

BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE

30 April 2021

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Diversified ESG Growth Fund (Gross of Fees) ¹	2.89	5.24	5.11	18.32	8.86	9.77	8.38
Benchmark*	2.69	5.12	4.99	18.53	8.66	9.00	7.26
Outperformance (Gross of Fees)	0.21	0.11	0.13	-0.21	0.19	0.76	1.13
BlackRock Diversified ESG Growth Fund (Net of Fees) ²	2.82	5.04	4.84	17.41	8.06	8.95	7.69
Benchmark*	2.69	5.12	4.99	18.53	8.66	9.00	7.50
Outperformance (Net of Fees)	0.14	-0.08	-0.14	-1.12	-0.60	-0.05	0.19

¹ Fund inception: 31/10/1997. ² Fund inception: 31/12/1996.

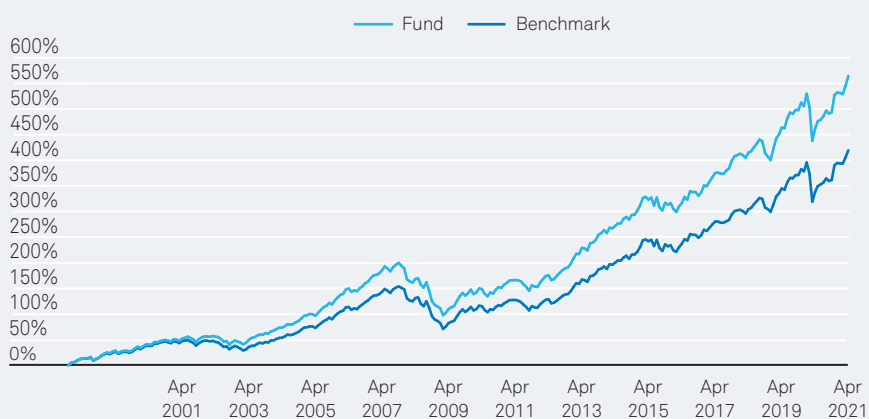
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* The benchmark is a diversified allocation of the S&P/ASX 300 Accum. Index, MSCI World Index ex-Aus Net TR (hedged and unhedged in AUD), MSCI EM IMI ex Tobacco ex Controv. & Nuclear Weapons Net TR Index (unhedged in AUD), FTSE Developed Core Infrastructure Net TR Index (unhedged in AUD), FTSE EPRA/NAREIT Developed Dividend+ Net TR Index (unhedged in AUD), Gold Price Index (unhedged in AUD), Bloomberg Barclays MSCI Australia 100mn ESG Index, BBG AusBond Infl Govt 0+ Yr IndexSM, BBG Barclays US Govt Inflation-Linked Index (hedged in AUD), JPMorgan EMBIG Div Core Index (hedged in AUD), BBG Barclays Global High Yield Corporate Index (hedged in AUD) and Bloomberg AusBond Bank Bill IndexSM.

Please note that effective from 30 November 2020 the index weights representing the performance benchmark for the BlackRock Diversified ESG 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 30 November 2020 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.

Cumulative Performance (Gross of fees) to 30 April 2021



Market Review

April was a positive month for most financial markets. Risk sentiment stayed elevated on expectations of a powerful economic restart underway, an improving macro picture supported by additional fiscal spending and a broadening vaccine rollout. Key risk-on assets such as equities and commodities experienced a strong rally in April, but assets such as sovereign bonds and gold also recorded positive performance after a difficult previous quarter.

Regionally, developed market equities continued to outperform their emerging market counterparts. Developed markets are leading both a rebound in global Purchasing Managers Index's (PMIs) as well as the progress on COVID-19 vaccine deployment. Corporate earnings results were also broadly encouraging, with several large US and European companies reporting positive earnings surprises. The speed of the vaccine rollout has had an impact on near term growth dynamics, with

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

the US economy showing further signs of improvement. US equity markets led the rally in April, whereas Japanese equities reversed some of their gains from previous months.

US

The S&P 500 Index gained over 5% in April. Emphasis on an upbeat US earnings season, accelerated vaccine rollout, contained geopolitical tensions, persistent fiscal expansion and a patient Federal Reserve created a favourable backdrop for financial markets. US President Joe Biden laid out roughly \$4 trillion of additional spending packages in his first address to a joint session of the congress. This spending plan is in continuation to the fiscal stimulus declared in March and includes higher taxes on capital gains and corporate earnings. US macro data was also generally positive, with most of the data supporting the notion that the US economy is undergoing a powerful restart as pent-up demand and savings get deployed. The US economy grew at an annualised pace of 6.4% in the first quarter, US retail sales grew 9.8% in March pointing to a restart in consumption. Other macro and labour market indicators have also shown improvement.

The US Federal Reserve stressed policy patience with minimal changes to its policy statement, which was well received by financial markets, diffusing concerns around inflation-led intervention. The Federal Reserve Chair Jerome Powell stressed that it would take “some time” for its objective of “substantial further progress” to be met on tapering its bond purchases.

Europe

The Euro Stoxx 600 Index gained over 1.5% in April, while the UK FTSE Index gained north of 4%. Within the European block, countries have had a slow start to vaccine rollouts, but virus cases in the region are heading in the right direction and prospects for vaccine supply have improved. Whilst the eurozone economy contracted in the first quarter, there are indications that the economy has begun to grow in April supported by a solid manufacturing sector and an improving service sector, as evidenced by purchasing manager index (PMI) data. The European Central Bank previously increased the pace of asset purchases and financing conditions remained favourable through April. Within the UK, the progress of the activity restart continues to look favourable and leading indicator readings are underpinning a rapidly rebounding economy. Both the manufacturing and services PMI surveys came in above 60 for April which is also encouraging.

