BlackRock

ESG Model Portfolio Strategy Brief

ESG Model Portfolio – Conservative

1.0 Reasons for Managed Accounts

Managed accounts have gained popularity in Australia over the last decade given their ability to deliver a transparent, cost-effective value proposition in a diversified, defined, and streamlined manner.

Building a diversified portfolio, across and within multiple asset classes, is one of the most important components in reaching one's financial goals. Managed accounts provide easy access to a wide range of funds across asset classes in a single portfolio, which can result in better returns within a stated risk level over time.

The opportunity to tap into a third-party professional investment manager also enables advisers to leverage extensive resources and deep investment expertise consistently over time. The investment manager will conduct a comprehensive assessment of the market environment when determining the asset allocation of the portfolio and ensure that regular rebalancing is done to keep the investments in line with the desired asset allocation. By utilising a seasoned and well-integrated investment team, this will help to ensure efficient portfolio management and paves the way for advisers to focus more time on client's needs and on delivering a better value proposition to clients.

Importantly, with managed accounts, the end-investor generally maintains the advantages of being the beneficial owner of the underlying assets of the portfolio whilst having full visibility of the underlying securities at all times. Investors can also easily track the performance of each investment and stay informed about the decisions implemented in the portfolio.

1.1 BlackRock Managed Portfolios

BlackRock is the world's largest asset manager[1] with over 30 years of experience building multi-asset portfolios for investors in Australia. BlackRock delivers tailored holistic investment solutions across active and index investment strategies, and uses investment technology capabilities to help clients build resilient portfolios.

BlackRock believes that superior investment outcomes are best achieved through a disciplined, objective investment process. The investment process seeks to harvest return premia, while managing risks and implementation costs through optimisation-based portfolio construction.

The ESG Model Portfolio – Conservative is designed as a low-cost, long-term strategic portfolio that is diversified across asset classes and incorporates the principles of sustainability focused investing. In general, the portfolio will have a long-term average target exposure of around 15% in growth assets and 85% in defensive assets, and is implemented efficiently using a combination of low-cost, highly liquid ASX-listed ETFs and Australian domiciled index funds that meets the team's sustainability criteria as laid out below. The portfolio is rebalanced quarterly to ensure asset class weights stay close to target allocations.

1 As of December 2023. As of December 2023, BlackRock had USD 10.0 trillion in assets under management, making it the world's largest asset manager.

1.2 Investment Approach[2]

The ESG model portfolio is designed as a long-term strategic asset allocation (SAA), benefiting from diversification across growth asset classes such as Australian and international equities, and defensive oriented asset classes such as cash and Australian and international fixed interest securities.

Sustainability considerations are incorporated into the portfolio as follows:

1. BlackRock completes a comprehensive due diligence process on BlackRock group products to determine an investment universe of suitable managed funds and ETFs (Underlying Funds) the portfolio may invest in, to implement the SAA.

2. Underlying Funds that sit on the BlackRock Sustainable Investing Platform are preferred for inclusion in the portfolios to meet the portfolio's SAA. The BlackRock Sustainable Investing Platform is the suite of products managed by the BlackRock Group which use ESG data as a portfolio construction input. A subset of those products also seek to achieve long-term sustainability outcomes per each product's specific objectives. An Underlying Fund must fall within one of the following four categories of investment approaches to be included on the BlackRock Sustainable Investing Platform:

   - **Screened:** Seeks to constrain investments by avoiding issuers or business activities with certain ESG characteristics.
   - **Uplift:** Seeks to invest in issuers who have demonstrated improved ESG characteristics when compared with a stated universe or benchmark.
   - **Thematic:** Seeks to make targeted investments in issuers whose business models may benefit and drive long-term sustainability outcomes. These strategies aim to capitalise on long-term industry or societal trends through the pursuit of specific ESG themes.
   - **Impact:** Seeks to invest in issuers which generate positive, measurable, and additional sustainability outcomes.

3. BlackRock, as the model manager, predominately selects Underlying Funds that are classified as **Screened** or **Uplift** for inclusion in the ESG model portfolios. When evaluating potential Underlying Funds within these two categories, BlackRock focuses on the following:

   - Underlying funds that adopt exclusionary screens. Exclusionary screens limit exposure to certain activities such as oil and natural gas reserves, thermal coal-based power generation, controversial weapons, tobacco, and United Nations Global Compact Violators; and
   - Underlying funds that seek to invest in issuers who have demonstrated improved sustainability characteristics when compared with a stated universe or benchmark (e.g. a non ESG equivalent universe or benchmark) – for example, an improved ESG score or lower carbon footprint relative to a standard market-cap weighted benchmark.

In addition to the sustainability considerations described above, BlackRock's stewardship team actively engages with the management of the companies held within the portfolio with the aim of promoting better sustainability-related outcomes. BlackRock's approach to stewardship, including its engagement priorities and principles can be found here: **www.blackrock.com/corporate/about-us/investment-stewardship**.

2 There is no guarantee that a positive investment outcome will be achieved through the investment approach described herein.

