

iSHARES ESG AUSTRALIAN BOND INDEX FUND

iShares[®]
by BLACKROCK[®]

FUND UPDATE

30 June 2024

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)	0.77	-0.77	0.25	3.75	-1.92	-0.50	0.56
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	0.78	-0.77	0.26	3.80	-1.91	-0.50	0.56
Outperformance (Gross of Fees)	-0.01	-0.01	-0.01	-0.04	-0.02	0.00	0.00
iShares ESG Australian Bond Index Fund (Net of Fees) (Class D)	0.75	-0.82	0.14	3.54	-2.12	-0.70	0.36
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	0.78	-0.77	0.26	3.80	-1.91	-0.50	0.56
Outperformance (Net of Fees)	-0.03	-0.06	-0.12	-0.26	-0.21	-0.20	-0.20

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. Neither the fund nor BlackRock makes any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of any ESG related data such as ESG score, or the way they are defined or implemented. ESG data is sourced from MSCI.

Performance Summary

Market Review

The Bloomberg MSCI Australia SRI/ESG-Weighted A\$100M Index (the "Index") returned 0.78% in June. Semi-Governments (+1.14%) was the best performing sub-component, followed by Treasuries (+0.68%), Supranational-Sovereigns (+0.42%) and Credit (+0.42%).

Australian 2-year bond yields trended upwards by 0.04% over the month to 4.16%, and 10-year yields dropped by 0.1% to 4.31%.

In Australia, the unemployment rate dropped to 4.0% in May from 4.1%. Net employment rose by 39,700 from April with 41,700 full-time positions added, while the participation rate held at a historically high 66.8%. The NAB Business Survey saw business confidence falling as conditions continued to soften gradually.

The RBA kept the cash rate at a 12-year high of 4.35%. Inflation rose to its highest level in 2024, as headline CPI increased 4.0% YoY, materially beating expectations of 3.8%. The trimmed mean, a core measure of inflation, also climbed to a six-month high at 4.4% YoY. Markets reacted with a sell off and priced out any chance of a cut to the cash rate this year, while raising the probability of a quarter-point hike by November.

In the US, 2-year treasury yields dropped by 0.12% to 4.75% while the 10-year yield also dropped up 0.10% to 4.40%.

US is "back on the disinflationary path", acknowledging that risks to inflation and employment have come "much closer to balance". All eyes were on the Core PCE print, which slowed to 2.6% YoY, in line with expectations. This marked the lowest annual rate since March 2021, bolstering the case for lower interest rates later this year. Outside of the inflation numbers, personal income showed solid growth, rising 0.5% MoM, while consumer spending rebounded 0.2% after a pullback in April, raising optimism that inflation can be tamed without lasting damage to consumers.

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- Fund Performance
- Unit Prices

Retail sales rose only 0.1% MoM, below expectations of a 0.3% increase. At the same time, April's figure was downwardly revised to a 0.2% decline. On a YoY basis, retail sales saw an increase of 2.3%. Markets continue to price in two rate cuts this year, as traders raised their bets for the first cut in September. The release of the US employment reports shed more light on the monetary policy outlook. Later in the month estimate of GDP for Q1 2024 was revised higher by 0.1% up to an annualized 1.4%, following a strong 3.4% gain in Q4 2023, assign that the economy remained resilient while seeing a gentle cooling underway. June FOMC meeting released showed that the Fed needed "greater confidence" to cut rates despite inflation moving in the right direction and agreed that there should be no rush to cut.

Outlook

In Australia, we are still of the view the RBA will hold the cash rate at the current level for an extended period. The key takeaways heading H2 24 are that the official cash rate is not going down anytime soon and when the easing cycle commences it will be gradual and shallow. Although GDP growth will remain below trend through H2 24 a pick-up is expected from the current 1.1% p.a. pace. Stage 3 tax cuts and cost of living relief measures will add about 1% of GDP through 24/25. An expected uptick in consumer spending, along with expected solid growth in public final demand and business investment should see a modest increase in growth in H2 24. US Fed Chair Powell appears to have an asymmetric easing bias, declining to entertain rate hikes and repeatedly emphasizing the need for more time. Given the potential paths for the Australian and US cash rates, i.e. a narrowing, the AUD should increasingly find a more durable downside floor.

