

BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE

31 May 2022

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Diversified ESG Growth Fund (Gross of Fees) ¹	-2.11	-2.54	-7.50	-2.11	5.56	6.79	7.98
Benchmark*	-1.49	-2.33	-6.54	-0.06	6.05	6.74	7.00
Outperformance (Gross of Fees)	-0.62	-0.22	-0.96	-2.05	-0.49	0.05	0.99
BlackRock Diversified ESG Growth Fund (Net of Fees) ²	-2.18	-2.73	-7.79	-2.86	4.79	6.00	7.30
Benchmark*	-1.49	-2.33	-6.54	-0.06	6.05	6.74	7.24
Outperformance (Net of Fees)	-0.68	-0.40	-1.25	-2.79	-1.26	-0.74	0.06

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

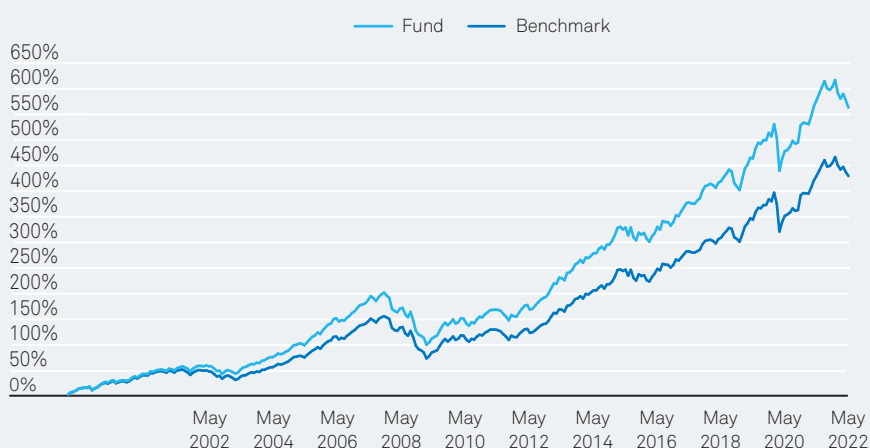
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 31 May 2022



Performance Summary

Market Overview

After a challenging month in April, equity and bond markets were more resilient in May, showing signs of stabilisation despite high inflation rates, hawkish central bank rhetoric and slowing global growth. Global equities finished the month up 0.2% in local currency terms, with Emerging markets outperforming Developed market counterparts. Global bond yields remained stable in May, creating a more favourable background for fixed income returns. Investors also started dipping back into risky fixed income markets following prior months of spread widening.

Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index was relatively flat over the month (in local currency terms). Corporate profits in Q1 grew by 9.2%, the lowest growth rate since Q4 2020. Energy stocks continued to rally whilst sectors such as Consumer Discretionary and Staples detracted after poor earnings reports amidst a high inflationary environment.

The Federal Reserve (Fed) increased the policy rate by 50bps in its May meeting, in line with market expectations. Investors have priced in two further 50bps hikes in June and July as the Fed continues to battle with tightening labour markets and elevated inflationary readings. Headline inflation fell only marginally to 8.3% y/y in April, with food prices rising at the fastest pace since 1981. Although the unemployment rate remained at 3.6% for the third month in a row, the consumer confidence index fell in May as consumer resiliency was tested by the future prospect of persistent inflation. Meanwhile, the Manufacturing PMI index rose from 55.4 to 56.1 in May as demand remained resilient.

Europe

European equity markets represented through the Euro Stoxx 600 Index gained 0.8% over May (in local currency terms) on the back of resilient economic data. Nonetheless, ongoing concerns around Europe's heavy reliance on Russian oil and natural gas continued to raise risks of economic deceleration, with the EU's latest embargo on Russian seaborne oil spiking fears of retaliation and further reduction of Russian gas supply to Europe.

Within the European block, annual flash headline inflation expectations grew to 8.1% in May, up from April's all-time high reading. Rising food and energy prices, alongside growing core inflation readings, have continued to add to concerns that high inflation may become entrenched in the region. The European Commission lowered the eurozone growth forecast for 2022 down to 2.7%, from a previous estimate of 4%, citing war-induced logistics and supply chain disruptions as hindering Europe's economic recovery from the COVID pandemic. Eurozone consumer confidence indicator rose by 0.9 points in May, ahead of expectations, but still far below its long-term average. The European Central Bank (ECB) further reiterated the possibility of a rate hike in July and an exit to negative interest rates by the end of Q3.

Within the UK, equity markets finished the month with positive gains of almost 1.1%, as measured by the FTSE 100 Index. The UK continued to outperform most other developed markets due to its relatively higher exposure to energy and materials sectors. The Bank of England (BoE) hiked rates again by an additional 25 basis points in the first week of May as UK inflation soared to 9% in April, the highest reading in more than 40 years. Labour markets continue to remain tight, with the unemployment rate falling to the lowest level since 1974. However, real wages remain negative and markets have priced in a further 25 basis point hike in June. Despite an unexpected rise in retail sales, consumer confidence fell to its lowest historic levels as a rise in the Ofgem price cap further squeezed household expenditure. The UK flash Composite PMI also fell more than expected to 51.8, the lowest level since February 2021. The Chancellor announced GBP 15bn in fiscal measures to help offset rising household costs alongside a 25% 'Energy Profits Levy' on UK energy firms to ease the cost of living crisis.