1.3 Key Benefits

- Seasoned BlackRock investment team of portfolio managers and strategists based in Australia and overseas averaging 12 years of investing experience.
- Proven investment process, with the investment team managing multi-asset portfolios for Australian investors for over 30 years. A similar model family range (Enhanced Strategic Model Portfolio) that shares a similar investment process as the ESG Model Portfolio, also has an established 9-year live track record.
- Performance of the ESG Model Portfolio range broadly ranks in the top quartile over the past two years, as per Morningstar Peer Rankings[3].
- The strong performance and proven investment process has seen the ESG portfolio receiving an SQM ratings upgrade from 4 Stars to 4.25 Stars / "Superior" (as of March 2024)[4].
- The portfolio is implemented in a cost effective and efficient manner using ETFs and index funds as underlying funds. The underlying fund fees for the ESG model portfolios range from 0.10%-0.17%, making it a low cost investment option in the industry[5].
- The portfolio achieves better sustainability credentials relative to a standard market-cap weighted benchmark, and sustainability considerations are clearly disclosed to provide investors with greater transparency[6].
- The portfolio benefits from BlackRock's sound risk management system, with ongoing portfolio management and monitoring of the underlying sub-funds carried out on BlackRock's proprietary risk management platform – Aladdin© – in the form of a paper portfolio. This allows for efficient portfolio management, analytics, performance reporting, attribution, and risk management.

1.4 Asset Allocation

The following table shows the long-term indicative target asset allocation:

ESG Model Portfolio – Conservative	Minimum Allocation (%)	Maximum Allocation (%)
Australian Equities	0	20
Global Equities	0	20
Australian Fixed Interest	45	65
Global Fixed Interest	10	30
Cash	2	20

1.5 Key Risks

- **Investment risk:** Financial markets are affected by numerous factors, including market risk, currency risk and interest rate risk. As such, all investments have an inherent level of risk. Generally, there is a trade-off between higher expected returns for higher expected risk – represented by the variability of fund returns. It is therefore important to acknowledge that your portfolio can experience negative returns, particularly in the short term, as market conditions change. BlackRock regularly monitor these investment risk factors through their multi-factor risk model that incorporates over 2,200 distinct risk factors across equity, credit, FX, and rates. However, there is a possibility that you receive back less than you initially invested.
- **Operational risk:** There are certain potential risk factors involved with the operation of your managed account, including trading, settlement, and counterparty risks. While these risks cannot be entirely removed, BlackRock works closely with the investment platform operating your managed account to manage against these risks.

3 Source: Morningstar, as of February 2024. Rating and/or award is only one factor to be considered when deciding whether to invest in a product.

4 Past performance is not a reliable indicator of future performance.

5 Refer to the portfolio's research rating report for further details which is available upon request

6 The standard market-cap weighted benchmark refers to a portfolio that uses non-ESG market cap weighted indices as building blocks. We use the following standard market-cap weighted indices: Australian equity (S&P/ASX 300 Index), International equity (MSCI World ex Australia Index Unhedged & AUD Hedged), Australian fixed income (Bloomberg Ausbond Composite 0+ Yr Index), International fixed income (Bloomberg Global Aggregate AUD Hedged Index).

ESG Model Portfolio – Moderate

1.0 Reasons for Managed Accounts

Managed accounts have gained popularity in Australia over the last decade given their ability to deliver a transparent, cost-effective value proposition in a diversified, defined, and streamlined manner.

Building a diversified portfolio, across and within multiple asset classes, is one of the most important components in reaching one's financial goals. Managed accounts provide easy access to a wide range of funds across asset classes in a single portfolio, which can result in better returns within a stated risk level over time.

The opportunity to tap into a third-party professional investment manager also enables advisers to leverage extensive resources and deep investment expertise consistently over time. The investment manager will conduct a comprehensive assessment of the market environment when determining the asset allocation of the portfolio and ensure that regular rebalancing is done to keep the investments in line with the desired asset allocation. By utilising a seasoned and well-integrated investment team, this will help to ensure efficient portfolio management and paves the way for advisers to focus more time on client's needs and on delivering a better value proposition to clients.

Importantly, with managed accounts, the end-investor generally maintains the advantages of being the beneficial owner of the underlying assets of the portfolio whilst having full visibility of the underlying securities at all times. Investors can also easily track the performance of each investment and stay informed about the decisions implemented in the portfolio.

1.1 BlackRock Managed Portfolios

BlackRock is the world's largest asset manager[1] with over 30 years of experience building multi-asset portfolios for investors in Australia. BlackRock delivers tailored holistic investment solutions across active and index investment strategies, and uses investment technology capabilities to help clients build resilient portfolios.

BlackRock believes that superior investment outcomes are best achieved through a disciplined, objective investment process. The investment process seeks to harvest return premia, while managing risks and implementation costs through optimisation-based portfolio construction.

The ESG Model Portfolio – Moderate is designed as a low-cost, long-term strategic portfolio that is diversified across asset classes and incorporates the principles of sustainability focused investing. In general, the portfolio will have a long-term average target exposure of around 30% in growth assets and 70% in defensive assets, and is implemented efficiently using a combination of low-cost, highly liquid ASX-listed ETFs and Australian domiciled index funds that meets the team's sustainability criteria as laid out below. The portfolio is rebalanced quarterly to ensure asset class weights stay close to target allocations.

