BLACKROCK DIVERSIFIED ESG STABLE FUND

BLACKROCK®

FUND UPDATE **30 June 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]	0.07	0.50	4.22	6.05	2.46	3.50	6.13
Benchmark*	-0.08	0.08	3.76	4.85	2.42	3.33	5.56
Outperformance (Gross of Fees)	0.15	0.42	0.46	1.21	0.04	0.18	0.57
BlackRock Diversified ESG Stable Fund (Net of Fees)[2]	0.02	0.33	3.88	5.35	1.78	2.82	5.56
Benchmark*	-0.08	0.08	3.76	4.85	2.42	3.33	5.75
Outperformance (Net of Fees)	0.10	0.25	0.12	0.50	-0.64	-0.51	-0.19

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

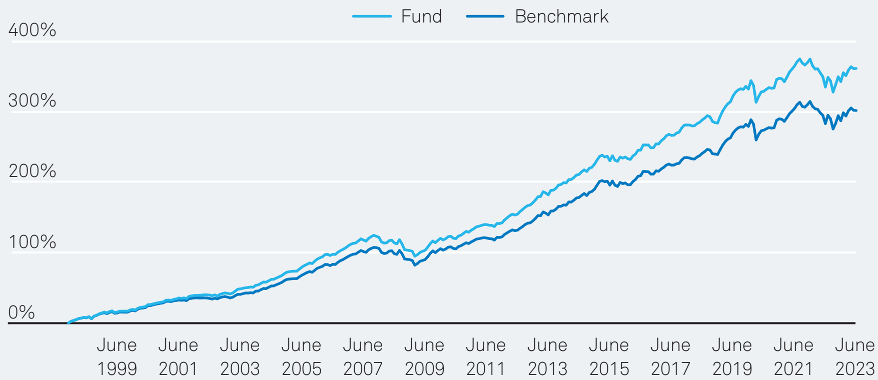
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* The benchmark is a diversified allocation of the S&P/ASX 300 Gross Total Return Index, MSCI Australia IMI Specified ESG Screened Index, MSCI World Index 4PM (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 AusBond Credit 0+ Yr Index, 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 Index℠.

Please note that effective from 31 March 2023 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 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 30 June 2023



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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Overview

Risk assets performed strongly over the second quarter of 2023. While sentiment was buoyed by a resolution to US debt ceiling negotiations and focus on generative AI, investors saw meaningful regional and sector dispersion across markets. Global equities, as measured by the MSCI World Index, increased by 7.5% over Q2 in Australian dollar terms, with Developed Markets outperforming their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged) declined 0.3% over the quarter, as sticky inflation and renewed expectations of higher-for-longer rates proved headwinds for government bonds.

United States

In the US, the S&P 500 Index increased by 8.7% over the quarter and by 6.6% in June (in local currency terms). The Information Technology sector was the best performer with the rally highly concentrated among a handful of mega-cap tech companies, although June saw initial signs of equity gains broadening out across sectors. The US Federal Reserve (Fed) increased the Fed funds rate by 25 basis points over Q2 before pausing in June, but hawkishly signaled the likelihood of additional hikes later this year. Meanwhile, core inflation rose 5.3% year-on-year in May in line with consensus estimates and the labour market remains tight despite the unemployment rate edging up to 3.7%. US politicians also reached an agreement towards the end of May to suspend the country's debt limit until 2025 and cap non-defense spending.

Europe

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 3.7% in the second quarter and by 4.3% in June (in local currency terms). Corporate reporting season for Q1 saw European earnings beat analyst expectations but remain modestly lower compared to last year. The European Central Bank (ECB) hiked twice by 25 basis points over the quarter and raised its outlook for inflation – notably the central bank now forecasts inflation for the Eurozone to remain above its 2% target through 2025. Following the June rate decision, ECB President, Christine Lagarde, also struck a hawkish tone and implied that another increase in its policy rate in July was "very likely". Meanwhile, core inflation ticked up to 5.4% in June, while the Eurozone's largest economy, Germany, officially entered a technical recession.

In the UK, the FTSE 100 Index lost 0.3% over the quarter but gained 1.4% in June (in local currency terms). The Bank of England (BoE) surprised markets by re-accelerating the pace of interest rate increases – hiking rates by 50 basis points in June – to bring its policy rate to 5.00%. British core inflation increased over Q2, beating expectations to rise by 7.1% year-on year in May, which represents the highest level in over 30 years. There are still no clear signs that inflation has peaked in the UK. Alongside robust wage growth, investors are predicting that the BoE could hike rates multiple times by year end.