Asia

Asian equities recorded mixed performance over April. There is a differentiation in performance driven by COVID-19 related dispersion on account of vaccinations and restrictions implemented by governments around the region. Certain countries such as Brazil, India and Turkey experienced higher new cases and fatalities, leading to tighter restrictions, falling levels of mobility and lower economic activity. Whereas in China, the economy continues to normalise. Chinese trade data for March confirmed that global trade activity remains robust, while a surge in imports suggests higher commodity prices are filtering through as domestic growth remains strong. Japanese equities declined in April, as a stronger currency and emergency lockdowns weighed on performance.

Australia

In Australia, the S&P/ASX300 Accumulation Index gained 3.7% in the month of April, in line with other developed markets. Across sectors, Information Technology and Materials performed best, while the Energy sector recorded negative performance. The broad rally in domestic equities is supported by improving economic activity and accommodative monetary conditions from the Reserve Bank of Australia (RBA). Macro data was mainly positive in April. Australia's QOQ GDP expanded by 3.1% and consumer confidence also improved. The inflation data printed a reading of 0.6% for the March quarter which was lower than expected, and allayed concerns that the RBA might pre-emptively look to normalize monetary policy on account of rising inflation.

Fixed Income

Volatility in Fixed Income markets receded from the previous quarter as Sovereign government bonds – particularly Australian and US government bonds – experienced positive market moves. Global yield curves flattened, as longer-term rates decreased while short term rates stayed relatively steady. The Australian 10-year government bond yield ended the month at 1.75%. The Australian Composite Bond Index and the Global Aggregate Bond Index (hedged to AUD) gained approximately 0.6% and 0.2% respectively over the month. Investment Grade and High Yield indices generally gained somewhat over the month of April.

Commodities & FX

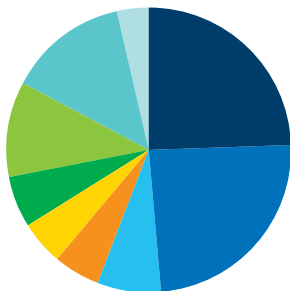
Commodity prices saw strong price increases on the back of expectations for stronger economic growth and a backdrop of supply constraints and demand coming back to more normal levels. Iron Ore and Copper led performance within the block, partly driven by a transition to a low-carbon economy that also provided long-term support for copper along with normalizing growth in China, which is a key commodity consumer. The US dollar weakened in April following a relatively strong quarter. Similar to most other key currencies, the Australian dollar strengthened against the US dollar.

Strategy Commentary – April 2021

The BlackRock Diversified ESG Growth Fund gained 2.82% in April (after fees), slightly ahead of its diversified benchmark which gained 2.69%. All asset classes contributed positively to Fund performance in April. Growth assets, such as Australian and international equities, and global REITs had a particularly strong month and drove the overall return in April. The portfolio's more defensive asset classes, such as fixed income and gold, also contributed positively over the period.

Looking at active returns, the Fund outperformed its diversified benchmark by +0.14% (after fees) in April, driven by stock selection in Australian equities and exposure to liquid alternative strategies. Within Australian equities, underweight positions to oil, gas and consumable fuel companies (relative to the benchmark) and overweights to interactive media companies generated positive active returns. The Fund's liquid alternative allocation (implemented via the Tactical Opportunities Fund) was another highlight in April. This strategy seeks to generate uncorrelated returns by taking long and short positions across a broad array of global assets. Positioning across global interest rate markets worked well in April and drove the outperformance in this part of the portfolio. For example, a long Australian bond position versus short German bonds added to returns. An underweight position to the US dollar also worked well, alongside overweights to peripheral European equities.

Fund Allocation



	Fund	Benchmark
■ Australian Shares	24.46	24.00
■ International Shares	24.26	24.00
■ Emerging Markets Shares	7.36	7.50
■ Global REITs (unhedged)	5.05	5.00
■ Global Listed Infrastructure (unhedged)	5.01	5.00
■ Gold	5.98	6.00
■ Australian Bonds	10.78	11.00
■ International Bonds	13.55	14.00
■ Cash	3.55	3.50

These benchmark weights reflect both direct and indirect investments and the effect of derivatives. While the fund is managed to this benchmark as at the date of this document, the benchmark weights may vary after the issue date of this document.

About the Fund

Investment Objective

The Fund aims to outperform its neutral portfolio benchmark before fees over rolling three-year periods. The neutral portfolio benchmark is 30% defensive and 70% growth assets.

The Fund will seek to meet its investment objective while taking into account the principles of environmental, social and governance (ESG) focused investing. This will be achieved via both ESG integration and the application of negative screens that excludes controversial sectors from the portfolio.

Fund Strategy

The investment strategy of the Fund is to provide investors with a diversified exposure to the best investment teams and ESG 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; and
2. Implement the strategic asset allocation using BlackRock's active and indexed building blocks that meet the Fund's strict ESG criteria subject to a risk budgeting framework.

Should be considered by investors who ...

- ▶ Seek a fund with an emphasis on growth assets that aims to add value through active security selection and diversified alpha strategies.
- ▶ Seek a fund that incorporates ESG factors into its investment process and screens out certain ESG sensitive sectors.

Fund Details

BlackRock Wholesale Diversified ESG Growth Fund	
APIR	BGL0003AU
Fund Size	497 mil
Buy/Sell Spread	0.16%/0.16%

BlackRock Diversified ESG Growth Fund	
APIR	BAR0813AU
Management Fee	0.79% p.a.

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