

# iSHARES ESG AUSTRALIAN BOND INDEX FUND

iShares®  
by BLACKROCK®

FUND UPDATE

30 April 2022

## 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)	-1.44	-6.16	-7.07	-7.26	-0.80	-	0.13
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	-1.44	-6.16	-7.06	-7.25	-0.82	-	0.11
Outperformance (Gross of Fees)	0.00	-0.01	0.00	-0.01	0.01	-	0.01
iShares ESG Australian Bond Index Fund (Net of Fees) (Class D)	-1.46	-6.21	-7.13	-7.43	-1.00	-	-0.60
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	-1.44	-6.16	-7.06	-7.25	-0.82	-	-0.07
Outperformance (Net of Fees)	-0.02	-0.05	-0.07	-0.18	-0.19	-	0.11

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.

## Performance Summary

### Market Review

The Bloomberg Barclays MSCI SRI/ESG-Weighted A\$100M Index (the "Index") returned -1.44% in April. Supranational Sovereigns (-1.04%) were the best performing sub-component followed by Credit (-1.28%), Treasuries (-1.51%) and Semi-Govt (-1.59%).

ESG research by MSCI saw them upgrade Coles Group Limited (Coles) to 'AA' from 'A'. Coles has been upgraded based on MSCI's reassessment of Coles' food safety measures that indicates they require all private label food suppliers to meet internal food manufacturing requirements or to be certified to GFSI-benchmarked standards. These standards entail periodic supplier audits and product testing, which may help mitigate risks tied to potential food safety issues, thus contributing to the upgrade. Although the company's practices are on par with those of peers, MSCI note multiple recalls in the past year (as of April 2022).

Australian 2-year bond yields rose 0.64% over the month to 2.45%, while 10-year yields increased 0.29% to 3.13%.

The RBA maintained the cash rate target at 0.10% yet made it clear that the door is open for rate moves "over coming months", though Governor Lowe noted this will be based on "additional evidence" e.g., CPI and Wage Price Index data. Overall, their statement was very hawkish, and it would ordinarily see a rate rise at the next available opportunity (May), which is what transpired. The removal of the word "patience" from the statement saw bank bills yields rise sharply, leaving the market priced for 8.5 hikes in total by the RBA. Governor Lowe recognised the forthcoming strong inflation data, and a strengthening labour market justified the hawkish shift.

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

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Domestic data continues to be solid with CPI for Q1 rising 2.1%, this was 0.4% higher than expected and took CPI y/y up from 3.5% to 5.1%. PPI for Q1 rose 1.6%, up 0.3% from the prior quarter and sent PPI y/y to 4.9%, up from 3.7%. Employment numbers saw 17,900 new jobs created, this was 12,100 less than expected and meant the unemployment rate remained at 4%. Consumer confidence fell 0.9% to 95.8. The NAB survey saw business conditions move 9 points higher to 18, while business confidence increased by 3 points to 16. Private sector credit for March increased by 0.4%, this was 0.2% lower than expected, taking private sector credit y/y to 7.8%. Australia's trade balance delivered a A\$7.5bn surplus, which was A\$4.2bn less than expected.

In the U.S., 2-year treasury yields were 0.38% higher at 2.71% while the 10-year yield rose 0.60% to 2.93%.

Fed officials continued to advocate for aggressive tightening in an effort to restore price stability and credibility. Previously, St. Louis FED President member James Bullard indicated that policymakers should frontload hikes and did not rule out the possibility of a 75-bps hike in the future, a sign that the Fed could become more hawkish if inflationary pressures do not abate. Chicago FED President Evans was of the view that the FED could raise rates above neutral if prices didn't cool and that this was his expectations – Evan's noted that it would be a "great concern" if inflation re-accelerated. Evans backed the FED raising rates by 225bps over the year and that two 50bps hikes to help get there "could make sense" but he didn't see any need for hikes larger than 50bps. Powell seemed to echo this sentiment a bit thinking it appropriate to frontload rate hikes.

