BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE **31 October 2022**

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Diversified ESG Growth Fund (Gross of Fees)[1]	4.40	-1.73	-9.96	-7.46	2.52	5.23	7.73
Benchmark*	4.06	-2.64	-9.80	-6.94	2.62	5.24	6.73
Outperformance (Gross of Fees)	0.34	0.91	-0.16	-0.52	-0.10	-0.01	1.00
BlackRock Diversified ESG Growth Fund (Net of Fees)[2]	4.32	-1.92	-10.53	-8.17	1.74	4.45	7.06
Benchmark*	4.06	-2.64	-9.80	-6.94	2.62	5.24	6.97
Outperformance (Net of Fees)	0.26	0.72	-0.73	-1.23	-0.88	-0.79	0.08

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

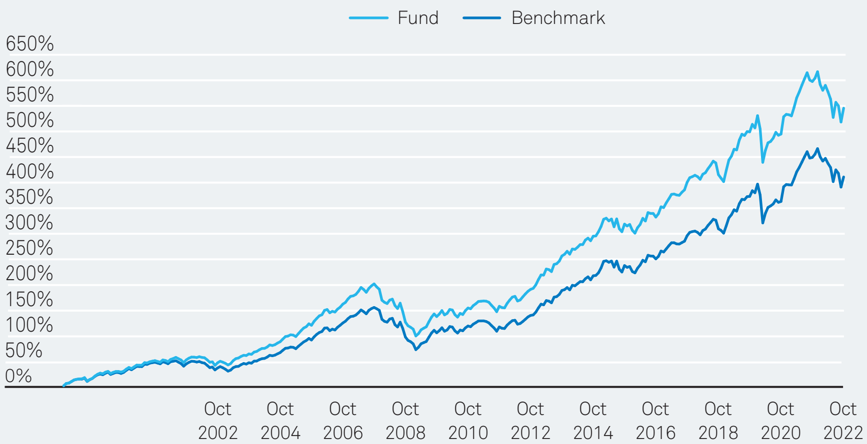
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 Index℠, 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 Index℠.

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 October 2022



Performance Summary

Market Overview

October saw a reprieve for risk assets, with the European energy crisis showing signs of easing and investors speculating there could soon be a potential dovish pivot by central banks. Global equities rallied over the month and the MSCI World Index rose by 7.8% in Australian dollar terms, with Developed Markets outperforming their Emerging Market counterparts. Fixed Income markets saw varied performance, with global bonds closing the month down 0.4% while Australian bonds posted positive returns of 0.9%. Riskier parts of the fixed income market also recorded positive performance given the improvement in risk appetite and tightening of credit spreads.

United States

In the US, the S&P 500 Index increased by 8.1% in October (in local currency terms). US equities were boosted by a resilient corporate earnings season for Q3, with more than two-thirds of companies that have reported results delivering a positive earnings surprise. That said, the magnitude of positive earnings surprise is notably below the 5-year and 10-year average figure – signalling slowing demand across the economy. Energy and Industrials sectors outperformed over the period, while several large-cap tech names, including Meta and Amazon, disappointed. US GDP growth was stronger than expected and bounced back in Q3 to 2.6% annualized, driven largely by higher energy exports. Core PCE, the US Federal Reserve's (Fed) preferred inflation measure, also accelerated slightly to 5.1% on annual basis over the month. Core inflation remains stubbornly high given strong wages growth and is not far from the 40-year high reached earlier this year.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 9.1% in October (in local currency terms). The European Central Bank (ECB) announced another 75bps rate hike in October, however ECB President, Christine Lagarde, took a dovish tone by signaling a slower pace of rate hikes ahead. European energy concerns also diminished over the period, with natural gas prices falling given Europe's success in building up supply ahead of winter. Country inflation data across Germany, France and Italy, which was released late in the month, beat analyst estimates and remains at elevated levels.

The UK equity market gained 3.0% in October (in local currency terms). British financial markets stabilized after a significant turnaround in UK fiscal policy and change in political leadership. Former Chancellor, Rishi Sunak, was appointed the new Prime Minister by the Conservative Party following the resignation of Liz Truss, who was forced to reverse her unfunded tax cuts. The new government was viewed by investors as a steadier hand on economic policy and will publish their budget plan in coming weeks to address the UK fiscal shortfall. The unemployment rate also fell to a 40-year low at 3.5% in the three months through August, although job vacancies weakened.