Top 10 Issuers

Issuer	Weight %
AUSTRALIA (COMMONWEALTH OF)	48.5
NEW SOUTH WALES TREASURY CORPORATION	9.0
TREASURY CORPORATION OF VICTORIA	7.8
QUEENSLAND TREASURY CORPORATION	7.2
WESTERN AUSTRALIAN TREASURY CORPORATION	2.5
SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY	2.3
INTERNATIONAL FINANCE CORP	1.8
KFW	1.5
EUROPEAN INVESTMENT BANK	1.1
ASIAN DEVELOPMENT BANK	1.0

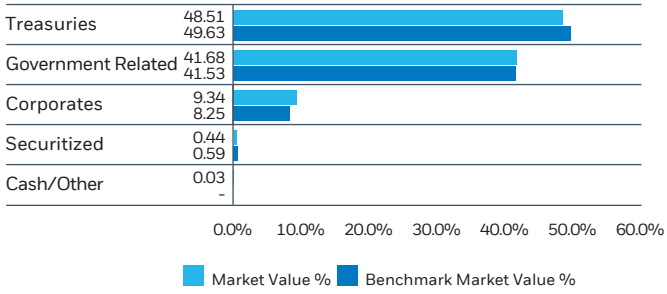
Risk Characteristics

	Fund	Benchmark	Difference
Modified Duration (Years)	4.97	4.97	0.00
Duration x spread	1.72	1.74	-0.02
Yield	4.53	4.54	-0.01
Average Coupon (%)	2.83	2.85	-0.02
Average Maturity (Years)	5.87	5.88	-0.01
ESG Score	7.24	7.19	0.05

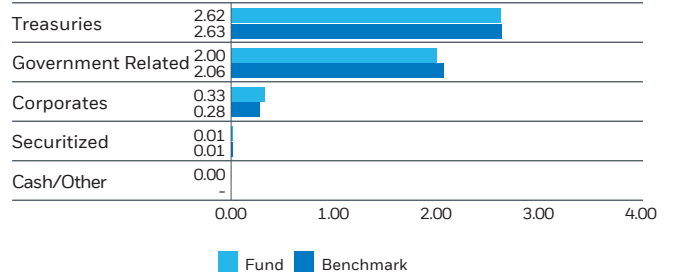
Top 10 Issuers held by ESG score

Issuer	ESG Score
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	10.0
EUROPEAN INVESTMENT BANK	10.0
INTERNATIONAL FINANCE CORP	10.0
SUNCORP METWAY LTD	10.0
TRANSURBAN QUEENSLAND FINANCE PTY LTD	10.0
KFW	10.0
CNH INDUSTRIAL CAPITAL AUSTRALIA PTY LTD	9.7
EUROFIMA	9.0
INTER-AMERICAN DEVELOPMENT BANK	8.9
NORDIC INVESTMENT BANK	8.9