1 As of December 2023. As of December 2023, BlackRock had USD 10.0 trillion in assets under management, making it the world's largest asset manager.

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1.2 Investment Approach[2]

The ESG Model Portfolio is designed as a long-term strategic asset allocation (SAA), benefiting from diversification across growth asset classes such as Australian and international equities, and defensive oriented asset classes such as cash and Australian and international fixed interest securities.

Sustainability considerations are incorporated into the portfolio as follows:

1. BlackRock completes a comprehensive due diligence process on BlackRock group products to determine an investment universe of suitable managed funds and ETFs (Underlying Funds) the portfolio may invest in, to implement the SAA.
2. Underlying Funds that sit on the BlackRock Sustainable Investing Platform are preferred for inclusion in the portfolios to meet the portfolio's SAA. The BlackRock Sustainable Investing Platform is the suite of products managed by the BlackRock Group which use ESG data as a portfolio construction input. A subset of those products also seek to achieve long-term sustainability outcomes per each product's specific objectives. An Underlying Fund must fall within one of the following four categories of investment approaches to be included on the BlackRock Sustainable Investing Platform:
   - **Screened:** Seeks to constrain investments by avoiding issuers or business activities with certain ESG characteristics.
   - **Uplift:** Seeks to invest in issuers who have demonstrated improved ESG characteristics when compared with a stated universe or benchmark.
   - **Thematic:** Seeks to make targeted investments in issuers whose business models may benefit and drive long-term sustainability outcomes. These strategies aim to capitalise on long-term industry or societal trends through the pursuit of specific ESG themes.
   - **Impact:** Seeks to invest in issuers which generate positive, measurable, and additional sustainability outcomes.
3. BlackRock, as the model manager, predominately selects Underlying Funds that are classified as **Screened** or **Uplift** for inclusion in the ESG model portfolios. When evaluating potential Underlying Funds within these two categories, BlackRock focuses on the following:
   - Underlying funds that adopt exclusionary screens. Exclusionary screens limit exposure to certain activities such as oil and natural gas reserves, thermal coal-based power generation, controversial weapons, tobacco, and United Nations Global Compact Violators; and
   - Underlying funds that seek to invest in issuers who have demonstrated improved sustainability characteristics when compared with a stated universe or benchmark (e.g. a non ESG equivalent universe or benchmark) – for example, an improved ESG score or lower carbon footprint relative to a standard market-cap weighted benchmark.

In addition to the sustainability considerations described above, BlackRock's stewardship team actively engages with the management of the companies held within the portfolio with the aim of promoting better sustainability-related outcomes. BlackRock's approach to stewardship, including its engagement priorities and principles can be found here: **www.blackrock.com/corporate/about-us/investment-stewardship**.

2 There is no guarantee that a positive investment outcome will be achieved through the investment approach described herein.

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1.3 Key Benefits

- Seasoned BlackRock investment team of portfolio managers and strategists based in Australia and overseas averaging 12 years of investing experience.
- Proven investment process, with the investment team managing multi-asset portfolios for Australian investors for over 30 years. A similar model family range (Enhanced Strategic Model Portfolio) that shares a similar investment process as the ESG Model Portfolio, also has an established 9-year live track record.
- Performance of the ESG Model Portfolio range broadly ranks in the top quartile over the past two years, as per Morningstar Peer Rankings[3].
- The strong performance and proven investment process has seen the ESG portfolio receiving an SQM ratings upgrade from 4 Stars to 4.25 Stars / "Superior" (as of March 2024)[4].
- The portfolio is implemented in a cost effective and efficient manner using ETFs and index funds as underlying funds. The underlying fund fees for the ESG model portfolios range from 0.10%-0.17%, making it a low cost investment option in the industry[5].
- The portfolio achieves better sustainability credentials relative to a standard market-cap weighted benchmark, and sustainability considerations are clearly disclosed to provide investors with greater transparency[6].
- The portfolio benefits from BlackRock's sound risk management system, with ongoing portfolio management and monitoring of the underlying sub-funds carried out on BlackRock's proprietary risk management platform – Aladdin© – in the form of a paper portfolio. This allows for efficient portfolio management, analytics, performance reporting, attribution, and risk management.

1.4 Asset Allocation

The following table shows the long-term indicative target asset allocation:

ESG Model Portfolio – Moderate	Minimum Allocation (%)	Maximum Allocation (%)
Australian Equities	3	23
Global Equities	13	30
Australian Fixed Interest	35	55
Global Fixed Interest	5	25
Cash	2	20

1.5 Key Risks

- **Investment risk:** Financial markets are affected by numerous factors, including market risk, currency risk and interest rate risk. As such, all investments have an inherent level of risk. Generally, there is a trade-off between higher expected returns for higher expected risk – represented by the variability of fund returns. It is therefore important to acknowledge that your portfolio can experience negative returns, particularly in the short term, as market conditions change. BlackRock regularly monitor these investment risk factors through their multi-factor risk model that incorporates over 2,200 distinct risk factors across equity, credit, FX, and rates. However, there is a possibility that you receive back less than you initially invested.
- **Operational risk:** There are certain potential risk factors involved with the operation of your managed account, including trading, settlement, and counterparty risks. While these risks cannot be entirely removed, BlackRock works closely with the investment platform operating your managed account to manage against these risks.

