

BLACKROCK DIVERSIFIED ESG STABLE FUND

BLACKROCK®

FUND UPDATE

31 March 2023

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Diversified ESG Stable Fund (Gross of Fees) ¹	1.76	3.69	3.69	-0.40	3.55	3.85	6.17
Benchmark*	1.90	3.67	3.67	-0.51	3.69	3.80	5.61
Outperformance (Gross of Fees)	-0.13	0.02	0.02	0.11	-0.14	0.04	0.56
BlackRock Diversified ESG Stable Fund (Net of Fees) ²	1.72	3.54	3.54	-1.05	2.86	3.16	5.60
Benchmark*	1.90	3.67	3.67	-0.51	3.69	3.80	5.81
Outperformance (Net of Fees)	-0.17	-0.14	-0.14	-0.55	-0.83	-0.65	-0.20

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

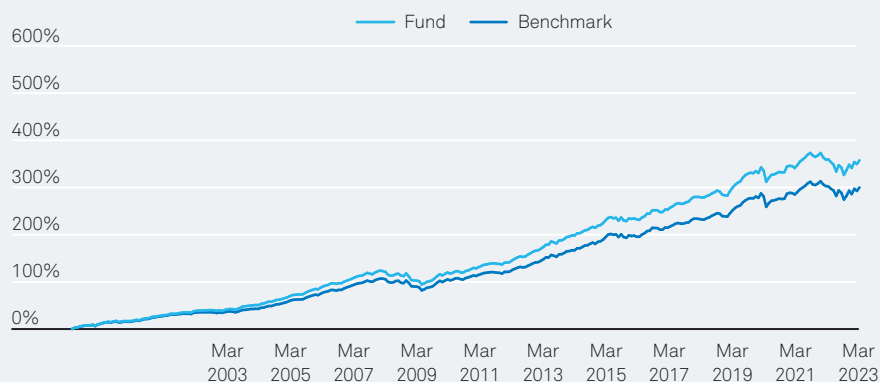
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* The benchmark is a diversified allocation of the S&P/ASX 300 Gross Total Return Index, MSCI Australia IMI Specified ESG Screened Index, MSCI World Net Total Return Index (hedged 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 IndexSM, Bloomberg Barclays US Govt Inflation-Linked Index (hedged in AUD), Bloomberg Barclays MSCI Global Aggregate SRI Select ex-Fossil Fuels Index (hedged in AUD), ICE BofA Developed Markets HY Constrained Index (hedged in AUD), Bloomberg AusBond Bank Bill IndexSM.

Please note that effective from 31 May 2022 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 31 May 2022 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 March 2023



Performance Summary

Market Overview

Major asset classes performed strongly over the first quarter of 2023, despite significant turmoil within the financial sector. Global equities, as measured by the MSCI World Index, increased by 9.2% over Q1 in Australian dollar terms. Developed Markets outperformed their Emerging Market counterparts, with fears of broader contagion across the banking system easing late in March. However, investors remain alert for signs of any further financial cracks and economic damage following the collapse of Silicon Valley Bank and forced acquisition of Credit Suisse by UBS. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged) saw meaningful volatility but gained 2.4% over the quarter.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index increased by 7.5% over the quarter and by 3.7% in March (in local currency terms). The Information Technology sector outperformed while Financials recorded losses as US regional banks sold off after the collapse of Silicon Valley Bank. Despite the recent banking stress, the US Federal Reserve (Fed) increased the Fed funds rate by 50 basis points over Q1 but introduced a new liquidity backstop to help banks meet depositor withdrawals. Fed Chair, Jerome Powell, also cautioned that the Fed was not contemplating any rate cuts later this year, contrary to market expectations for a policy pivot following the latest banking tumult. Meanwhile, core inflation rose less than forecast at 4.6% year-on-year in February, while key housing market indicators have also shown signs of slowdown.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 14.2% in the first quarter and by 2.0% in March (in local currency terms). The takeover of Credit Suisse by UBS took the spotlight, with Swiss regulators swiftly facilitating the acquisition given sustained capital flight by the bank's depositors. Meanwhile, the European Central Bank's (ECB) hiked twice by 50 basis points over Q1. Following the March rate decision, ECB President, Christine Lagarde, struck a hawkish tone by re-stating the priority of reining in inflation – having seen core Eurozone inflation reach an all-time high of 5.7% over February.

In the UK, the FTSE 100 Index gained by 3.6% over the quarter but lost 2.5% in March (in local currency terms). The Bank of England pushed up its policy rate to 4.25%, having hiked rates twice over the period. UK inflation remains stubbornly high, with February CPI data increasing unexpectedly to 10.4% on the back of rising food prices and energy bills. Britain experienced widespread worker strikes over Q1, with unions across a range of industries protesting pay and working conditions, amidst a tight UK labour market.

Asia

Asian equities recorded positive returns in Q1. China's CSI 300 Index rose by 4.7% over the quarter but declined by 0.5% in March (in local currency terms), with gains earlier in the quarter underpinned by the country's economic reopening. In March, the country set its new GDP growth target of "around 5%" for 2023, representing its lowest for more than three decades and below last year's goal of 5.5%. China's domestic restart continues apace with February data showing strong activity and credit growth, while official non-manufacturing PMI hit a 12-year high late in the quarter.

Japanese equities, as represented by the Nikkei 225 Index, gained 8.5% over the quarter and rose by 3.1% in March (in local currency terms). Persistent domestic inflation has added pressure to the Bank of Japan (BoJ) to adjust its ultra-loose monetary policy which appears increasingly at odds with the hawkish stance in other developed economies. Japan's core-core CPI that strips out energy and food prices rose 3.5% over February – the fastest pace in more than four decades – while retail sales rose 6.6% year-on-year in February ahead of market expectations. Earlier in Q1, Kazuo Ueda was confirmed as the nominee to become the new Bank of Japan (BoJ) governor in April.

