

BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE

31 August 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	-1.04	-1.98	-9.33	-9.07	3.17	6.22	7.81
Benchmark*	-1.28	-2.14	-8.54	-7.55	3.56	6.26	6.83
Outperformance (Gross of Fees)	0.24	0.16	-0.79	-1.52	-0.39	-0.05	0.98
BlackRock Diversified ESG Growth Fund (Net of Fees) ²	-1.11	-2.16	-9.79	-9.76	2.41	5.43	7.14
Benchmark*	-1.28	-2.14	-8.54	-7.55	3.56	6.26	7.08
Outperformance (Net of Fees)	0.18	-0.02	-1.24	-2.21	-1.15	-0.83	0.06

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

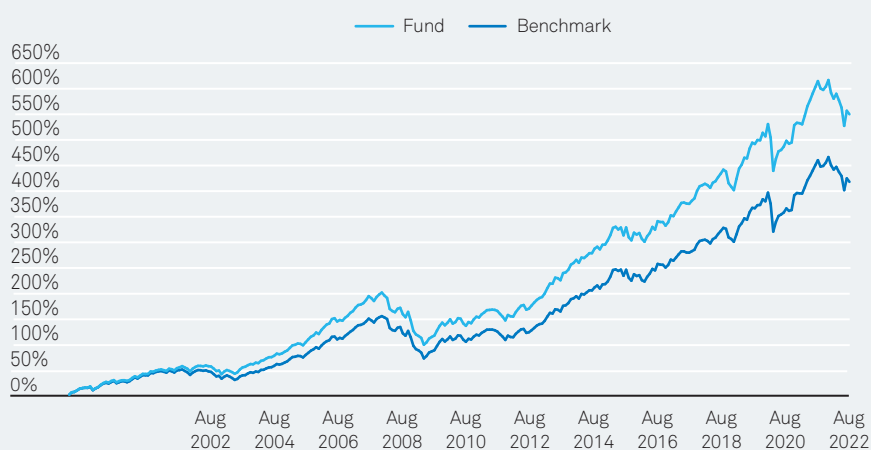
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 August 2022



Performance Summary

Market Overview

Financial market volatility was elevated in August amid hawkish central bank rhetoric. Global equities, as represented by the MSCI World Index, finished the month down 2.5% in Australian dollar terms, with Developed markets underperforming Emerging market counterparts. Fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index, were also challenged as bond yields rose, closing the month down at 2.7% for the Australian dollar hedged investor.

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 fell by 4.1% in August (in local currency terms), with most major sectors declining over the month. While recent inflation prints appear to have peaked, the US Federal Reserve (Fed) re-confirmed its commitment to curb inflation, as evident from the Fed Governor's hawkish message in Jackson Hole. Meanwhile, labour market conditions tightened further, with non-farm payrolls increasing more than market expectations in August. Economic indicators like retail sales and industrial production also remained resilient despite the economy recording two consecutive quarters of negative growth earlier this year.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index decreased by 5.1% in August (in local currency terms) as the energy crisis deepened across the region. Within the European block, annual flash headline inflation hit an all-time high of 9.1% in August. Broadening price pressures have added to concerns that high inflation may become entrenched and push the European Central Bank (ECB) to hike rates further following their initial lift-off in July.

Meanwhile, the UK equity market declined by 1.1% (in local currency terms), as recessionary fears weighed on risk sentiment. While the unemployment rate remained low at 3.8% in the three months through June, job vacancies fell, and consumer confidence remained weak as consumers experienced headwinds from negative real wage growth.

Asia

Asian equities were a mixed bag over the month, with Chinese equities slowing and Japanese equities rebounding. China's CSI 300 Index fell by 2.0% in August, as sentiment was dragged down by concerns around the domestic real estate market and lockdown measures implemented as part of China's zero-COVID strategy. China's consumer and industrial data missed expectations in July, raising renewed concerns around global supply chain pressures and a slowing Chinese economy.

Japanese equities, as represented by the TOPIX Index, rose by 1.2% in August (in local currency terms), as the weaker Japanese Yen helped support manufacturers and exporters. The Bank of Japan (BOJ) continued to maintain its stance of defending its yield target despite core consumer prices rising 2.4% y/y in July, ahead of the BOJ's 2% target.

Australia

The S&P/ASX 300 Accumulation Index increased by 1.2% in August, on the back of a strong month for the domestic materials and energy sectors. Both sectors benefitted from high commodity prices and strong earnings releases by some corporations in the sector. The Reserve Bank of Australia (RBA) continued its hiking cycle in August and the cash rate has been increased by 175bps since May, with further rate hikes expected in the coming months. 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.

Fixed Income

Fixed Income markets were challenged by higher bond yields in August as central banks reaffirmed their intention to rein inflation through tighter monetary policy. The US and Australian 10-year yield rose by 54bps to end the month at 3.2% and 3.6% respectively. The rise in rates saw bond prices decline. As such, the Australian composite bond index fell by 2.5% and the Global Agg index by 2.7% over the month. Riskier parts of the fixed income markets, such as emerging markets debt and high yield indices also fell as risk sentiment soured and credit spreads widened.

Commodities & FX

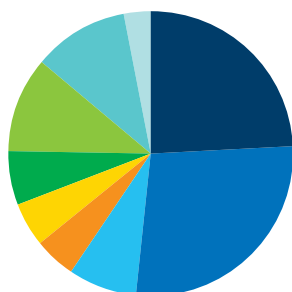
Despite ongoing supply headwinds, energy retraced some of its gains in August, as global demand began showing signs of weakening. Within currencies, the USD strengthened by 2.2% in August, and the Australian dollar weakened by 2.1% against the US dollar. The depreciation of the Australian dollar acted as a welcome buffer for international equity investors, as it meant that the fall in global share prices was less pronounced from an unhedged perspective.

Strategy Commentary – August 2022

The BlackRock Diversified ESG Growth Fund dropped by 1.1% (after fees), outperforming the benchmark slightly over the month. In August, both growth and defensive assets underperformed as markets experienced substantial volatility amid hawkish central bank rhetoric. Growth assets including International Equities and International Property declined over the period. On the other hand, Australian Equities and Emerging Market Equities gained. The Fund's more defensive asset classes including Australian Fixed Income, Global Fixed Income, Australian Inflation Linked Bonds and US Inflation Linked Bonds also underperformed over the month. The defensive allocation to Gold detracted from the fund's return.

The Active return for the fund was +0.2% (after fees) over the period. Active performance within Australian equities supported performance while stock selection in emerging equities underperformed the underlying benchmarks over the period. Global infrastructure was relatively flat compared to the benchmark over the period while the investments in global property had a positive active return. The Global High Yield allocation had a positive active return contribution to the fund. 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 also had positive active returns over the month.

Fund Allocation



	Fund	Benchmark
Australian Shares	24.28	24.00
International Shares	27.64	27.50
Emerging Markets Shares	7.54	7.50
Global REITs (unhedged)	4.93	5.00
Global Listed Infrastructure (unhedged)	5.04	5.00
Gold	5.99	6.00
Australian Bonds	10.85	11.00
International Bonds	10.95	11.00
Cash	2.78	3.00

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.

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.

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	386 mil
Buy/Sell Spread	0.16%/0.16%

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