3 Source: Morningstar, as of February 2024. Rating and/or award is only one factor to be considered when deciding whether to invest in a product.

4 Past performance is not a reliable indicator of future performance.

5 Refer to the portfolio's research rating report for further details which is available upon request

6 The standard market-cap weighted benchmark refers to a portfolio that uses non-ESG market cap weighted indices as building blocks. We use the following standard market-cap weighted indices: Australian equity (S&P/ASX 300 Index), International equity (MSCI World ex Australia Index Unhedged & AUD Hedged), Australian fixed income (Bloomberg Ausbond Composite 0+ Yr Index), International fixed income (Bloomberg Global Aggregate AUD Hedged Index).

ESG Model Portfolio – Balanced

1.0 Reasons for Managed Accounts

Managed accounts have gained popularity in Australia over the last decade given their ability to deliver a transparent, cost-effective value proposition in a diversified, defined, and streamlined manner.

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The opportunity to tap into a third-party professional investment manager also enables advisers to leverage extensive resources and deep investment expertise consistently over time. The investment manager will conduct a comprehensive assessment of the market environment when determining the asset allocation of the portfolio and ensure that regular rebalancing is done to keep the investments in line with the desired asset allocation. By utilising a seasoned and well-integrated investment team, this will help to ensure efficient portfolio management and paves the way for advisers to focus more time on client's needs and on delivering a better value proposition to clients.

Importantly, with managed accounts, the end-investor generally maintains the advantages of being the beneficial owner of the underlying assets of the portfolio whilst having full visibility of the underlying securities at all times. Investors can also easily track the performance of each investment and stay informed about the decisions implemented in the portfolio.

1.1 BlackRock Managed Portfolios

BlackRock is the world's largest asset manager[1] with over 30 years of experience building multi-asset portfolios for investors in Australia. BlackRock delivers tailored holistic investment solutions across active and index investment strategies, and uses investment technology capabilities to help clients build resilient portfolios.

BlackRock believes that superior investment outcomes are best achieved through a disciplined, objective investment process. The investment process seeks to harvest return premia, while managing risks and implementation costs through optimisation-based portfolio construction.

The ESG Model Portfolio – Balanced is designed as a low-cost, long-term strategic portfolio that is diversified across asset classes and incorporates the principles of sustainability focused investing. In general, the portfolio will have a long-term average target exposure of around 50% in growth assets and 50% in defensive assets, and is implemented efficiently using a combination of low-cost, highly liquid ASX-listed ETFs and Australian domiciled index funds that meets the team's sustainability criteria as laid out below. The portfolio is rebalanced quarterly to ensure asset class weights stay close to target allocations.

1 As of December 2023. As of December 2023, BlackRock had USD 10.0 trillion in assets under management, making it the world's largest asset manager.

1.2 Investment Approach[2]

The ESG Model Portfolio is designed as a long-term strategic asset allocation (SAA), benefiting from diversification across growth asset classes such as Australian and international equities, and defensive oriented asset classes such as cash and Australian and international fixed interest securities.

Sustainability considerations are incorporated into the portfolio as follows:

1. BlackRock completes a comprehensive due diligence process on BlackRock group products to determine an investment universe of suitable managed funds and ETFs (Underlying Funds) the portfolio may invest in, to implement the SAA.
2. Underlying Funds that sit on the BlackRock Sustainable Investing Platform are preferred for inclusion in the portfolios to meet the portfolio's SAA. The BlackRock Sustainable Investing Platform is the suite of products managed by the BlackRock Group which use ESG data as a portfolio construction input. A subset of those products also seek to achieve long-term sustainability outcomes per each product's specific objectives. An Underlying Fund must fall within one of the following four categories of investment approaches to be included on the BlackRock Sustainable Investing Platform:
   - **Screened:** Seeks to constrain investments by avoiding issuers or business activities with certain ESG characteristics.
   - **Uplift:** Seeks to invest in issuers who have demonstrated improved ESG characteristics when compared with a stated universe or benchmark.
   - **Thematic:** Seeks to make targeted investments in issuers whose business models may benefit and drive long-term sustainability outcomes. These strategies aim to capitalise on long-term industry or societal trends through the pursuit of specific ESG themes.
   - **Impact:** Seeks to invest in issuers which generate positive, measurable, and additional sustainability outcomes.
3. BlackRock, as the model manager, predominately selects Underlying Funds that are classified as **Screened** or **Uplift** for inclusion in the ESG model portfolios. When evaluating potential Underlying Funds within these two categories, BlackRock focuses on the following:
   - Underlying funds that adopt exclusionary screens. Exclusionary screens limit exposure to certain activities such as oil and natural gas reserves, thermal coal-based power generation, controversial weapons, tobacco, and United Nations Global Compact Violators; and
   - Underlying funds that seek to invest in issuers who have demonstrated improved sustainability characteristics when compared with a stated universe or benchmark (e.g. a non ESG equivalent universe or benchmark) – for example, an improved ESG score or lower carbon footprint relative to a standard market-cap weighted benchmark.

