

# BLACKROCK DIVERSIFIED ESG GROWTH FUND

# BLACKROCK®

FUND UPDATE

31 August 2023

## Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Diversified ESG Growth Fund (Gross of Fees) <sup>1</sup>	-0.19	3.23	9.95	10.27	6.22	5.76	7.91
Benchmark*	-0.15	3.20	9.62	9.32	6.71	5.76	6.93
Outperformance (Gross of Fees)	-0.05	0.02	0.33	0.95	-0.50	0.00	0.98
BlackRock Diversified ESG Growth Fund (Net of Fees) <sup>2</sup>	-0.26	3.02	9.45	9.48	5.42	4.98	7.23
Benchmark*	-0.15	3.20	9.62	9.32	6.71	5.76	7.16
Outperformance (Net of Fees)	-0.11	-0.18	-0.17	0.16	-1.29	-0.78	0.06

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

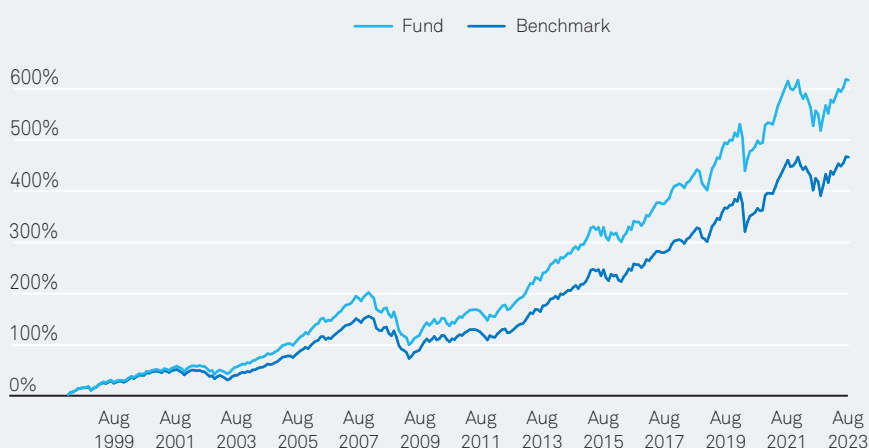
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

\* The benchmark is a diversified allocation of the S&P/ASX 300 Gross Total Return Index, MSCI Australia IMI Specified ESG Screened Index, MSCI World Index 4PM (hedged and unhedged in AUD), MSCI Emerging Markets Net Index (unhedged in AUD), FTSE Developed Core Infrastructure 50/50 Net Tax Index (unhedged in AUD), FTSE EPRA Nareit Developed Index Net TR Index (unhedged in AUD), Refinitiv Gold Fixing Price Index (unhedged in AUD), Bloomberg Barclays MSCI Australia 100mn ESG Index, Bloomberg AusBond Inflation Government 0+ Year Index<sup>SM</sup>, Bloomberg AusBond Credit 0+ Yr Index, Bloomberg Barclays US Govt Inflation-Linked Index (hedged in AUD), ICE BofA Developed Markets HY Constrained Index (hedged in AUD), Bloomberg AusBond Bank Bill Index<sup>SM</sup>.

Please note that effective from 31 March 2023 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 31 March 2023 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 2023



## Performance Summary

### Market Overview

Markets declined in August, as expectations that interest rates may remain higher-for-longer and China growth concerns weighed on investor sentiment. Global equities, as measured by the MSCI World Index (hedged), broadly declined 1.8% in Australian dollar terms over the month, but pared back some losses towards the end of August. The unhedged index finished the month up 1.6% as positive currency moves offset the decline in international share prices. Developed Market equities outperformed their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), continued to experience volatility and closed the month down 0.3%.

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 1.6% over the month (in local currency terms), with Utilities and Consumer Staples sectors among the worst performers. At the Jackson Hole economic symposium, US Federal Reserve (Fed) Chairman, Jay Powell, reiterated the need to hold monetary policy tight and noted he sees a “long way to go” on getting inflation down to target. Earlier in August, Fitch Ratings’ downgrade of the US credit rating to AA+ led to renewed focus on the country’s fiscal challenges. Meanwhile, reporting season for Q2 saw corporate earnings fall year-on-year for the third consecutive quarter, although the size of the decline was better than analyst expectations. On the data front, core inflation increased 4.7% year-on-year in July, while unemployment ticked down to 3.5% alongside robust job growth.

