BLACKROCK DIVERSIFIED ESG STABLE FUND

BLACKROCK®

FUND UPDATE **30 September 2022**

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Diversified ESG Stable Fund (Gross of Fees)[1]	-3.55	-1.63	-9.82	-8.75	-0.36	2.89	6.00
Benchmark*	-3.67	-1.98	-9.40	-7.86	-0.27	2.81	5.44
Outperformance (Gross of Fees)	0.12	0.35	-0.43	-0.89	-0.09	0.08	0.55
BlackRock Diversified ESG Stable Fund (Net of Fees)[2]	-3.60	-1.79	-10.27	-9.36	-1.02	2.21	5.44
Benchmark*	-3.67	-1.98	-9.40	-7.86	-0.27	2.81	5.65
Outperformance (Net of Fees)	0.07	0.18	-0.87	-1.50	-0.74	-0.60	-0.21

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

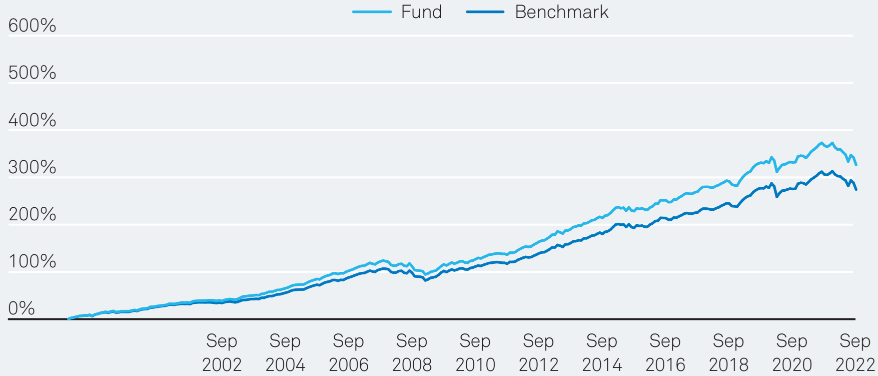
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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℠, Bloomberg Barclays MSCI Global Agg SRI Select ex-Fossil Fuels Index (hedged in AUD), BBG Barclays US Govt Inflation-Linked 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 Stable 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 30 September 2022



Performance Summary

Market Overview

The third quarter of the year proved grim for investors. Following a short-lived bear market rally in July, global equities resumed their sell-off in August and September, leaving the MSCI World Index roughly flat at +0.3% over the quarter in Australian dollar terms. The depreciation in the Australian dollar provided some offset to the fall in global share prices, with unhedged equities outperforming their hedged counterparts. Meanwhile, Developed Markets held up better than Emerging Markets amidst heightened volatility. Historically aggressive rate hikes by several central banks around the world saw Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index, close the third quarter down -3.8% for the Australian dollar hedged investor.

Visit **BlackRock.com.au** for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index declined by -4.9% over the quarter and by -9.2% in September (in local currency terms), with most sectors falling over the period. The US Federal Reserve (Fed) hiked interest rates twice by 75bps over the quarter and is on its fastest rate hiking cycle since the early 1980s. The Fed also published a new set of interest rate projections in September which predicted the Fed funds rate will rise to 4.6% by the end of 2023, a significant increase from prior views. While US inflation declined slightly for two consecutive months, the August inflation rate of 8.3% was above market consensus of 8.1% and remains elevated. The US labour market also remains tight as weekly jobless claims reached a five-month low in late September.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index, decreased by -3.7% in the third quarter and -5.6% in September (in local currency terms). Europe's efforts to wean itself off Russian energy have triggered a price surge, with the European Union now spending nearly 12% of its GDP on energy alone, and annual flash headline inflation within the European block hit an all-time high during the quarter. Following their initial lift-off in July, the European Central Bank (ECB) took a hawkish stance by announcing a record 75bps rate hike in September and hinted at further hikes over the next few months.

The UK equity market declined by -2.7% over the quarter and by -5.2% in September (in local currency terms). UK financial markets were roiled by Chancellor Kwarteng's mini-budget which planned to increase debt borrowing to fund tax cuts and energy support measures, driving significant volatility and dislocation across asset classes. The government's new economic agenda was viewed by many as inflationary and a challenge to the government's fiscal credibility, with markets sharply repricing to reflect expectations of tighter monetary policy. Although the unemployment rate remained subdued at 3.6% in the three months through July, consumer confidence fell to an all-time low in September.