Asia

Asian equities were mixed over Q2. China's CSI 300 Index declined by 4.0% over the quarter but rose by 2.1% in June (in local currency terms), with the country's economic restart losing momentum. In contrast to their global counterparts, the People's Bank of China (PBoC) lowered key lending rates in June amid increasing growth concerns, which also led to speculation of a potential fiscal stimulus response. China's official manufacturing Purchasing Managers' Index (PMI) data continues to show evidence of the weak economic rebound, with factory activity shrinking across the period, while business confidence also hit an eight-month low. Late in June, reports of potential new restrictions by US officials on semiconductor chip exports to China further weighed on sentiment.

Japanese equities, as represented by the Nikkei 225 Index, gained 18.5% over the quarter and rose by 7.6% in June (in local currency terms). The rally has seen Japanese stocks materially outperform their developed market peers over 2023, underpinned by a stronger economic outlook and optimism for corporate reform which has driven a pick-up in foreign investor inflows. The Bank of Japan (BoJ) kept policy unchanged over the quarter with its ultra-supportive stance sustaining inflation above the central bank's target after decades of disinflation. A leading indicator of nationwide prices, Tokyo core inflation, rose to 3.2% year-on-year in June. Economists also expect the impact of higher wages may eventually put further upward pressure on inflation, with Japanese workers having negotiated large pay raises earlier this year.

Australia

The S&P/ASX 300 Accumulation Index gained 1.0% over the quarter and was up 1.7% in June, with Information Technology the best performing sector and the Health Care sector recording losses. The Reserve Bank of Australia (RBA) increased the cash rate twice by 25 basis points over the quarter, having surprised investors earlier in May by restarting their hiking cycle after an initial pause in April. Australia's monthly headline inflation recorded an annual rise of 5.6% over May, while the local labour market remains historically tight with unemployment unexpectedly falling to 3.6% in June. Australian house prices, as represented by the CoreLogic Home Value index, posted a 2.8% increase nationally over Q2, after falling in previous quarters.

Fixed Income

Fixed income markets ended Q2 in negative territory. Stubborn inflation across most developed markets and hawkish signalling from global central banks weighed on returns and drove volatility across government bonds. Over the quarter, the US and Australian 10-year yields rose by 37 basis points and 73 basis points to end June at 3.8% and 4.0% respectively. The rise in rates pushed bond prices lower. As such, the Global Aggregate index (hedged) declined by 0.3% and the Australian composite bond index lost 2.9% over the period. Riskier parts of the fixed income markets, such as emerging market debt and high yield credit indices, realised gains as credit spreads tightened.

Commodities & FX

Commodity and energy prices broadly experienced losses over the quarter. Industrials metals were weaker, with Iron Ore and Copper falling 9.7% and 8.5% respectively, while Gold was also down 2.5% as demand for safe haven assets faded. Oil prices declined 4.0% alongside macroeconomic headwinds but were bolstered by the announcement of OPEC+ supply cuts late in the quarter. Within currencies, the US dollar appreciated against its developed market peers, strengthening by 0.2% in Q2. The Australian dollar modestly depreciated by 0.3% against the US dollar, although gained 2.5% in June to partially offset losses from earlier in the period.

Strategy Commentary – June 2023

The BlackRock Diversified ESG Stable Fund recorded a positive return for Q2 2023 of 0.33% (after fees). Risk assets were mostly supported over the quarter despite the uncertain macroeconomic backdrop, although fixed income markets continued to experience volatility.

In terms of absolute performance, growth assets realised gains over the period, namely Global Equities, Australian Equities and Emerging Market Equities. Global Property also contributed in Q2, while Global Infrastructure was roughly flat.

Defensive assets were negative over the quarter, including Australian Fixed Income, Australian Inflation Linked Bonds and US Inflation Linked Bonds. Australian Investment Grade Corporate Bonds also realised losses, although Global High Yield Corporate Bonds added to performance. The defensive allocation to Gold detracted over the period.

On the active front, the Fund outperformed its diversified benchmark over the quarter by 0.25% (after fees). Australian Equities was one of the largest contributors to active returns over Q2, driven by the Fund's systematic strategy. Most sectors contributed, led by positioning across Materials, Financials and Real Estate.

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 meaningfully contributed over the quarter.

Emerging Market Equities added to alpha, as the fundamental strategy benefitted from stock selection in Brazil and Taiwan, although Global Equities saw muted active returns over Q2. Global Property also outperformed its underlying benchmark, while Global Infrastructure and Global High Yield modestly contributed.

Fund Allocation

	Fund	Benchmark
Australian Shares	9.99	10.00
International Shares	8.25	8.00
Emerging Markets Shares	4.98	5.00
Global REITs (unhedged)	2.93	3.00
Global Listed Infrastructure (unhedged)	4.94	5.00
Gold	2.93	3.00
Australian Bonds	29.82	30.00
International Bonds	20.16	20.00
Cash	16.01	16.00

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.

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 Stable Fund	
APIR	BGL0002AU
Fund Size	74 mil
Buy/Sell Spread	0.09%/0.09%

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

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