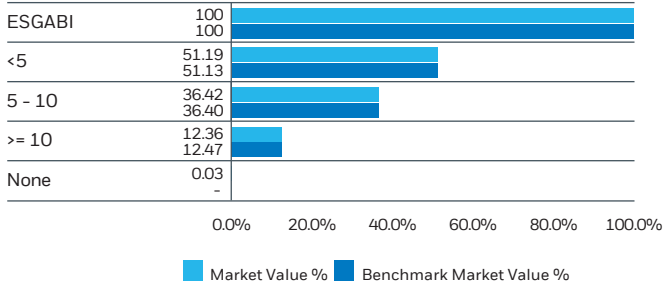
Sector Exposure



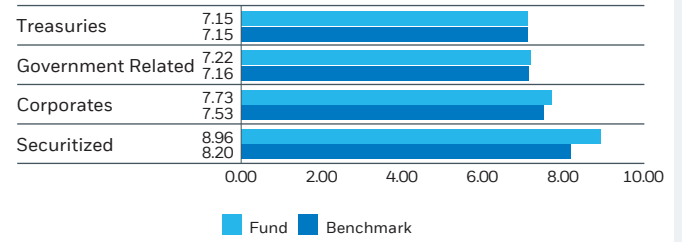
Contribution to Modified Duration



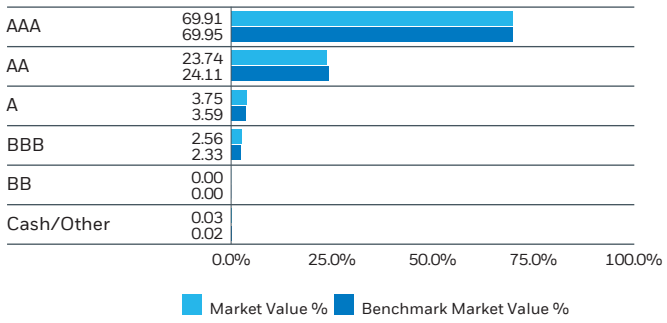
Maturity Exposure



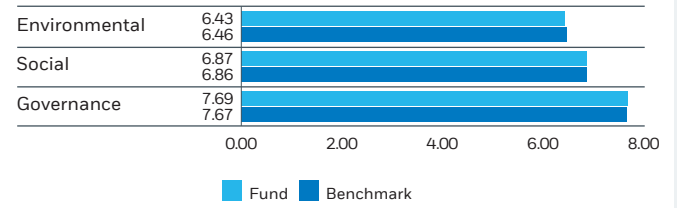
ESG Sector Score



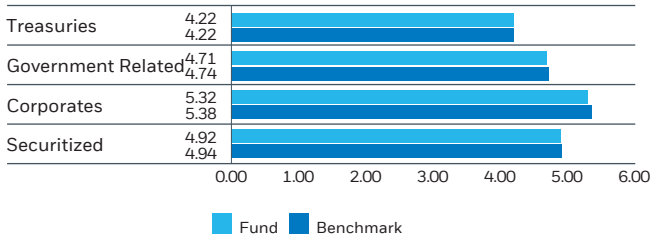
Quality Exposure



ESG Score Breakdown



Yield



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	719 mil
Buy/Sell Spread	0.05%/0.05%
Tracking Error (3 years p.a.)	0.03%

iShares ESG Australian Bond Index Fund (Class D)

APIR	BLK2127AU
Management Fee (Class D Units)	0.20% p.a.

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ESG Scoring and ratings

ESG Score:

The Overall ESG Scores represents either the ESG Ratings Final Ind.-Adjusted Score or Government Adjusted ESG Score of the issuer. ESG Ratings indicate how well an issuer manages its most material ESG risks relative to sector peers.

Environmental Score:

The Overall ESG Environmental Score represents either the Intangible Value Assessment (IVA) Environmental Pillar Score or Government Rating Environmental Pillar Score of the issuer. The score indicates how well an issuer manages its environmental issues. Score ranges from 0-10. Vendor: MSCI

Social Score:

The Overall ESG Social Score represents either the Intangible Value Assessment (IVA) Social Pillar Score or Government Rating Social Pillar Score of the issuer. The score indicates how well an issuer manages its social issues. Score ranges from 0-10. Vendor: MSCI

Governance Score:

The Overall ESG Governance Score represents either the Intangible Value Assessment (IVA) Governance Pillar Score or Government Rating Governance Pillar Score of the issuer. The score indicates how well an issuer manages its governance issues. Score ranges from 0-10. Vendor: MSCI