BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE **31 May 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]	1.76	7.47	6.96	17.29	9.28	9.53	8.43
Benchmark*	1.69	6.99	6.76	17.39	9.02	8.78	7.31
Outperformance (Gross of Fees)	0.07	0.47	0.20	-0.10	0.26	0.75	1.13
BlackRock Diversified ESG Growth Fund (Net of Fees)[2]	1.69	7.25	6.62	16.38	8.49	8.72	7.74
Benchmark*	1.69	6.99	6.76	17.39	9.02	8.78	7.55
Outperformance (Net of Fees)	0.00	0.26	-0.14	-1.01	-0.53	-0.06	0.19

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

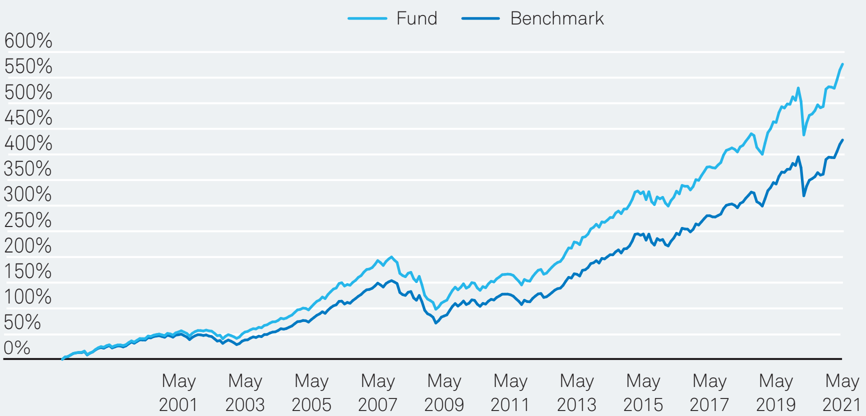
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 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 May 2021



Market Review

In May, financial markets were broadly upbeat as the activity restart gathered momentum and the risk-on mood continued with cyclical exposures leading returns once again. Despite volatility in recent macro data amid unusual supply and demand dynamics, interest rate and inflation expectations stabilized, providing a supportive backdrop for risk assets. While concerns around regional resurgences of COVID-19 cases lingered, investors focused on improving vaccination rates, which has allowed many economies to at least partially reopen. Alongside sizeable fiscal support, the accelerated vaccine programs have enabled a rebound in equity and commodity markets, particularly in Europe.

Emerging markets (EM) outperformed their developed counterparts amidst a backdrop of a global economic recovery and transition out of the pandemic, helped by a weaker US dollar. Within EM, China continues to see moderation in growth momentum after a strong restart last year. Developed

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- Unit Prices

sovereign debt markets were muted as most central banks remained dovish, with the exception of the Bank of Canada and the Bank of England which signalled a reduction in their purchasing programs.

US

In the US, the S&P 500 Index gained 0.7% in May. News headlines were dominated by the higher than expected inflation data for April, and market reactions on the back of it. Inflation rose to 4.2% year on year, which is reasonably high from a historical perspective and caused concern amongst some investors. However, the Federal Reserve was largely unmoved and comments by members suggested that they see higher inflation as transitory – calming market nerves somewhat. Under the new policy framework, the US central bank is expected to have a higher tolerance to moderate inflation overshoots of the 2% target for a short period of time.

On the economic front, the US quarterly earnings season was much stronger than expected. The composite purchasing managers' index (PMI) for May climbed to an all-time high as both manufacturing and service sectors expanded at record rates. Contributing to the uptick in the headline PMI figure was a significant expansion of production during May. The increase was widely attributed to stronger client demand and a further marked rise in new order inflows. On the other hand, the month of May witnessed some disappointing non-farm payroll data and the ISM manufacturing index also fell short of the elevated expectations. Nonetheless, the data is still consistent with a strong recovery in US manufacturing as well as the broader US economy.

Europe

The Euro Stoxx 600 Index gained 2.3% in May, leading the developed equity markets complex, whilst the UK FTSE Index gained north of 1%. Within the European block, prospects for a strong rebound in economic growth this year have risen as the rate of vaccination has accelerated after a sluggish start, and mobility restrictions are gradually being lifted. While manufacturing has been recovering for several months already, there are now also signs that the services sector is improving significantly (supported by the services PMI). Despite the improving economic outlook, the European Central Bank (ECB) policymakers signaled that that easy financing conditions would be maintained, allying fears around the potential removal of policy support.