In addition to the sustainability considerations described above, BlackRock's stewardship team actively engages with the management of the companies held within the portfolio with the aim of promoting better sustainability-related outcomes. BlackRock's approach to stewardship, including its engagement priorities and principles can be found here: **www.blackrock.com/corporate/about-us/investment-stewardship**.

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1.3 Key Benefits

- Seasoned BlackRock investment team of portfolio managers and strategists based in Australia and overseas averaging 12 years of investing experience.
- Proven investment process, with the investment team managing multi-asset portfolios for Australian investors for over 30 years. A similar model family range (Enhanced Strategic Model Portfolio) that shares a similar investment process as the ESG Model Portfolio, also has an established 9-year live track record.
- Performance of the ESG Model Portfolio range broadly ranks in the top quartile over the past two years, as per Morningstar Peer Rankings[3].
- The strong performance and proven investment process has seen the ESG portfolio receiving an SQM ratings upgrade from 4 Stars to 4.25 Stars / "Superior" (as of March 2024)[4].
- The portfolio is implemented in a cost effective and efficient manner using ETFs and index funds as underlying funds. The underlying fund fees for the ESG model portfolios range from 0.10%-0.17%, making it a low cost investment option in the industry[5].
- The portfolio achieves better sustainability credentials relative to a standard market-cap weighted benchmark, and sustainability considerations are clearly disclosed to provide investors with greater transparency[6].
- The portfolio benefits from BlackRock's sound risk management system, with ongoing portfolio management and monitoring of the underlying sub-funds carried out on BlackRock's proprietary risk management platform – Aladdin© – in the form of a paper portfolio. This allows for efficient portfolio management, analytics, performance reporting, attribution, and risk management.

1.4 Asset Allocation

The following table shows the long-term indicative target asset allocation:

ESG Model Portfolio – Balanced	Minimum Allocation (%)	Maximum Allocation (%)
Australian Equities	10	30
Global Equities	25	45
Australian Fixed Interest	24	44
Global Fixed Interest	0	25
Cash	2	20

1.5 Key Risks

- **Investment risk:** Financial markets are affected by numerous factors, including market risk, currency risk and interest rate risk. As such, all investments have an inherent level of risk. Generally, there is a trade-off between higher expected returns for higher expected risk – represented by the variability of fund returns. It is therefore important to acknowledge that your portfolio can experience negative returns, particularly in the short term, as market conditions change. BlackRock regularly monitor these investment risk factors through their multi-factor risk model that incorporates over 2,200 distinct risk factors across equity, credit, FX, and rates. However, there is a possibility that you receive back less than you initially invested.
- **Operational risk:** There are certain potential risk factors involved with the operation of your managed account, including trading, settlement, and counterparty risks. While these risks cannot be entirely removed, BlackRock works closely with the investment platform operating your managed account to manage against these risks.

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6 The standard market-cap weighted benchmark refers to a portfolio that uses non-ESG market cap weighted indices as building blocks. We use the following standard market-cap weighted indices: Australian equity (S&P/ASX 300 Index), International equity (MSCI World ex Australia Index Unhedged & AUD Hedged), Australian fixed income (Bloomberg Ausbond Composite 0+ Yr Index), International fixed income (Bloomberg Global Aggregate AUD Hedged Index).

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ESG Model Portfolio – Growth

1.0 Reasons for Managed Accounts

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The opportunity to tap into a third-party professional investment manager also enables advisers to leverage extensive resources and deep investment expertise consistently over time. The investment manager will conduct a comprehensive assessment of the market environment when determining the asset allocation of the portfolio and ensure that regular rebalancing is done to keep the investments in line with the desired asset allocation. By utilising a seasoned and well-integrated investment team, this will help to ensure efficient portfolio management and paves the way for advisers to focus more time on client's needs and on delivering a better value proposition to clients.

Importantly, with managed accounts, the end-investor generally maintains the advantages of being the beneficial owner of the underlying assets of the portfolio whilst having full visibility of the underlying securities at all times. Investors can also easily track the performance of each investment and stay informed about the decisions implemented in the portfolio.

1.1 BlackRock Managed Portfolios

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BlackRock believes that superior investment outcomes are best achieved through a disciplined, objective investment process. The investment process seeks to harvest return premia, while managing risks and implementation costs through optimisation-based portfolio construction.

The ESG Model Portfolio – Growth is designed as a low-cost, long-term strategic portfolio that is diversified across asset classes and incorporates the principles of sustainability focused investing. In general, the portfolio will have a long-term average target exposure of around 70% in growth assets and 30% in defensive assets, and is implemented efficiently using a combination of low-cost, highly liquid ASX-listed ETFs and Australian domiciled index funds that meets the team's sustainability criteria as laid out below. The portfolio is rebalanced quarterly to ensure asset class weights stay close to target allocations.

1 As of December 2023. As of December 2023, BlackRock had USD 10.0 trillion in assets under management, making it the world's largest asset manager.