Asia

Asian equities rebounded over the month, driven by a gradual reopening of lockdown regions and easing of restrictions across China. Chinese equities in particular gained over the period, with factories reopening and supply chain disruptions alleviated after Shanghai in particular emerged from a lockdown. Exports grew 3.9% y/y in April, with further growth expected in May. The official manufacturing PMI rose to 49.6 in May, still in contractionary territory, but well ahead of expectations and a three-month high. Chinese banks cut key interest rates for long-term loans with the five-year loan prime rate reduced to 4.45% alongside more than 140 billion yuan in tax relief offered to companies and consumers to offset the heavy impact of COVID lockdowns.

Japanese equities grew 1.6% over the month (in local currency terms), with the economy shrinking by less than expected in Q1. The Bank of Japan (BOJ) continued to maintain its stance of defending its yield target despite core consumer prices rising 2.1% y/y in April, ahead of the BOJ's 2% target.

Australia

The S&P/ASX 300 Accumulation Index detracted by 2.8% in May, underperforming most other developed markets amid ongoing uncertainty around the domestic inflation and policy outlook. GDP rose 0.8% in the March quarter – somewhat ahead of market expectations. There are initial signs of increasing wage growth in Australia after a decade of low growth, with a growing share of businesses reporting larger wage payouts amid a tightening labor market. Manufacturing PMI fell slightly to 55.7 as higher shipping costs affected demand. Australia's trade surplus recorded a \$757 million increase and was boosted by a return of overseas tourists and a fall in imports.

Fixed Income

Fixed Income markets were more resilient in May, following the sharp repricing in rates over the first four months of the year. The US 10 year yield remained relatively stable at 2.9% and Australian 10 year yield at 3.3%, creating a more favourable backdrop for fixed income returns, with the Australian composite bond index declining less than in prior months at -0.9% (vs. -1.5% in April), and the global composite bond index close to flat at -0.2%. Riskier parts of the fixed income markets, such as emerging markets debt and high yield indices also delivered positive returns over the period as investors started dipping back into the asset class.

Commodities & FX

Energy continued to gain over the month, however, industrial metals experienced mixed performance. Within currencies, the USD trade-weighted index fell by 1.2% in May, whilst the Australian trade-weighted index gained slightly by 0.2% over the period.

Strategy Commentary – May 2022

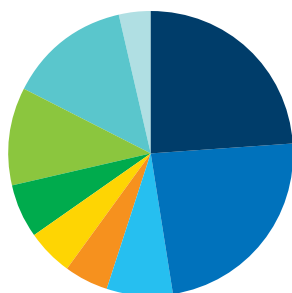
The BlackRock Diversified ESG Growth Fund declined -2.18% over the month (after fees), behind its diversified benchmark which detracted -1.49%. Virtually all asset classes declined in May as result of high inflation rates, hawkish central bank rhetoric and slowing global growth. Growth assets including Australian Equities, International Equities, Emerging Market Equities and Global REITs detracted over the period. The Fund's more defensive asset classes including Australian Inflation Linked Bonds and US Inflation Linked Bonds also underperformed over the period. Australian Fixed income and Global High Yield somewhat recovered after previous months of volatility, however finished slightly in the red. International Property continued to add to Fund performance over the month with Emerging Market Debt also experienced positive returns. The defensive allocation to Gold also contributed negatively to overall performance.

Looking at active returns, the Fund slightly underperformed its diversified benchmark over the period (after fees). Stock selection in Australian equities and International Equities detracted and offset active returns over the period. The Fund invests in a global macro strategy that takes overweight and underweight positions across asset classes and regions (i.e. tactical asset allocation). This sub-strategy was relatively flat over the month. Tactical underweight positions to US Equities (relative to other regions) and sector allocations were key contributors to active returns. Furthermore, the sub-strategy's underweight position to US bonds (relative to other regions) also added to active returns as US yields repriced higher over the month.

SAA Refresh – May 2022

We recently made changes to the existing investments and strategic benchmarks of the BlackRock Diversified ESG Growth Fund after a periodic review of the Fund's investment strategy. The key changes to the existing investments and strategic benchmarks of the BlackRock Diversified ESG Growth Fund are increase in International Equities, primarily favouring Australian Dollar currency hedged exposures versus unhedged exposures, removal of the allocation to Emerging Market Debt and small reduction in Cash. More details of this SAA refresh are available on the BlackRock website [here](#).

Fund Allocation



	Fund	Benchmark
Australian Shares	23.80	24.00
International Shares	24.14	24.00
Emerging Markets Shares	7.48	7.50
Global REITs (unhedged)	4.76	5.00
Global Listed Infrastructure (unhedged)	5.08	5.00
Gold	6.04	6.00
Australian Bonds	11.10	11.00
International Bonds	13.84	14.00
Cash	3.75	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	409 mil
Buy/Sell Spread	0.16%/0.16%

BlackRock Diversified ESG Growth Fund	
APIR	BAR0813AU
Management Fee	0.79% 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. © 2022 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.