Asia

Asian equities broadly sold off over the month and quarter. China's CSI 300 Index fell by -14.3% over the quarter and by -6.7% in September (in local currency terms), as sentiment weakened due to ongoing concerns around the domestic real estate market and lockdown measures implemented as part of China's zero-COVID strategy. In the lead up to the key 20th Communist Party Congress in October, China's large banks trimmed their deposit rates in September. This follows the People's Bank of China (PBoC) lowering its benchmark lending rates earlier in the quarter, amidst concerns of a slowing Chinese economy.

Japanese equities, as represented by the TOPIX Index, fell by -0.8% over the quarter and by -5.5% in September (in local currency terms). For the first time since 1998, the Japanese Ministry of Finance (MoF) intervened in currency markets in September to defend the Japanese yen from further weakness against the US dollar. The Bank of Japan (BOJ) continued to maintain its stance of defending its yield target despite core consumer prices rising 2.8% YoY in August ahead of expectations and above the BOJ's 2% target.

Australia

The S&P/ASX 300 Accumulation Index gained slightly (+0.5%) over the quarter but fell sharply (-6.3%) in September. Energy and material sectors were amongst the best performing sectors over the period, while utilities and real estate sectors declined. The Reserve Bank of Australia (RBA) continued its hiking cycle over the quarter, although Governor Lowe signaled that the pace of rate hikes may slow in coming months as the Bank monitors its impact on the economy. Australia's unemployment rate unexpectedly rose to 3.5% in August following its drop in July. Meanwhile, Australian house prices fell by -4.3% nationally over the quarter (as represented by the CoreLogic Home Value index) as headwinds from higher rates started to factor in.

Fixed Income

Fixed Income markets were challenged again by higher bond yields over the quarter as central banks reaffirmed their intention to rein in inflation through tighter monetary policy. The US 10-year yield rose by +82bps to end the quarter at 3.8% and the Australian 10-year yield rose by +23bps to end the quarter at 3.9%. The rise in rates saw bond prices decline. As such, the Global Agg index declined by -3.8% over the quarter and the Australian composite bond index by -0.6%. Riskier parts of the fixed income markets, such as emerging markets debt and investment grade credit indices also broadly declined as risk sentiment soured and spreads widened.

Commodities & FX

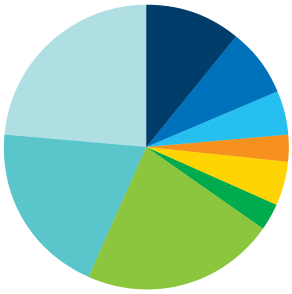
Despite ongoing supply headwinds, energy prices retraced gains over the third quarter amidst signs of a slowdown in global demand. Within currencies, the USD strengthened by +6.1% over the quarter against its developed market peers, and the Australian dollar weakened significantly by -7.3% against the US dollar. The depreciation of the Australian dollar acted as a welcome buffer for international equity investors, as it meant that that the fall in global share prices was less pronounced from an unhedged perspective.

Strategy Commentary – September 2022

The BlackRock Diversified ESG Stable Fund recorded a negative return for the quarter of -1.79% (after fees). Over the quarter both growth and defensive assets underperformed, amidst a deteriorating global economic outlook and heightened market volatility. Central banks continued to aggressively hike rates to combat rising inflation across most major economies, which proved a headwind for most asset classes. Growth assets, including International Equities, Emerging Market Equities and International Property, declined over the period. Australian Equities realised modest gains across the quarter. The Fund's more defensive asset classes, led by Global Fixed Income, US Inflation Linked Bonds and Australian Inflation Linked Bonds also underperformed. The defensive allocation to Gold modestly detracted from the Fund's performance.

On the active front, the Fund outperformed its diversified benchmark over the quarter. Stock selection within global equities, in particular Emerging Markets and International Equities, contributed to active returns over the period. The Fund's allocation to Global Infrastructure also modestly contributed over the quarter, while Australian Equities, and Global Property were relatively flat compared to the benchmark. Active returns were also flat from Global Fixed Income and Global High Yield. 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 contributed over the quarter. Tactical underweight positions to US and European fixed income added to active returns.

Fund Allocation



	Fund	Benchmark
Australian Shares	10.88	11.00
International Shares	7.96	8.00
Emerging Markets Shares	4.97	5.00
Global REITs (unhedged)	2.98	3.00
Global Listed Infrastructure (unhedged)	5.04	5.00
Gold	3.04	3.00
Australian Bonds	21.95	22.00
International Bonds	19.83	20.00
Cash	23.35	23.00

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 70% defensive and 30% 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 defensive 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 Stable Fund	
APIR	BGL0002AU
Fund Size	75 mil
Buy/Sell Spread	0.09%/0.11%

BlackRock Diversified ESG Stable Fund	
APIR	BAR0811AU
Management Fee	0.69% p.a.

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