1.2 Investment Approach[2]

The ESG Model Portfolio is designed as a long-term strategic asset allocation (SAA), benefiting from diversification across growth asset classes such as Australian and international equities, and defensive oriented asset classes such as cash and Australian and international fixed interest securities.

Sustainability considerations are incorporated into the portfolio as follows:

1. BlackRock completes a comprehensive due diligence process on BlackRock group products to determine an investment universe of suitable managed funds and ETFs (Underlying Funds) the portfolio may invest in, to implement the SAA.
2. Underlying Funds that sit on the BlackRock Sustainable Investing Platform are preferred for inclusion in the portfolios to meet the portfolio's SAA. The BlackRock Sustainable Investing Platform is the suite of products managed by the BlackRock Group which use ESG data as a portfolio construction input. A subset of those products also seek to achieve long-term sustainability outcomes per each product's specific objectives. An Underlying Fund must fall within one of the following four categories of investment approaches to be included on the BlackRock Sustainable Investing Platform:
   - **Screened:** Seeks to constrain investments by avoiding issuers or business activities with certain ESG characteristics.
   - **Uplift:** Seeks to invest in issuers who have demonstrated improved ESG characteristics when compared with a stated universe or benchmark.
   - **Thematic:** Seeks to make targeted investments in issuers whose business models may benefit and drive long-term sustainability outcomes. These strategies aim to capitalise on long-term industry or societal trends through the pursuit of specific ESG themes.
   - **Impact:** Seeks to invest in issuers which generate positive, measurable, and additional sustainability outcomes.
3. BlackRock, as the model manager, predominately selects Underlying Funds that are classified as **Screened** or **Uplift** for inclusion in the ESG model portfolios. When evaluating potential Underlying Funds within these two categories, BlackRock focuses on the following:
   - Underlying funds that adopt exclusionary screens. Exclusionary screens limit exposure to certain activities such as oil and natural gas reserves, thermal coal-based power generation, controversial weapons, tobacco, and United Nations Global Compact Violators; and
   - Underlying funds that seek to invest in issuers who have demonstrated improved sustainability characteristics when compared with a stated universe or benchmark (e.g. a non ESG equivalent universe or benchmark) – for example, an improved ESG score or lower carbon footprint relative to a standard market-cap weighted benchmark.

In addition to the sustainability considerations described above, BlackRock's stewardship team actively engages with the management of the companies held within the portfolio with the aim of promoting better sustainability-related outcomes. BlackRock's approach to stewardship, including its engagement priorities and principles can be found here: **www.blackrock.com/corporate/about-us/investment-stewardship**.

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1.3 Key Benefits

- Seasoned BlackRock investment team of portfolio managers and strategists based in Australia and overseas averaging 12 years of investing experience.
- Proven investment process, with the investment team managing multi-asset portfolios for Australian investors for over 30 years. A similar model family range (Enhanced Strategic Model Portfolio) that shares a similar investment process as the ESG Model Portfolio, also has an established 9-year live track record.
- Performance of the ESG Model Portfolio range broadly ranks in the top quartile over the past two years, as per Morningstar Peer Rankings[3].
- The strong performance and proven investment process has seen the ESG portfolio receiving an SQM ratings upgrade from 4 Stars to 4.25 Stars / "Superior" (as of March 2024)[4].
- The portfolio is implemented in a cost effective and efficient manner using ETFs and index funds as underlying funds. The underlying fund fees for the ESG model portfolios range from 0.10%-0.17%, making it a low cost investment option in the industry[5].
- The portfolio achieves better sustainability credentials relative to a standard market-cap weighted benchmark, and sustainability considerations are clearly disclosed to provide investors with greater transparency[6].
- The portfolio benefits from BlackRock's sound risk management system, with ongoing portfolio management and monitoring of the underlying sub-funds carried out on BlackRock's proprietary risk management platform – Aladdin© – in the form of a paper portfolio. This allows for efficient portfolio management, analytics, performance reporting, attribution, and risk management.

1.4 Asset Allocation

The following table shows the long-term indicative target asset allocation:

ESG Model Portfolio – Growth	Minimum Allocation (%)	Maximum Allocation (%)
Australian Equities	15	35
Global Equities	35	55
Australian Fixed Interest	10	30
Global Fixed Interest	3	20
Cash	2	15

1.5 Key Risks

- **Investment risk:** Financial markets are affected by numerous factors, including market risk, currency risk and interest rate risk. As such, all investments have an inherent level of risk. Generally, there is a trade-off between higher expected returns for higher expected risk – represented by the variability of fund returns. It is therefore important to acknowledge that your portfolio can experience negative returns, particularly in the short term, as market conditions change. BlackRock regularly monitor these investment risk factors through their multi-factor risk model that incorporates over 2,200 distinct risk factors across equity, credit, FX, and rates. However, there is a possibility that you receive back less than you initially invested.
- **Operational risk:** There are certain potential risk factors involved with the operation of your managed account, including trading, settlement, and counterparty risks. While these risks cannot be entirely removed, BlackRock works closely with the investment platform operating your managed account to manage against these risks.

3 Source: Morningstar, as of February 2024. Rating and/or award is only one factor to be considered when deciding whether to invest in a product.