## Europe

European equities, as represented through the Euro Stoxx 50 Index, decreased by 3.8% in August (in local currency terms), with several sectors that are most sensitive to the economic backdrop, notably Consumer Discretionary, recording steep declines. Following hawkish comments from several European Central Bank (ECB) Executive Board members, ECB President, Christine Lagarde, further reinforced that interest rates will stay high “as long as necessary” at the Jackson Hole economic symposium. Meeting minutes from the July ECB decision also showed a willingness by policymakers to further hike rates at the September meeting. However, investors are increasingly wary of the economic impact of multiple rate rises, with the Euro Area PMI falling below expectations to 47.0 – the lowest reading since late 2020 – while core inflation only edged down to 5.3% year-on-year.

In the UK, the FTSE 100 Index declined 2.5% in August (in local currency terms). Early in the month, the Bank of England (BoE) hiked rates 25 basis points to bring the base rate to 5.25%. The central bank continues to grapple with the starkest trade-off between inflation and growth in a generation, having sharply hiked rates by over 500 basis points in cumulative tightening thus far. Despite consensus forecasts of a modest decline, UK core inflation remained unchanged at 6.9% for July with British wages growing strongly.

## Asia

Asian equity markets sold-off over the period. China’s CSI 300 Index underperformed and fell by 6.0% in August (in local currency terms), amid concerns around the property sector and sluggish underlying activity. Several large Chinese property developers faced turbulence over the month, with Evergrande filing for US bankruptcy protection while Country Garden warned it could soon default on its debts. In a fresh sign that authorities are ramping up monetary easing efforts to boost a sputtering economic recovery, China’s central bank unexpectedly cut key policy rates for the second time in three months. Chinese exports and imports shrank further in July, while youth unemployment also remains an issue.

Japanese equities, as represented by the Nikkei 225 Index, declined by 1.6% in August (in local currency terms), but remain a strong performer on a year-to-date basis, with markets up 26.5%. Japan’s GDP handily beat expectations to grow by 6.0% annualised over Q2, with net exports providing the largest quarterly contribution to GDP in three years. On the inflation front, the country’s core-core inflation index (which excludes prices of fresh food and energy) accelerated from the previous month and rose 4.3% year-on-year. Meanwhile, the Japanese yen has declined sharply since the Bank of Japan’s (BoJ) policy adjustment in July and sits near levels which spurred official intervention in currency markets late last year.

## Australia

The S&P/ASX 300 Accumulation Index fell -0.8% in August, with Utilities and Consumer Staples among the worst performing sectors. For a second consecutive month, the Reserve Bank of Australia (RBA) left the official cash rate unchanged at 4.10% as the central bank paused to evaluate key economic developments. Australia’s monthly CPI fell unexpectedly to 4.9% year-on-year, which is now well below the December peak of 8.4%. Unemployment also rose to 3.7% in July, although remains below the 4.5% target the RBA has stated is necessary for inflation to return to target. The CoreLogic Home Value index, an indicator of Australian house prices, continued a six-month rally and recorded a 0.8% increase in August.

## Fixed Income

Fixed income markets saw elevated volatility given an uncertain macroeconomic backdrop. Long-term government bond yields in the US jumped close to 15-year highs in August, exacerbated by the US Treasury’s hefty bond issuance and Fitch Ratings’ downgrade of the US credit rating, while yields on Japanese government bonds also moved sharply higher. Over the month, the US 10-year yield rose by 15 basis points to end August at 4.1%, while the Australian 10-year yield fell by 3 basis points to end the month at 4.0%. The rise in yields meant the Global Aggregate index (hedged) finished the month down 0.3%, while the fall in yields saw the Australian composite bond index outperform and gain 0.7% over August. Riskier parts of the fixed income markets, such as investment grade credit and emerging market debt indices, realised modest losses.

## Commodities & FX

Commodity and energy prices were mixed over August. While Iron Ore rose 8.0% as Chinese authorities eased property regulations late in the month, Copper fell by 5.0% and Gold slid lower by 1.3%. Oil prices continued to recover and rose by 2.2% across the period, driven by several tailwinds including resilient global demand and OPEC+ production cuts. Within currencies, the US dollar appreciated against its developed market peers, strengthening by 1.8% in August. The Australian dollar depreciated by 3.5% against the US dollar.

