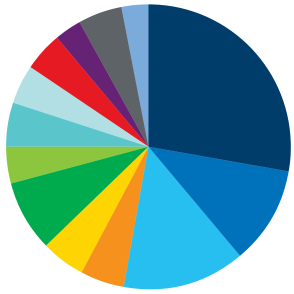
On the domestic front, Australia's headline inflation for Q2 was slightly below economist expectations and saw investors discount the likelihood of any immediate policy tightening by the RBA. Of note, the composition of the quarterly CPI print broadly implied that goods inflation has picked up while services inflation has slightly moderated. Meanwhile, labour supply growth is leading to upward pressure on Australian unemployment and has helped ease some of the recent labour market tightness.

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.

Relative to our strategic benchmark we are modestly overweight growth assets and are underweight bonds in the US. We continue to hold 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. In addition, we maintain a tactical option strategy in US equities that would partially offset our exposure should market momentum and the strong gains we've seen year-to-date reverse. We also recently added a relative-value strategy across UK and Australian equities which may add incremental defensiveness to the portfolio in the event of a broader sell-off. Finally, the portfolio benefitted from exposure to US rates in July, although we closed this position late in the month given favourable market pricing. 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	28.00	4.13	1.16
International Shares - unhedged	11.00	4.08	0.45
International Shares - hedged	14.00	1.20	0.17
International Infrastructure	5.00	8.75	0.44
International Property	5.00	8.45	0.42
Emerging Market Equity	8.00	2.58	0.21
Australian Bonds	4.00	1.48	0.06
Australian Corporate Bonds	5.00	1.56	0.08
Aust. Inflation-Linked Bonds	4.50	1.74	0.08
US Inflation-Linked Bonds	4.50	1.77	0.08
Global High Yield	3.00	1.77	0.05
Gold	5.00	7.20	0.36
Cash	3.00	0.37	0.01

Total Benchmark Return: 3.56

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	510 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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