

BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE

31 August 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	1.71	5.53	12.87	19.52	9.68	10.23	8.59
Benchmark*	1.81	5.79	12.94	20.25	9.40	9.49	7.48
Outperformance (Gross of Fees)	-0.10	-0.26	-0.07	-0.73	0.29	0.74	1.10
BlackRock Diversified ESG Growth Fund (Net of Fees) ²	1.64	5.33	12.30	18.60	8.88	9.41	7.89
Benchmark*	1.81	5.79	12.94	20.25	9.40	9.49	7.72
Outperformance (Net of Fees)	-0.17	-0.46	-0.64	-1.65	-0.52	-0.08	0.17

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

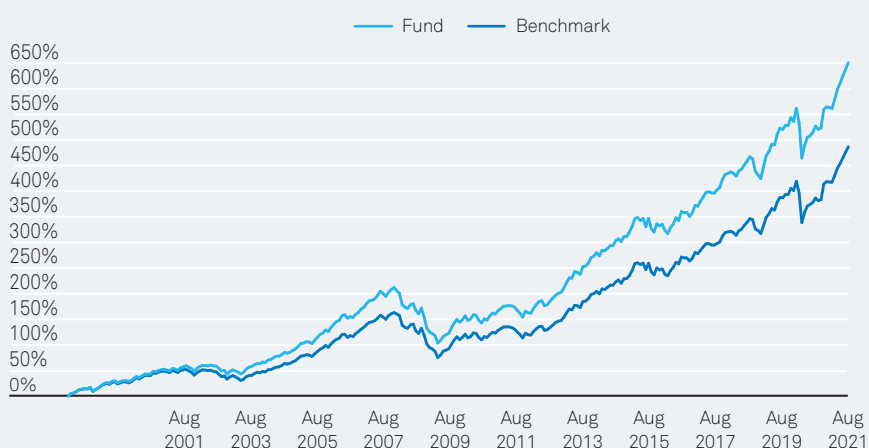
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 2021



Market Overview

August was another positive month for most financial markets. Risk sentiment stayed steady on reinforcements around accommodative fiscal and monetary support in the near term, strong economic data, and widespread global immunisations. Concerns around the more transmittable COVID-19 delta strain and plateauing economic growth did not materially deter risk appetite. Key risk-on assets such as equities and high yield credit experienced a strong rally in August. Defensive asset classes such as global fixed income were mostly flat, while commodities including energy declined over the month.

Global equities (hedged in AUD) gained over 2.5% in August, which brings year-to-date performance to almost 20%. Regionally, developed market equities continued to outperform their emerging market counterparts, led by the US. Corporate earnings results were encouraging, with several large US and European companies reporting strong profits and announcing large dividend pay-

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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

outs. Japanese equities bounced back strongly in August, following declines in the previous months. Emerging market equities initially stalled amidst virus concerns and a tougher stance from Chinese regulators but rebounded to finish the month slightly higher.

US

US equities represented through the S&P 500 Index gained over 3% in August. Financials was the top performing sector in the US, with Energy and Industrials the worst performers. Emphasis on an upbeat US earnings season, persistent fiscal expansion and a patient Federal Reserve created a favourable backdrop for share markets. While the US economy has been growing strongly for much of this year, recent data signalled a potential slowing of momentum. The rate of US GDP growth appears to have peaked, and the impacts of the delta variant have spurred concerns of a fading recovery.

Federal Reserve Chair Jerome Powell gave a dovish speech at the Jackson Hole 2021 meeting in end August that diffused concerns around immediate inflation led intervention and an imminent tapering of asset purchases – ultimately resulting in a continuation of the highly accommodative stance. Chair Powell made the case for the current high inflation rates being transitory, emphasizing the recent supply shocks which are expected to dissipate in the near future. While inflation data moderated somewhat relative to preceding months, higher wages and elevated economic growth could mean that inflation may remain elevated going forward. After a strong jobs report in July, the August report (which was released in early September) showed a surprisingly softer print, with implications on monetary policy keenly watched. The flash PMI's similarly pointed to sagging momentum as the composite PMI declined to 55.4. On the fiscal side, US President Joe Biden progressed an additional US\$550 billion of new spending as a part of the bipartisan infrastructure package that was passed in the US Senate.

Europe

European equity markets represented through the Euro Stoxx 600 Index gained over 2.5% in August. The second quarter earnings season saw results coming in ahead of consensus expectations, which were elevated after strong first quarter earnings releases.

Within the European block, COVID-19 cases climbed albeit with lower hospitalisations and mortality; mobility did not suffer as most governments were reluctant to impose new restrictions. Whilst the eurozone economy contracted in the first quarter, the second quarter seasonally adjusted GDP for Eurozone has shown growth of 2% on a quarter on quarter basis. The flash CPI estimate for August came in far stronger-than-expected at 3.0% and was well above consensus sparking hawkish comments from the European Central bank (ECB). The Euro Area composite PMI fell in August, with German manufacturing responsible for the decline while peripheral Europe showed marginal improvements.

The UK equity market as measured by the FTSE Index gained north of 2%. Since the last UK COVID related restrictions were relaxed in July, new coronavirus cases spiked throughout August. However, the hospitalization rate remained stable amidst a highly vaccinated population. Monthly economic data suggested the UK is possibly past peak growth as soft indicators reported static or declining figures. For example, UK's Composite PMI dropped in August, but remained firmly in expansionary territory. UK inflation decelerated to 2.0% year on year undershooting an expected figure of 2.3%. During its August meeting, the Bank of England kept its stimulus running at full speed, even though it took a slight hawkish turn by warning that near term inflation pressures would likely lead to 'some modest tightening of monetary policy'.

