

BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE

31 May 2024

Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Diversified ESG Growth Fund (Gross of Fees) ¹	0.62	1.45	5.16	11.43	4.53	6.54	7.99
Benchmark*	0.65	1.51	5.35	11.96	5.07	6.72	7.05
Outperformance (Gross of Fees)	-0.03	-0.06	-0.19	-0.53	-0.54	-0.18	0.93
BlackRock Diversified ESG Growth Fund (Net of Fees) ²	0.55	1.26	4.83	10.57	3.75	5.75	7.30
Benchmark*	0.65	1.51	5.35	11.96	5.07	6.72	7.28
Outperformance (Net of Fees)	-0.09	-0.25	-0.52	-1.40	-1.32	-0.97	0.02

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

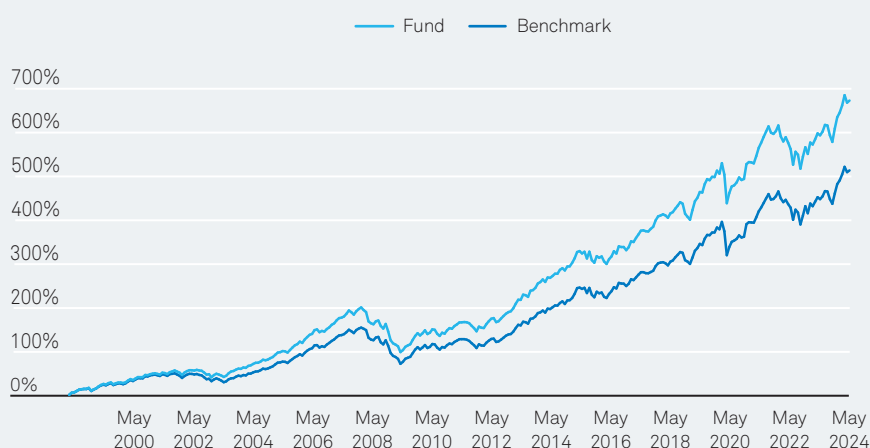
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 and unhedged 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), ICE BofA Developed Markets HY Constrained Index (hedged in AUD), Bloomberg AusBond Bank Bill IndexSM.

Please note that effective from 31 March 2023 the index weights representing the performance benchmark for the BlackRock Diversified ESG Growth 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 31 May 2024



Performance Summary

Market Overview

Global markets rebounded over May amid bullish sentiment regarding artificial intelligence (AI), strong corporate earnings and easing geopolitical tensions. Sovereign bond yields broadly declined as moderating inflation raised hopes for interest rate cuts this year – resulting in positive returns for most fixed income asset classes. Global equities, as measured by the MSCI World Index (hedged), ended the month up 4.0% in Australian dollar terms, while Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), rose 0.8%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index gained 5.0% to reach fresh record highs in May (in local currency terms), with Information Technology and Communication Services among the best performing sectors. In a closely-watched earnings release, US chipmaker, Nvidia continued to beat lofty earnings forecasts driven by strong growth in its AI-related business. Meanwhile, meeting minutes from the US Federal Reserve (Fed) struck an unexpectedly hawkish tone, with participants questioning whether policy was restrictive enough to bring inflation down to 2%. However, Fed Chair Jerome Powell's pushback on the possibility of future rate hikes, along with a further moderation in April's core inflation print, kept prospects of a September rate cut in play.

Europe

European equities, as represented by the Euro Stoxx 50 Index, rose 2.1% over the month (in local currency terms), with markets widely anticipating the European Central Bank (ECB) to cut interest rates in its upcoming June meeting. ECB speakers throughout the month continued to endorse the possibility of a rate cut with the ECB President, Christine Lagarde reaffirming that "there is a strong likelihood" of a move in June. Yet, the pace of rate cuts remains undecided with the central bank reinforcing a "data-dependent" approach. While the eurozone core inflation rate surprised on the upside and accelerated 2.9% annually in May, slowing inflation over the last nine months has given the ECB more confidence on the inflation trajectory and their ability to ease policy. Meanwhile, the unemployment rate hit a record low of 6.4% over the month.

In the UK, the FTSE 100 Index ended the month up 2.1% (in local currency terms) as economic activity rebounded and the Bank of England (BoE) Governor Andrew Bailey signalled that he was open to easing rates in June. The BoE left rates unchanged in May but indicated that rate cuts were near as economic data is "moving in the right direction". Headline inflation eased to its lowest in almost three years at 2.3% year-on-year in April, albeit still coming in slightly above expectations. The slowing inflation print prompted Prime Minister Rishi Sunak to claim that price growth is "back to normal" and was widely seen as the trigger for calling a surprise general election in early July.

Asia

China's CSI 300 Index declined 0.5% in May (in local currency terms) as property woes continued to weigh on market sentiment. The Chinese government announced a slew of property-supportive measures over the month in hopes to shore up the beleaguered sector and revive investor confidence. On the data front, China's Caixin manufacturing PMI remained in expansionary territory and rose 51.7 in May, marking the fastest expansion since June 2022. China's consumer prices also rose for a third straight month and edged up 0.3% in April year-on-year, suggesting that various policy support measures may be beginning to have a positive effect on consumer sentiment. On the other hand, new home prices fell in April for the tenth consecutive month by 0.6% month-on-month and retail sales growth slowed to 2.3% annually, exposing lingering pockets of weakness in the Chinese economy.