U.S. Economic data remained positive for the most part as non-farm payrolls saw 431,000 new jobs created. While this was 59,000 less than expected it still meant the unemployment rate fell 0.2% to 3.6%. Q1 advanced GDP surprised markets by falling -1.4%, vs. a forecast of +1%. Consumer confidence remained steady, rising 0.1 of a point to 107.3. Personal income and personal spending were both up, rising 0.5% and 1.1%, respectively. Housing starts were 1.3% higher at 1.79m annualised. New home sales fell 1.1% to 773,000 annualised. while existing home sales fell by 4.2% to 5.77m annualised.

Credit spreads widened 9bps on average over the month. All sectors recorded negative returns as both yields rose and spreads moved wider. Financials were the best performing sector, returning -1.23%, followed by industrials (-1.50%) with utilities (-1.63%) lagging. YTD total A\$ issuance across financials reached A\$33.2bn, which is A\$18.5bn more than at the same period last year, of that, major bank issuance made up A\$18.6bnbn. YTD issuances for non-Financial is A\$2.7bn.

## Outlook

April was another difficult month for bond markets as central bank rate hikes, geopolitical tensions, and macroeconomic uncertainty remained in focus. With no signs of peace between Russia/Ukraine inflation will remain a huge challenge in Europe. China's response to fighting Covid remains steadfast with extended lockdowns now in place and unlikely to be lifted anytime soon. The hit to both global growth and supply-chain disruption driven inflation, will permeate for many months to come. The ability of global central banks to deftly adjust monetary policy settings with the current backdrop is near impossible but most are continuing to say they have the tools and resolve to ensure inflation expectations remain anchored. The hit to GDP growth from tighter monetary policy and cost-of-living challenges driven by higher inflation will become evident in H222 as the Fed rapidly tightens the Fed funds rate. The RBA's recent 25bp rate hike is likely to be the first of many hikes in order to normalize the cash rate to a more neutral level.

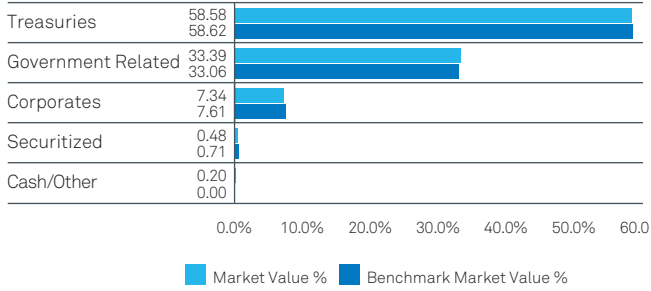
### Top 10 Issuers

Issuer	Weight %
AUSTRALIA (COMMONWEALTH OF)	58.6
QUEENSLAND TREASURY CORPORATION	7.9
NEW SOUTH WALES TREASURY CORPORATION	3.5
TREASURY CORPORATION OF VICTORIA	3.4
WESTERN AUSTRALIAN TREASURY CORPORATION	3.1
INTERNATIONAL FINANCE CORP	1.8
LANDWIRTSCHAFTLICHE RENTENBANK	1.7
SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY	1.2
KFW	1.1
BNG BANK NV	1.1

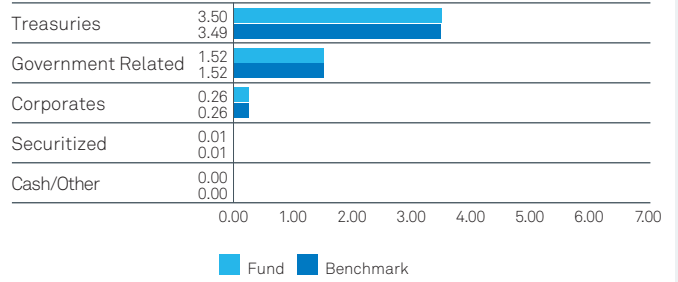
### Risk Characteristics

	Fund	Benchmark	Difference
Modified Duration (Years)	5.29	5.29	0.00
Duration x spread (%)	1.14	1.22	-0.09
Yield (%)	2.96	2.99	-0.03
Average Coupon (%)	2.72	2.77	-0.05
Average Maturity (Years)	6.08	6.07	0.00
Green Bonds (%)	3.51	1.49	2.02
ESG Score	7.36	7.33	0.04