Within the UK, vaccination rates continued to remain strong and have accelerated in advance of the full economic opening slated for end June. May's UK composite PMI showed month on month expansion. Strong retail and consumer demand data came out of the region. Increasing demand has amplified supply constraints as supplier delivery times grew over the month on the back of persistent bottleneck issues. The service sector also reported a pick-up in activity, aided by partial reopening of the hospitality sector.

Asia

Asian equities performed strongly in May and tended to outperform their global counterparts. Chinese equities were amongst the best performers gaining about 4% over the month, after lagging earlier in the year. Nonetheless, there was high dispersion in market performance across the region. The differentiation in performance was partly driven by differences in terms of vaccine rollout and mobility restrictions implemented by governments in the area. Inflation was also a key concern in some Asian countries, amidst rising raw material prices and production bottle necks to meet the growing global demand for goods and services.

Japanese equities reported flat performance in May and underperformed their global peers. Macro data painted a mixed picture, with Covid-19 cases continuing to rise and the vaccine rollout lagging other developed markets, forcing the government to implement additional restrictions. The Japanese economy contracted by 1.3% over the first quarter of the year, as inflation continued to be weak in stark contrast to inflation elsewhere.

Australia

In Australia, the S&P/ASX300 Accumulation Index gained 2.3% in the month of May, amidst a backdrop of an improving Australian economic outlook. The Federal Government delivered the budget for the Fiscal year 2021-22 on the 11th of May. The Budget was broadly viewed as positive with better than expected revenues recycled into increased expenditure, helping to ease any lingering concerns of fiscal policy being normalized too quickly. The broad rally in domestic equities continued to be supported by improving economic activity along with strengthening commodity prices. Accommodative monetary conditions from the Reserve Bank of Australia (RBA) has also underscored the equity market rally. During its May policy meeting, the RBA left monetary policy unchanged and maintained its accommodative stance.

Fixed Income

Volatility in Fixed Income markets receded from where it was at the start of the year and May was a relatively quiet month for the asset class. Sovereign government bonds across regions experienced positive market moves, although they remained largely rangebound. Global yield curves flattened, as longer-term rates decreased while short term rates remain anchored. The Australian 10-year government bond yield ended the month at 1.71%, whereas the 10-year US treasury yield closed the month at 1.59%. Inflation indices had strong performance over the month for Australia and the US. Credit spreads tightened; Investment Grade and High Yield indices generally gained somewhat in May. Local Currency Emerging market debt, as an asset class has benefitted from a depreciating US dollar and closed May with positive performance.

Commodities & FX

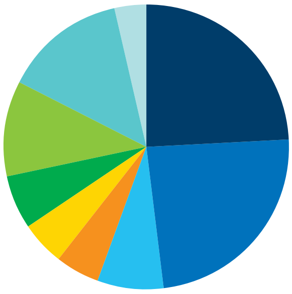
Commodity prices have continued their ascent and saw strong gains on the back of expectations for stronger economic growth and a backdrop of supply constraints and demand coming back to more normal levels. Energy prices jumped higher as OPEC continued to keep production in check even as economic activity accelerates. Within the metals block, Gold and Iron Ore led performance underpinned by the weakening US dollar and growing inflationary pressure. The yellow metal which is widely perceived as a hedge of inflation saw its price increase amidst rising inflation. The US dollar continued to weaken into May as investors rotated out of safe havens assets. The Australian dollar also fell against most major currencies except the US dollar and Japanese yen.

Strategy Commentary – May 2021

The BlackRock Diversified ESG Growth Fund gained 1.69% in May (after fees), in line with its diversified benchmark. This brings the Fund's year-to-date return to +6.62% (after fees). Virtually all asset classes contributed positively to the Fund's overall return in May. Growth assets, such as Australian and international equities, global REITs and emerging markets equities had a particularly strong month and drove the Fund's return. Gold also had a very strong month, after lagging somewhat earlier in the year. In addition, the portfolio's fixed income allocation contributed positively, with inflation-linked bonds performing better than nominal bonds. Infrastructure was the only asset class that recorded a small negative return in May.

Looking at active returns, the Fund performed in line with its diversified benchmark in May as the underlying active return sources generated offsetting returns. The Fund's liquid alternatives strategies (implemented via the Tactical Opportunities Fund and Style Advantage Fund) generated positive active returns, while stock selection in Australian and emerging markets equities detracted.

Fund Allocation



	Fund	Benchmark
Australian Shares	24.25	24.00
International Shares	23.96	24.00
Emerging Markets Shares	7.48	7.50
Global REITs (unhedged)	5.05	5.00
Global Listed Infrastructure (unhedged)	4.99	5.00
Gold	6.00	6.00
Australian Bonds	10.91	11.00
International Bonds	13.96	14.00
Cash	3.41	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	482 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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