4 Past performance is not a reliable indicator of future performance.

5 Refer to the portfolio's research rating report for further details which is available upon request

6 The standard market-cap weighted benchmark refers to a portfolio that uses non-ESG market cap weighted indices as building blocks. We use the following standard market-cap weighted indices: Australian equity (S&P/ASX 300 Index), International equity (MSCI World ex Australia Index Unhedged & AUD Hedged), Australian fixed income (Bloomberg Ausbond Composite 0+ Yr Index), International fixed income (Bloomberg Global Aggregate AUD Hedged Index).

ESG Model Portfolio – Aggressive

1.0 Reasons for Managed Accounts

Managed accounts have gained popularity in Australia over the last decade given their ability to deliver a transparent, cost-effective value proposition in a diversified, defined, and streamlined manner.

Building a diversified portfolio, across and within multiple asset classes, is one of the most important components in reaching one's financial goals. Managed accounts provide easy access to a wide range of funds across asset classes in a single portfolio, which can result in better returns within a stated risk level over time.

The opportunity to tap into a third-party professional investment manager also enables advisers to leverage extensive resources and deep investment expertise consistently over time. The investment manager will conduct a comprehensive assessment of the market environment when determining the asset allocation of the portfolio and ensure that regular rebalancing is done to keep the investments in line with the desired asset allocation. By utilising a seasoned and well-integrated investment team, this will help to ensure efficient portfolio management and paves the way for advisers to focus more time on client's needs and on delivering a better value proposition to clients.

Importantly, with managed accounts, the end-investor generally maintains the advantages of being the beneficial owner of the underlying assets of the portfolio whilst having full visibility of the underlying securities at all times. Investors can also easily track the performance of each investment and stay informed about the decisions implemented in the portfolio.

1.1 BlackRock Managed Portfolios

BlackRock is the world's largest asset manager[1] with over 30 years of experience building multi-asset portfolios for investors in Australia. BlackRock delivers tailored holistic investment solutions across active and index investment strategies, and uses investment technology capabilities to help clients build resilient portfolios.

BlackRock believes that superior investment outcomes are best achieved through a disciplined, objective investment process. The investment process seeks to harvest return premia, while managing risks and implementation costs through optimisation-based portfolio construction.

The ESG Model Portfolio – Aggressive is designed as a low-cost, long-term strategic portfolio that is diversified across asset classes and incorporates the principles of sustainability focused investing. In general, the portfolio will have a long-term average target exposure of around 90% in growth assets and 10% in defensive assets, and is implemented efficiently using a combination of low-cost, highly liquid ASX-listed ETFs and Australian domiciled index funds that meets the team's sustainability criteria as laid out below. The portfolio is rebalanced quarterly to ensure asset class weights stay close to target allocations.

1 As of December 2023. As of December 2023, BlackRock had USD 10.0 trillion in assets under management, making it the world's largest asset manager.

1.2 Investment Approach[2]

The ESG model portfolio is designed as a long-term strategic asset allocation (SAA), benefiting from diversification across growth asset classes such as Australian and international equities, and defensive oriented asset classes such as cash and Australian and international fixed interest securities.

Sustainability considerations are incorporated into the portfolio as follows:

1. BlackRock completes a comprehensive due diligence process on BlackRock group products to determine an investment universe of suitable managed funds and ETFs (Underlying Funds) the portfolio may invest in, to implement the SAA.
2. Underlying Funds that sit on the BlackRock Sustainable Investing Platform are preferred for inclusion in the portfolios to meet the portfolio's SAA. The BlackRock Sustainable Investing Platform is the suite of products managed by the BlackRock Group which use ESG data as a portfolio construction input. A subset of those products also seek to achieve long-term sustainability outcomes per each product's specific objectives. An Underlying Fund must fall within one of the following four categories of investment approaches to be included on the BlackRock Sustainable Investing Platform:
    - **Screened:** Seeks to constrain investments by avoiding issuers or business activities with certain ESG characteristics.
    - **Uplift:** Seeks to invest in issuers who have demonstrated improved ESG characteristics when compared with a stated universe or benchmark.
    - **Thematic:** Seeks to make targeted investments in issuers whose business models may benefit and drive long-term sustainability outcomes. These strategies aim to capitalise on long-term industry or societal trends through the pursuit of specific ESG themes.
    - **Impact:** Seeks to invest in issuers which generate positive, measurable, and additional sustainability outcomes.
3. BlackRock, as the model manager, predominately selects Underlying Funds that are classified as **Screened** or **Uplift** for inclusion in the ESG model portfolios. When evaluating potential Underlying Funds within these two categories, BlackRock focuses on the following:
    - Underlying funds that adopt exclusionary screens. Exclusionary screens limit exposure to certain activities such as oil and natural gas reserves, thermal coal-based power generation, controversial weapons, tobacco, and United Nations Global Compact Violators; and
    - Underlying funds that seek to invest in issuers who have demonstrated improved sustainability characteristics when compared with a stated universe or benchmark (e.g. a non ESG equivalent universe or benchmark) – for example, an improved ESG score or lower carbon footprint relative to a standard market-cap weighted benchmark.

