iSHARES ESG AUSTRALIAN BOND INDEX FUND

iShares by BLACKROCK®

FUND UPDATE **30 April 2023**

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
iShares ESG Australian Bond Index Fund (Gross of Fees) (Class E)	0.20	1.99	4.76	2.12	-2.18	-	0.59
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	0.21	1.98	4.75	2.11	-2.16	-	0.58
Outperformance (Gross of Fees)	-0.01	0.01	0.01	0.01	-0.02	-	0.01
iShares ESG Australian Bond Index Fund (Net of Fees) (Class D)	0.19	1.94	4.70	1.91	-2.33	-	0.39
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	0.21	1.98	4.75	2.11	-2.16	-	0.58
Outperformance (Net of Fees)	-0.02	-0.04	-0.05	-0.19	-0.17	-	-0.19

Inception date: 1/02/2019

Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance is calculated on exit-to-exit price basis, e.g. net 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.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Review

The Bloomberg MSCI Australia SRI/ESG-Weighted A$100M Index (the "Index") returned 0.21% in April. Supranational-Sovereigns (0.49%) was the best performing sub-component, followed by Credit (0.46%), Semi-Governments (0.37%) and Treasuries (0.06%).

MSCI has downgraded DBS Group Holdings Ltd from 'AA' to 'A'. The primary factors for the downgrade was related to the weakening of the company's position in relation to the management of ESG-related risks, relative to the industry. While DBS leads most global peers on corporate governance, notably board structure and adopts a robust talent management program such as engagement surveys, its three-year (FY 2019-21) average staff turnover rate of ~12% was higher than the industry average of 9.3% for the same period; this also contributed to the downgrade. Further, DBS lags leading peers in data privacy practices.

Australian 2-year bond yields increased 0.09% over the month to 3.04%, and 10-year yields rose 0.04% to 3.34%.

The RBA held the cash rate steady at the April meeting, maintaining the 3.60% level. This was in line with market pricing, but economists were more 50/50 on if the RBA would hike. The statement was a mix of mildly hawkish commentary offset by some dovish aspects. Maximum optionality is paramount for the RBA now and they have left the door open for more hike's if needed. Their stance from the meeting indicated a 'wait and see' approach on inflation and monitoring the lagged impact of previous policy tightening. The market thought a relatively benign CPI print at end of April, which was delivered, would see the RBA hold in May, this however, was not the case.

In Australia, economic data continues to move the right way as 53,000 new jobs were created. This was 33,000 more than expected and saw the unemployment rate remain at 3.5%. The participation rate increased 0.1% to 66.7%. Headline CPI for Q1 increased by 1.4%, 0.1% higher than expected, while the y/y number fell over the quarter from 7.8% to 7%. Importantly, Core

CPI for Q1 rose just 1.2%, which was 0.2% lower than forecasted. Core CPI y/y fell from 6.9% to 6.6%. The NAB business survey saw business confidence rise 3 points to -1, while business conditions decreased from 17 to 16. Conversely, the Westpac consumer confidence index rose 9.4% to 85.8. Private sector credit was 0.3% higher in March, taking private sector credit y/y to 6.8%. The CoreLogic house price index saw a 0.8% rise in March. Australia's trade balance delivered a A$13.9 billion surplus, A$2.7 billion higher than forecasted.

In the U.S., 2-year treasury yields decreased by 0.02% at 4.01% while the 10-year yield fell 0.05% to 3.42%.

With no meeting in April Fed officials signaled that the FOMC will hike the cash rate by a further 25bp at the May meeting, taking the cash rate to a target range of 5-5.25%. This will mark the highest level since 2007 and may very well be the last rate rise for some time as dissent between raising rates further and pausing is starting to emerge within the FOMC board. The Fed's forecasts in March showed seven of the 18 FOMC participants favoured at least one hike beyond the expected move to 5-5.25%. The question facing the Fed and many global central banks, is the trade-off between inflation coming down over a longer period of time and the risk of severely damaging economic and financial conditions over the short to medium term.

U.S. economic data saw most key data points heading in the right direction as non-farm payrolls saw 236,000 new jobs created. This was 6,000 more than expected and saw the unemployment rate fall from 3.6% to 3.5%. Average hourly earnings rose in line with expectations at 0.3%. This saw the hourly earnings y/y rate fall 0.4% to 4.2%. Advance GDP for Q1 increased 1.1% on an annualised basis. This was 0.8% lower than expected. Personal consumption rose by 4%, vs. a forecast of 3.7%. CPI increased by 0.1%, this was 0.1% less than expected and saw CPI y/y fall from 6% to 5%. Core CPI increased by 0.4% as expected and saw the y/y print increase 0.1% to 5.6%. The ISM manufacturing index fell 1.4 points to 46.3, while the ISM services index was 3.9 points lower at 51.2. Consumer confidence fell 2.9 points to 101.3. Retail sales fell -1%, vs. a forecast of -0.5%.