Asia

Asian equities were mixed over the month. China's CSI 300 Index fell by 7.7% in October (in local currency terms), selling off sharply after the 20th Communist Party Congress where Chinese President Xi Jinping secured an unprecedented third term. Investor disappointment over the lack of check-and-balances in the new Politburo Standing Committee, which represents the top leadership of the Chinese Communist Party, and implications of a more hard-line approach to national security and lockdown measures contributed to the decline. Smaller COVID outbreaks have persisted in many Chinese provinces with no sign of a meaningful change in the country's zero-COVID strategy. While Q3 GDP growth of 3.9% YoY beat expectations, it remains below the official target.

Japanese equities, as represented by the TOPIX Index, rose by 6.4% in October (in local currency terms). Japan's headline inflation jumped to an 8-year high of 3.1% YoY for September, but the core underlying measure saw a more muted increase. Consequently, the Bank of Japan (BoJ) kept its policy rate unchanged at -0.1% and yield curve control program in place, despite a sustained depreciation in the Japanese yen. The Japanese Ministry of Finance (MoF) continued to intervene in currency markets over the month to defend the yen, which had fallen to a 32-year low against the US dollar.

Australia

The S&P/ASX 300 Accumulation Index rose by 6.0% in October, with Financials and Energy sectors among the best performing sectors over the period. Earlier in the month, the Reserve Bank of Australia (RBA) surprised the market by hiking only 25bps, which was below economist and market expectations. The RBA cited the need to assess the impact of previous rate hikes on the domestic inflation outlook and economic growth. Meanwhile, Australian house prices continued their decline, dropping 1.2% nationally over the month (as represented by the CoreLogic Home Value index). Australian inflation increased by 7.3% YoY in Q3, which was above market predictions, and the annual pace of inflation is now at its fastest rate since 1990.

Fixed Income

Fixed Income markets saw varied performance over the period. The increase in global rates saw international bond prices fall, while the decline in domestic rates aided Australian bonds. As such, the Global Aggregate Bond index fell by 0.4% over the month, while the Australian Composite Bond index rose by 0.9%. Riskier parts of the fixed income markets, such as emerging markets debt and high yield credit indices, rose as spreads tightened amid improved risk sentiment.

Commodities & FX

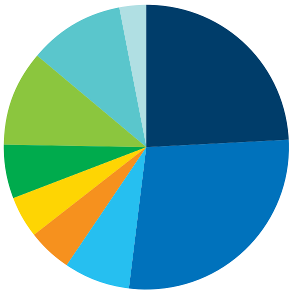
Energy prices rose over October, with the decision by OPEC+ to cut oil production by two million barrels per day expected to put further upward pressure on prices. Gold and other metals declined across the period. Within currencies, the US dollar halted its recent ascent against its developed market peers, weakening by 0.2% over the month. The Australian dollar was roughly flat against the US dollar for the month but remains -11.9% lower on a year-to-date basis. Across 2022, the depreciation of the Australian dollar has acted as a welcome buffer for international equity investors, as it has meant that the fall in global share prices has been less pronounced from an unhedged perspective.

Strategy Commentary – October 2022

The BlackRock Diversified ESG Growth Fund delivered strong returns of 4.3% (estimated, after fees), outperforming the benchmark slightly over the month. An improvement in investor sentiment saw both growth and defensive assets outperform over the month. Despite the inflationary backdrop, speculation of a potential dovish pivot by global central banks led to a recovery in risk appetites. Performance was led by Growth assets including Australian and International Equities over the period. Global Infrastructure, Global Property and Australian bonds also had positive return contributions over the period. Defensive allocation to Gold detracted from the fund's return over the period.

The Active return for the fund was +0.3% (estimated, after fees) over the period. Active performance within Emerging equities supported the performance while global equities underperformed the underlying benchmarks over the period. 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. On the other hand, Global infrastructure and Global Property underperformed compared to the benchmark over the period.

Fund Allocation



	Fund	Benchmark
Australian Shares	24.34	24.00
International Shares	27.86	27.50
Emerging Markets Shares	7.45	7.50
Global REITs (unhedged)	4.96	5.00
Global Listed Infrastructure (unhedged)	4.78	5.00
Gold	5.92	6.00
Australian Bonds	11.05	11.00
International Bonds	10.84	11.00
Cash	2.80	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.

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	378 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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