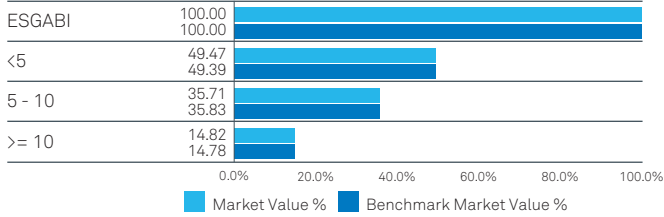
### Sector Exposure



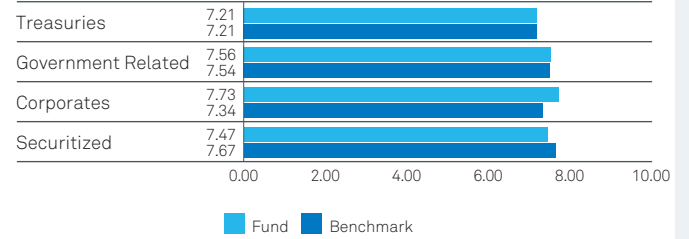
### Contribution to Modified Duration



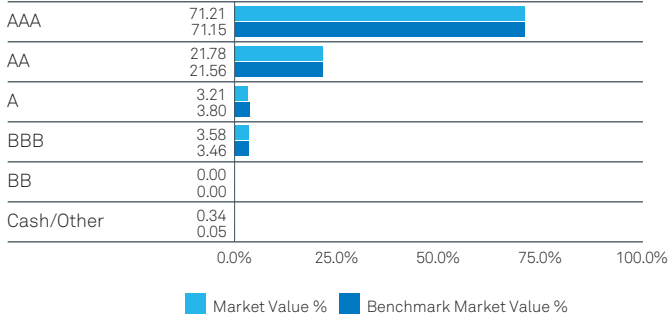
### Maturity Exposure



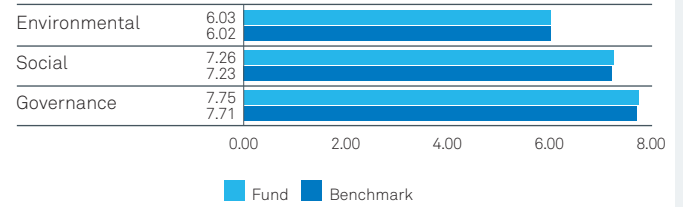
### ESG Sector Score



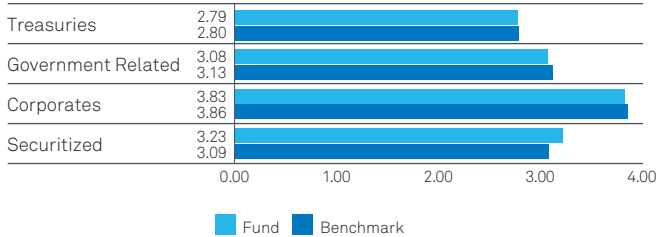
### Quality Exposure



### ESG Score Breakdown



### Yield



### Top 10 Issuers held by ESG score

Issuer	ESG Score
DEXUS FINANCE PTY LTD	10.0
INTER-AMERICAN DEVELOPMENT BANK	10.0
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	10.0
INTERNATIONAL FINANCE CORP	10.0
MIRVAC GROUP FINANCE LTD	10.0
NORDIC INVESTMENT BANK	10.0
STOCKLAND TRUST	10.0
TRANSURBAN QUEENSLAND FINANCE PTY LTD	10.0
EUROFIMA	9.8
COMPUTERSHARE US	9.3

## 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	489 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.

**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](http://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. © 2022 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.