Australia

The S&P/ASX 300 Accumulation Index gained 3.3% over the quarter but lost 0.2% in March, with Information Technology and Consumer Discretionary among the best performing sectors while Financials recorded losses. The Reserve Bank of Australia (RBA) increased the cash rate to 3.60% over Q1, however March meeting minutes indicated the central bank is contemplating an upcoming pause in rate rises. Although the monthly CPI indicator has decelerated for the last two consecutive months from 8.4% in December to 6.8% year-on-year in February, inflationary pressures remain elevated by historical standards. Meanwhile, Australian house prices fell 0.6% nationally over the quarter but increased by 0.6% in March to break a 10-month streak of consecutive declines (as represented by the CoreLogic Home Value index).

Fixed Income

Fixed Income markets finished the quarter in positive territory, having recovered from a sharp sell-off in February. Government bonds experienced heightened volatility as markets initially pushed expectations higher for global interest rates before retracing lower in March as financial cracks drove a belief that monetary tightening by central banks will begin to moderate. The US and Australian 10-year yields fell by 41 basis points and 75 basis points across Q1 to end the period at 3.5% and 3.3% respectively. The decline in rates saw bond prices rise. As such, the Australian composite bond index increased by 4.6% and the Global Aggregate index (hedged) by 2.4% over the quarter. Riskier parts of the fixed income markets, such as emerging market debt and corporate credit indices, also realised gains.

Commodities & FX

Commodities gained over Q1 while energy prices declined. Industrials metals performed strongly, with Iron Ore and Copper rising 10.0% and 7.3% respectively alongside China's economic reopening, while Gold also gained 8.0% over the period. However, Oil prices fell by 5.7% due to recessionary fears while Natural Gas prices also retreated as the effects of the European energy shock abated. Within currencies, the US dollar depreciated against its developed market peers, weakening by 1.3% in Q1. The Australian dollar depreciated by 1.9% against the US dollar, with lower commodity prices dragging the currency down.

Strategy Commentary – March 2023

The BlackRock Diversified ESG Stable Fund recorded a positive return for Q1 2023 of 3.54% (after fees). Major asset classes performed strongly over the first quarter of 2023 as fears of broader contagion across the banking system eased late in March.

In terms of absolute performance, the Fund's growth assets realised gains over the quarter, namely Global Equities, Australian Equities and Emerging Market Equities. Global Infrastructure and Global Property also modestly contributed in Q1. Defensive assets were positive over the period, including Australian Inflation Linked Bonds, US Inflation Linked Bonds, Australian Fixed Income, Global Fixed Income and Global High Yield. The defensive allocation to Gold further contributed to the Fund's performance.

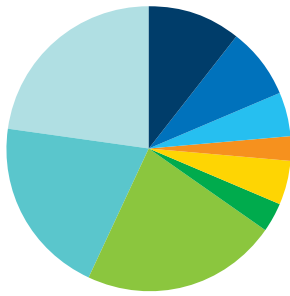
On the active front, the Fund underperformed its diversified benchmark over the quarter by -0.14% (after fees). Emerging Market Equities was the largest contributor to active returns over Q1, driven by active positioning within the Fund's fundamental allocation (implemented through the BGF Emerging Market Sustainable Equity Fund). An underweight to and stock selection in India and South Africa added to alpha.

Global Infrastructure also outperformed its underlying benchmark, driven by the EMEA region given an overweight to Eurozone Communications and Eurozone Electric Utilities. Australian Equities modestly contributed over the period.

The Fund invests in a global macro strategy (implemented through the BlackRock Tactical Opportunities Fund) that takes overweight and underweight positions across asset classes and regions (i.e. tactical asset allocation). This sub-strategy was the largest detractor over the quarter.

Global Property and Global High Yield also detracted from active returns over the period..

Fund Allocation



	Fund	Benchmark
Australian Shares	10.82	11.00
International Shares	7.92	8.00
Emerging Markets Shares	4.96	5.00
Global REITs (unhedged)	2.90	3.00
Global Listed Infrastructure (unhedged)	5.00	5.00
Gold	3.18	3.00
Australian Bonds	22.36	22.00
International Bonds	20.18	20.00
Cash	22.68	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 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 70% of which represent defensive assets and 30% of which represent growth assets.

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Fund Strategy

The Fund employs BlackRock's climate-aware capital market assumptions, or long-term estimates of asset class expected return and expected risk, as a key input into the portfolio's design. This enables the manager to incorporate its assessment of the expected impact of climate change on asset classes into the Fund's strategic asset allocation process.

The Fund's investment strategy accesses various asset classes by investing in other pooled investment vehicles (Underlying Funds), including those managed by us or other entities within the BlackRock Group. The strategy invests across a range of active and index investment strategies to construct the portfolio's strategic asset allocation. Each active strategy utilises a disciplined approach to investing that aims to add value over the strategic allocation, whilst controlling risk. In addition to long only active funds, Underlying Funds may also include exposure to a diversified range of absolute return strategies seeking the Fund's overall performance objective.

The selection of an Underlying Fund for inclusion in the strategy is the result of a comprehensive due diligence process. The assessment of ESG considerations is considered in the due diligence process for selection of Underlying Funds.

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 Stable Fund	
APIR	BGL0002AU
Fund Size	76 mil
Buy/Sell Spread	0.09%/0.11%

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