In addition to the sustainability considerations described above, BlackRock's stewardship team actively engages with the management of the companies held within the portfolio with the aim of promoting better sustainability-related outcomes. BlackRock's approach to stewardship, including its engagement priorities and principles can be found here: **www.blackrock.com/corporate/about-us/investment-stewardship**.

2 There is no guarantee that a positive investment outcome will be achieved through the investment approach described herein.

1.3 Key Benefits

- Seasoned BlackRock investment team of portfolio managers and strategists based in Australia and overseas averaging 12 years of investing experience.
- Proven investment process, with the investment team managing multi-asset portfolios for Australian investors for over 30 years. A similar model family range (Enhanced Strategic Model Portfolio) that shares a similar investment process as the ESG Model Portfolio, also has an established 9-year live track record.
- Performance of the ESG Model Portfolio range broadly ranks in the top quartile over the past two years, as per Morningstar Peer Rankings[3].
- The strong performance and proven investment process has seen the ESG portfolio receiving an SQM ratings upgrade from 4 Stars to 4.25 Stars / "Superior" (as of March 2024)[4].
- The portfolio is implemented in a cost effective and efficient manner using ETFs and index funds as underlying funds. The underlying fund fees for the ESG model portfolios range from 0.10%-0.17%, making it a low cost investment option in the industry[5].
- The portfolio achieves better sustainability credentials relative to a standard market-cap weighted benchmark, and sustainability considerations are clearly disclosed to provide investors with greater transparency[6].
- The portfolio benefits from BlackRock's sound risk management system, with ongoing portfolio management and monitoring of the underlying sub-funds carried out on BlackRock's proprietary risk management platform – Aladdin© – in the form of a paper portfolio. This allows for efficient portfolio management, analytics, performance reporting, attribution, and risk management.

1.4 Asset Allocation

The following table shows the long-term indicative target asset allocation:

ESG Model Portfolio – Aggressive	Minimum Allocation (%)	Maximum Allocation (%)
Australian Equities	20	49
Global Equities	40	65
Australian Fixed Interest	0	15
Global Fixed Interest	0	15
Cash	2	10

1.5 Key Risks

- **Investment risk:** Financial markets are affected by numerous factors, including market risk, currency risk and interest rate risk. As such, all investments have an inherent level of risk. Generally, there is a trade-off between higher expected returns for higher expected risk – represented by the variability of fund returns. It is therefore important to acknowledge that your portfolio can experience negative returns, particularly in the short term, as market conditions change. BlackRock regularly monitor these investment risk factors through their multi-factor risk model that incorporates over 2,200 distinct risk factors across equity, credit, FX, and rates. However, there is a possibility that you receive back less than you initially invested.
- **Operational risk:** There are certain potential risk factors involved with the operation of your managed account, including trading, settlement, and counterparty risks. While these risks cannot be entirely removed, BlackRock works closely with the investment platform operating your managed account to manage against these risks.

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Limitations of sustainability investing

Investors should be aware that:

1. While Underlying Funds that sit on the BlackRock Sustainable Investing Platform are preferred for inclusion within the portfolio, there may be instances where a neutral or non-sustainable asset is selected due to certain investment considerations for the purpose of better achieving the portfolio's dual objective or if there are no sustainable options available for the particular asset class. BlackRock defines a neutral asset as not raising a material risk of exposure to activities that are likely to be considered sensitive, controversial or to have an adverse ESG impact.
2. BlackRock does not consider asset class of cash (or cash equivalents) would raise a material risk of exposure to activities that are likely to be considered sensitive, controversial or to have an adverse sustainability impact. As such, Underlying Funds held in the portfolio that provide exposure to cash (or cash equivalents) do not exclude specific issuer names from eligible purchases, but does have minimum credit ratings applied to all eligible securities and concentration limits.
3. Exclusionary screens vary by Underlying Funds. Exclusionary screens apply screening in some activities but not others, and so as a result, Underlying Funds may hold assets that have exposure to activities that may be considered controversial, sensitive, or to have an adverse sustainability impact.
4. BlackRock (or its index and data providers) may use revenue thresholds as a simple and meaningful indicator of an issuer's involvement in certain activities. There are limitations of using revenue data especially where revenue is not attributed to the specific business activity. In such cases, revenues are estimated.
5. BlackRock (or its index and data providers) may consider the level of sector involvement in considering the inclusion or exclusion of an issuer. For example, tobacco producers and distributors may be excluded, however tobacco retails or suppliers may not be excluded.
6. Unless specifically disclosed in an Underlying Fund's PDS, exclusionary screens do not screen securities in the government, government-related or securitised sectors.
7. An exclusionary screen may not exclude an issuer if data about that issuer is incomplete, inaccurate or unavailable.
8. Issuers of securities held by an Underlying Fund may meet or fail to meet BlackRock's or its index/data providers' sustainability criteria from time to time. In these circumstances, BlackRock will use reasonable efforts to invest, divest or otherwise respond to the change within a reasonable period (for example, at the following rebalance date) considering the materiality of the change, liquidity, and transaction costs. The methodology of index and data providers may differ.

BlackRock.

Want to know more?

Web blackrock.com/au/intermediaries/model-portfolios

Email clientservices.aus@blackrock.com

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