Credit spreads were 5bps narrower on average over the month. All sectors recorded positive returns with spreads tightening over the month. Industrials were the best performing sector, returning 2.08%, followed by utilities (+1.96%) and financials (+1.56%). YTD total issuance across financials reached A$37.8bn, which is A$10.1bn more than at the same period last year, of that, major bank issuance made up A$19.5bn.

Outlook

A less volatile for Australian rates markets with the RBA holding the cash rate steady. Looking ahead, while there have been hopeful signs that inflation will ease in the months ahead, it remains elevated in both Australia and many other countries. Markets are watching closely to see how much more central banks may need to do to bring inflation closer to their long-term targets, while balancing a soft versus a hard landing for each bank's respective economy. Post month end, the RBA wrong-footed the market, raising rates at the May meeting after delivering a dovish wait and see message in April. Now that the RBA has flipped as it seeks to ensure inflation returns to target "in a reasonable timeframe" we could possibly see further rate rises ahead.

Top 10 Issuers

Issuer	Weight %
AUSTRALIA (COMMONWEALTH OF)	52.5
QUEENSLAND TREASURY CORPORATION	7.3
TREASURY CORPORATION OF VICTORIA	7.2
NEW SOUTH WALES TREASURY CORPORATION	7.1
WESTERN AUSTRALIAN TREASURY CORPORATION	2.5
SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY	1.8
INTERNATIONAL FINANCE CORP	1.6
LANDWIRTSCHAFTLICHE RENTENBANK	1.2
EUROPEAN INVESTMENT BANK	1.2
BNG BANK NV	1.0

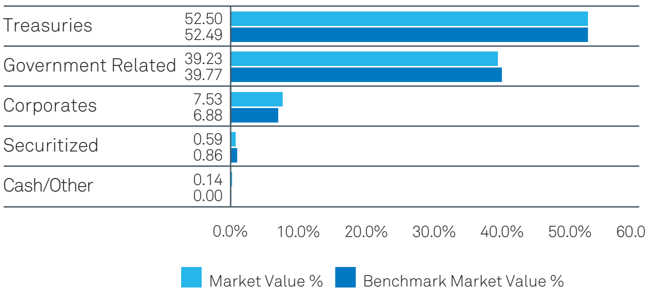
Risk Characteristics

	Fund	Benchmark	Difference
Modified Duration (Years)	5.30	5.30	0.00
Duration x spread	1.71	1.81	-0.09
Yield	3.55	3.57	-0.02
Average Coupon (%)	2.67	2.70	-0.03
Average Maturity (Years)	6.13	6.13	0.00
Green Bonds	3.96	2.22	1.75
ESG Score	7.36	7.35	0.01

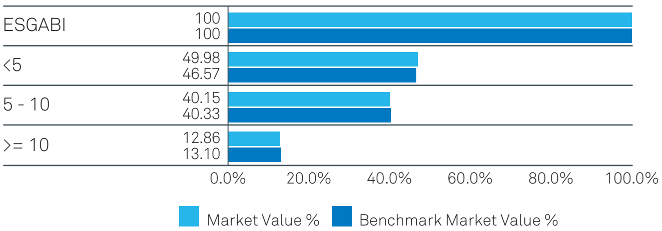
Top 10 Issuers held by ESG score

Issuer	ESG Score
INTERNATIONAL FINANCE CORP	10.0
GPT RE LTD	10.0
GPT WHOLESALE SHOPPING CENTRE FUND NO 1	10.0
INTER-AMERICAN DEVELOPMENT BANK	10.0
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	10.0
KFW	10.0
MIRVAC GROUP FINANCE LTD	10.0
NORDIC INVESTMENT BANK	10.0
STOCKLAND TRUST	10.0
STOCKLAND TRUST MANAGEMENT LTD	10.0