Asia

Asian equities also recorded positive performance in August, reversing some of the negative performance from previous months. Headlines continued to focus on China from last month's coordinated policy crackdown on certain sectors. China continued to follow a zero-tolerance/

low-tolerance policy for new COVID-19 cases and has reimposed lockdown restrictions despite relatively low (reported) case numbers. This has contributed to significant downward revisions for China's 2021 economic growth, which is expected to face a more broad-based period of weakness as other measures, such as credit growth, also deteriorated. Despite the People's Bank of China (PBOC) pivot to a more dovish stance through cutting the Reserve Require Ratio (RRR) by 0.5%, the consensus is that further easing may be required. Chinese stocks were pushed higher by a statement from the PBOC that it will use its monetary policy tools to support the rural sector, with measures including the reserve requirement ratio, along with relending and rediscounting measures. Chinese equities finished August marginally higher, but underperformed their global counterparts.

Japanese equities reversed their losses from previous months and gained over 3% in August. As new COVID-19 cases appear to have peaked and two important domestic elections approach, investor interest in the region has increased again. Economic data coming out of Japan was largely positive in August, although a large degree of uncertainty remains amidst the ongoing high number of Covid-19 cases. Second quarter GDP printed stronger than consensus at 1.3%, despite the heavy restrictions on services activities in Japan.

Australia

In Australia, the S&P/ASX300 Accumulation Index gained 2.6% in the month of August, in line with other developed markets, despite a large part of the Australian population being in lockdown. The rally in domestic equities was supported by ongoing accommodative monetary conditions from the Reserve Bank of Australia (RBA) and an improving vaccine rollout. The RBA signaled their desire to move away from the ultra-loose monetary policy that was designed for the uncertainty of the pandemic. Despite the lockdown restrictions in parts of Australia, macro data appeared resilient and relatively positive. For example, Australia's GDP grew 0.7% quarter on quarter in Q2 2021, beating expectations. The upside surprise reflected a larger-than-expected boost from inventories and dwelling investment. The Markit composite PMI index declined slightly by 1.7 points to 43.5 as both manufacturing and services scores dipped. Economists downgraded the Australian economic outlook and pushed back the start of a potential RBA tightening cycle. Retail sales declined in August, largely in line with expectations, while aggregate figures for the local labour market remained upbeat.

Fixed Income

Volatility in Fixed Income markets receded from previous months and most developed market bond indices recorded relatively muted performance in August. After declining somewhat over the course of June and July, developed market government bond yields moved generally sideways in August. Most global government bond indices remain in negative territory year-to-date and have not fully recovered from their losses in the first quarter when the deflation theme was at its height. In riskier parts of the fixed income market, emerging markets debt and Asian credit enjoyed a positive month. High yield markets also performed well and outperformed investment grade credit in total return terms.

Commodities & FX

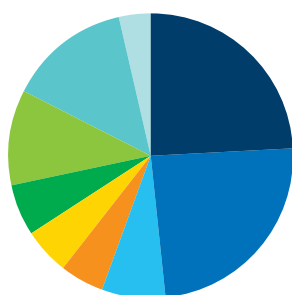
Major commodity prices including oil and copper declined as concerns around the Delta variant lingered and caution over slowing demand in China outweighed the supply shocks on the production side. Brent crude was down 4.4% in August and WTI crude dropped 7.4%. Similarly, other metals also suffered. In terms of Gold, strong economic recoveries and the prospect of rising interest rates have dimmed the appeal of the precious metal. In terms of currency moves, the Australian dollar was under pressure in the month because of the downgrade to the Australian economic outlook amid the COVID-19 delta outbreaks; the New Zealand dollar also had a volatile month, largely driven by changes in expectations for central bank rate hikes.

Strategy Commentary – August 2021

The BlackRock Diversified ESG Growth Fund gained 1.64% in August (after fees). This brings the Fund's year-to-date return to +12.30% (after fees), slightly behind its composite benchmark. Growth assets, including Australian and international equities and REITs continued to advance and drove the Fund's overall return in August. The Fund's more defensive asset classes (e.g. government bonds, inflation-linked bonds and gold) were relatively flat over the period.

Looking at active returns, the Fund slightly underperformed its diversified benchmark in August. Security selection in Australian equities was the key driver of the underperformance, while the Fund's liquid alternative component generated positive active returns. Within Australian equities, positioning in Consumer Discretionary detracted as underweight positions in diversified consumer services and hotels, restaurants and leisure hurt. Underweight positions in foods and staples retailing also detracted. The Fund invests in a global macro strategy that takes long and short positions across asset classes and regions. This sub-strategy had a tactical underweight position to global bonds (especially in the US and Germany), which benefitted performance in August.

Fund Allocation



	Fund	Benchmark
■ Australian Shares	24.19	24.00
■ International Shares	24.19	24.00
■ Emerging Markets Shares	7.44	7.50
■ Global REITs (unhedged)	5.00	5.00
■ Global Listed Infrastructure (unhedged)	5.04	5.00
■ Gold	5.93	6.00
■ Australian Bonds	10.85	11.00
■ International Bonds	13.85	14.00
■ Cash	3.51	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	530 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. © 2021 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.