## Strategy Commentary – August 2023

The BlackRock Diversified ESG Growth Fund recorded a negative return for August of -0.26% (after fees). A downbeat economic picture across China and Europe and broad sell-off in global government bonds weighed on market sentiment.

In terms of absolute performance, growth assets realised losses across the period, namely Global Equities, Australian Equities and Emerging Market Equities. The depreciation in the Australian dollar helped offset the fall in global share prices, with the unhedged allocation to Global Equities outperforming the hedged allocation. Global Infrastructure also detracted over the month, however Global Property contributed.

The Fund’s more defensive asset classes saw mixed performance over August. Australian Fixed Income, Australian Inflation Linked Bonds and Australian Investment Grade Corporate Bonds modestly contributed, while US Inflation Linked Bonds detracted over the month. The defensive allocation to Gold contributed across the period.

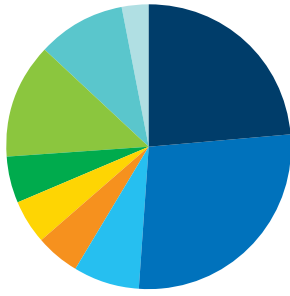
On the active front, the Fund underperformed its diversified benchmark over the month by -0.11% (after fees). Global Equities was the largest detractor in August, particularly via the global fundamental strategy, which was hampered by stock selection in Information Technology and Utilities. The global systematic strategy also detracted across the period.

Australian Equities modestly detracted over the month, as the Australian systematic strategy underperformed due to overweights in Financials and Utilities, and poor positioning in Communication Services.

The Fund’s tactical portfolio tilts contributed to active returns in August, while the global macro strategy which takes overweight and underweight positions across asset classes and regions (i.e. tactical asset allocation) was roughly flat over the month.

Global Property and Global Infrastructure were additive while active returns for Global High Yield were roughly flat across the period. Emerging Market Equities modestly contributed, driven by the Fund’s fundamental equities strategy which benefitted from stock selection.

## Fund Allocation



	Fund	Benchmark
■ Australian Shares	23.86	24.00
■ International Shares	27.36	27.50
■ Emerging Markets Shares	7.48	7.50
■ Global REITs (unhedged)	5.02	5.00
■ Global Listed Infrastructure (unhedged)	5.05	5.00
■ Gold	5.19	5.00
■ Australian Bonds	13.22	13.00
■ International Bonds	10.02	10.00
■ 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 achieve superior investment performance through providing returns that exceed those of the composite benchmark after fees, over rolling 3-year periods. The Fund will seek to meet its investment objective while taking into account the principles of environmental, social and governance (ESG) focused investing. The composite benchmark comprises a portfolio of published indexes, approximately 30% of which represent defensive assets and 70% of which represent growth assets.

## Fund Strategy

BlackRock utilises its proprietary capital market assumptions, which produce long-term estimates of expected risk and return in each asset class. These are used to construct the Fund's strategic asset allocation (SAA) which sets the target allocations for various asset classes.

BlackRock then implements the SAA, and gains exposure to the targeted asset classes by investing in other pooled investment vehicles (Underlying Funds) which are managed by us or other entities within the BlackRock Group. These Underlying Funds have a range of active and index investment strategies. Each active strategy aims to add value over the strategic allocation, whilst controlling risk. In addition to long-only active funds, the Fund may invest in Underlying Funds with absolute return strategies to achieve the Fund's overall performance objective. BlackRock may adjust the SAA or its investment into Underlying Funds from time to time, including at periodic rebalances.

The selection of an Underlying Fund for inclusion in the strategy is the result of a comprehensive due diligence process. In selecting Underlying Funds, BlackRock takes into account ESG considerations as set out in section titled 'ESG approach within the Underlying Fund selection process' in the Fund's Product Disclosure Statement.

### Should be considered by investors who ...

- ▶ Seek a fund that invests across a range of domestic and international asset classes in seeking to maximise the benefits of global diversification.
- ▶ Seek a fund that incorporates ESG considerations in constructing and implementing its strategic asset allocation.

### Fund Details

BlackRock Wholesale Diversified ESG Growth Fund	
APIR	BGL0003AU
Fund Size	385 mil
Buy/Sell Spread	0.10%/0.10%

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](http://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. © 2023 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.