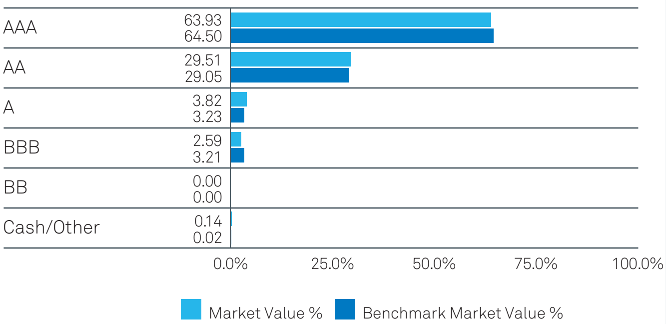
Sector Exposure



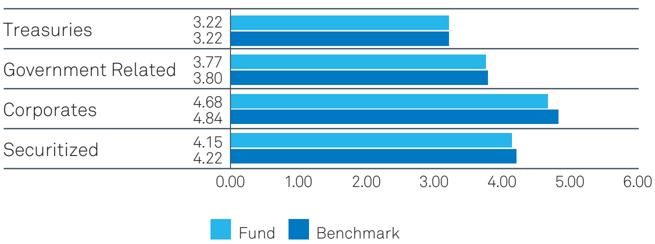
Maturity Exposure



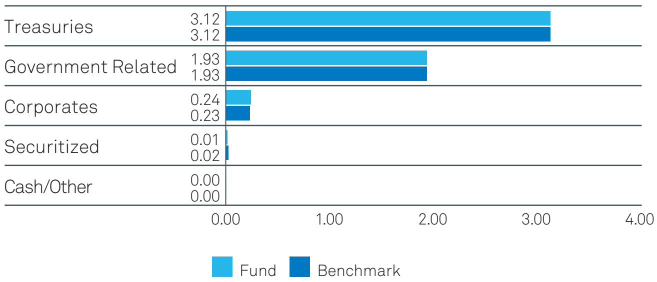
Quality Exposure



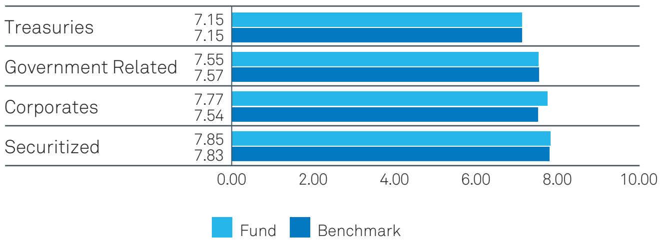
Yield



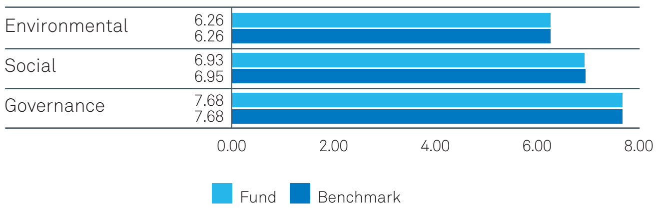
Contribution to Modified Duration



ESG Sector Score



ESG Score Breakdown



About the Fund

Investment Objective

The Fund aims to match the performance of a customised Bloomberg Barclays MSCI Australian Socially Responsible (SRI) and ESG-weighted Index before fees.

Fund Strategy

The Fund excludes non-government securities associated with fossil fuels, alcohol, tobacco, gambling, adult entertainment, genetically modified organisms, military weapons, civilian firearms, nuclear power. The definitions for exclusions are based on the Bloomberg Barclays Index exclusion methodology.

The strategy aims to track the benchmark by closely matching the distribution of the benchmark's major risk and return factors. This is done using a methodology commonly referred to as stratified sampling, where the benchmark and the investment portfolio are broken down into "cells" of securities with similar risk and return factors. The major risk and return factors are interest-rate risk, sector risk and specific (individual security) risk. We select securities that match the overall characteristics of each cell in amounts consistent with the index weighting and modified duration of the cells they represent. By matching at the cell level, the overall risk and return characteristics of the portfolio will closely match those of the benchmark.

Should be considered by investors who ...

- Seek a broad exposure to Australian bonds.
- Seek a fund that screens for improved ESG outcomes.
- Seek a fund that uses a stratified-sampling approach so returns match as closely as possible those of the benchmark before fees.
- Have a long term investment horizon.

Fund Details

iShares ESG Australian Bond Index Fund (Class E)	
APIR	BLK9562AU
Fund size	558 mil
Buy/Sell Spread	0.05%/0.05%
Tracking Error (3 years p.a.)	-

iShares ESG Australian Bond Index Fund (Class D)	
APIR	BLK2127AU
Management Fee (Class D Units)	0.20% p.a.

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