Japanese equities, as represented by the Nikkei 225 Index, rounded the month with a modest gain of 0.2% (in local currency terms) following its strong performance earlier this year. The Bank of Japan's (BoJ) Governor Ueda stated that the central bank will proceed cautiously with its inflation-targeting framework as anchoring inflation expectations continues to be "a big challenge". His comments came before the Tokyo core inflation, a leading indicator of nationwide prices, printed in line with expectations and increased 1.9% in May year-on-year but remained under the BoJ's 2% target. Meanwhile, Japan's Q1 GDP missed estimates and contracted 2% in annualised terms, driven by weak consumption and a decline in services exports, indicating growth headwinds to the economy.

Australia

The S&P/ASX 300 Accumulation Index rose 0.9% in May, with Financials and Information Technology among the best performing sectors. The Australian Budget reported a budget surplus for FY23 which saw inflation predicted to ease within target band by the end of 2024 – a year earlier than forecasted by the Reserve Bank of Australia (RBA). While the RBA kept rates unchanged in May, it revealed that rate-hikes were being considered and reinforced that returning inflation back to target remains the "highest priority". Australia's headline inflation came in above expectations at 3.6% annually, while retail sales were relatively flat and rose 0.1% over the month. Meanwhile, the unemployment rate also ticked up to 4.1% in April. Australian house prices, as represented by CoreLogic Home Value Index, posted its largest monthly gain since October last year and was up 0.8% in May.

Fixed Income

Fixed income markets provided investors a reprieve and bounced back across the period amid a modest pullback in government bond yields. Over the month, the US 10-year yield fell 18 basis points, while the Australian 10-year yield was roughly flat and declined 1 basis point to end May at 4.5% and 4.4% respectively. The fall in rates pushed bond prices higher. The Global Aggregate index (hedged) finished the month up 0.8%, while the Australian composite bond index gained 0.4% over May. Riskier parts of the fixed income market, namely corporate credit and emerging market debt indices also realised gains across the period.

Commodities & FX

Commodity markets and energy prices were mixed over the month. Across industrial metals, Copper posted modest gains of 0.8% in May while Iron Ore came in flat as markets remained cautious on whether Chinese property-supportive policy measures will sufficiently prop up fragile investor confidence. Gold continued to trend upwards and gained 1.8% across the period while oil prices declined 5.3% in May as geopolitical tensions eased across the period. Within currencies, the US dollar declined 1.1% over the month against its developed market peers, while the Australian dollar appreciated 2.8% against the US dollar.

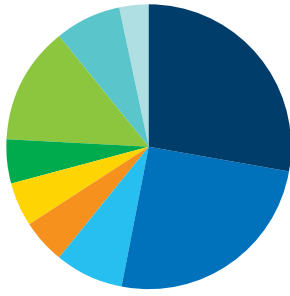
Strategy Commentary – May 2024

The BlackRock Diversified ESG Growth Fund recorded a positive return of +0.55% (after fees) in May. Global equity markets advanced in May fuelled by growing investor optimism about the economic outlook.

In terms of absolute performance, growth assets mostly added to the performance which were led by Global Equities and Australian Equities while Emerging Markets Equities experienced losses. The allocation to Global Infrastructure added to the performance while Global Property declined over the month. The Fund's more defensive asset classes, including Australian Fixed Income, Australian Investment Grade Corporate Bonds, US Inflation Linked Bonds and Global High Yield Corporate Bonds recorded positive returns while Australian Inflation Linked Bonds weighed on the performance. The defensive allocation to Gold also detracted across the period.

On the active front, the Fund underperformed its diversified benchmark over the month by -0.09% (after fees). Global Property was the key detractor over the period followed by Emerging Market Equities which further weighed on the alpha, as the allocation to the systematic strategy underperformed due to stock selection in India and an overweight to Brazil and Indonesia. The Fund's global macro strategy which takes overweight and underweight positions across asset classes and regions (i.e., tactical asset allocation) modestly weighed on the performance due to directional short duration positions in long-dated US bonds. Australian Equities slightly weighed on alpha driven by positioning in Materials and Financials along with an overweight within Industrials, while Global Equities supported the performance as the systematic strategy outperformed over the month supported by positive results across most investment themes. Global Infrastructure was flat over the month.

Fund Allocation



	Fund	Benchmark
■ Australian Shares	28.02	28.00
■ International Shares	25.07	25.00
■ Emerging Markets Shares	7.97	8.00
■ Global REITs (unhedged)	4.95	5.00
■ Global Listed Infrastructure (unhedged)	5.06	5.00
■ Gold	4.89	5.00
■ Australian Bonds	13.32	13.50
■ International Bonds	7.57	7.50
■ Cash	3.15	3.00

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 30% of which represent defensive assets and 70% 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 Growth Fund	
APIR	BGL0003AU
Fund Size	443 mil
Buy/Sell Spread	0.09%/0.09%

BlackRock Diversified ESG Growth Fund	
APIR	BAR0813AU
Management Fee	0.79% p.a.

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