

iSHARES ESG AUSTRALIAN BOND INDEX FUND

iShares[®]
by BLACKROCK[®]

FUND UPDATE

31 August 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)	1.20	3.48	2.95	5.23	-1.65	-0.46	1.03
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	1.20	3.49	2.96	5.25	-1.63	-0.45	1.02
Outperformance (Gross of Fees)	0.00	-0.01	-0.01	-0.02	-0.02	0.00	0.00
iShares ESG Australian Bond Index Fund (Net of Fees) (Class D)	1.18	3.43	2.81	5.01	-1.85	-0.66	0.83
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	1.20	3.49	2.96	5.25	-1.63	-0.45	1.02
Outperformance (Net of Fees)	-0.02	-0.06	-0.15	-0.24	-0.22	-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 1.20% in August. Semi-Governments (+1.47%) was the best performing sub-component, followed by Treasuries (+1.16%), Credit (+0.92%) and Supranational-Sovereigns (+0.89%).

The AusBond Composite Index added A\$23.58 bn of new supply (issuances and taps) in August. The supply was A\$7.52 bn lower than the previous month and A\$2.32 bn higher than the 12-month average (A\$21.26 bn). Twelve new issues were added to the Composite Index amounting to A\$6.87 bn, which leaves A\$16.714 bn in taps.

Australian 2-year bond yields trended downwards by 0.20% over the month to 3.67%, and 10-year yields dropped by 0.15% to 3.97%.

In Australia, Participation rate has climbed to a new high of 67.1%, pushing unemployment to 4.2% on the back of a stunning 58k new jobs, including 60k full-time jobs in a month that is usually quite weak. This is the highest employment growth recorded in July over the past decade, excluding 2020 (which came on the back of 800k job losses in prior months).

CPI rose 3.5% YoY (vs consensus 3.4%) while trimmed mean rose 3.8% YoY (down from 4.1% YoY June). Significant contributors to the annual rise were housing, food and non-alcoholic beverages, alcohol and tobacco, and transport. Rental price growth remains high due to a tight rental market reflected by low vacancy rates in most capital cities. The recent NAB Business Survey highlights that business conditions improved slightly, rising by 1 point to +6, bringing them just below their long-term average. This uptick was driven by a 7-point increase in the employment index, while profitability remained steady and trading conditions dropped by 2 points. Meanwhile, business confidence declined

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by 2 points to +1, with decreases observed across all industries except construction and recreation & personal services. In terms of trends, confidence is weakest in the goods distribution sectors, particularly retail and wholesale trade, both of which remain negative.

In the US, 2-year treasury yields dropped by 0.34% to 3.92% over the month and the 10-year yield dropped up 0.13% to 3.90%.

Chair Powell indicated at the Jackson Hole symposium that the Fed is preparing for a possible rate cut in September, potentially ending the tightening cycle that began in March 2022. The pace of cuts will remain data-dependent, with Powell confident in the inflation outlook but mindful of labor market risks. All eyes will be on the NFP data, a key determinant of whether the Fed opts for a 25 or 50 bps cut.

In July, retail sales experienced a 1.1% increase after upward revisions to the previous month. This uptick in sales was broad-based, with significant contributions from motor vehicle industry, electronics and appliance stores and food and beverages stores. Headline PCE increased 0.2% MoM and 2.5% YoY alongside Core PCE which increased 0.2% MoM and 2.6% YoY. The CPI rose by 0.2% MoM (seasonally adjusted) in July and by 2.9% YoY (not seasonally adjusted). When excluding food and energy, the index also went up by 0.2% MoM (seasonally adjusted) in July and has climbed 3.2% YoY (not seasonally adjusted).

Outlook

In Australia, the overall demand for labour remains strong although so does supply with employment to population recording a new high of 64.3%. The Q2 WPI data shows that wages are past the peak but continue to moderate slowly. A faster easing in the labour market remains a downside risk. Services inflation has peaked but is likely to remain sticky as structural issues will slow the cyclical decline. In the US, with August 2024 coming to an end, the current federal funds rate is 5.33%. This is the highest level in over 22 years. All eyes this week will be on non-farm payrolls report, where lagging data will inevitably show a softening of the labour market, but if the data comes in in-line with consensus of a 4.3% unemployment rate, the odds of 50bps of cuts in September could increase significantly.

Top 10 Issuers

Issuer	Weight %
AUSTRALIA (COMMONWEALTH OF)	49.8
TREASURY CORPORATION OF VICTORIA	8.3
NEW SOUTH WALES TREASURY CORPORATION	8.2
QUEENSLAND TREASURY CORPORATION	7.2
SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY	2.8
WESTERN AUSTRALIAN TREASURY CORPORATION	2.1
INTERNATIONAL FINANCE CORP	1.5
KFW	1.1
COMMONWEALTH BANK OF AUSTRALIA	1.0
EUROPEAN INVESTMENT BANK	0.9

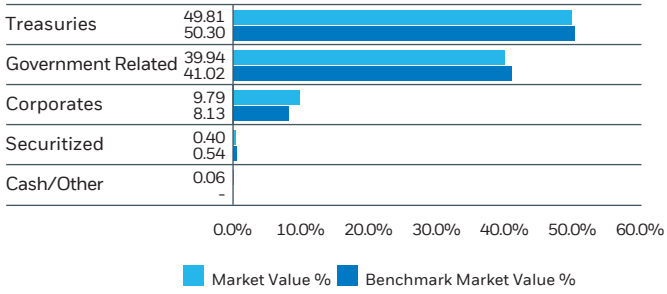
Risk Characteristics

	Fund	Benchmark	Difference
Modified Duration (Years)	5.04	5.04	0.00
Duration x spread	1.78	1.79	0.00
Yield	4.13	4.13	0.00
Average Coupon (%)	2.84	2.87	-0.03
Average Maturity (Years)	5.95	5.96	-0.01
ESG Score	7.24	7.20	0.04

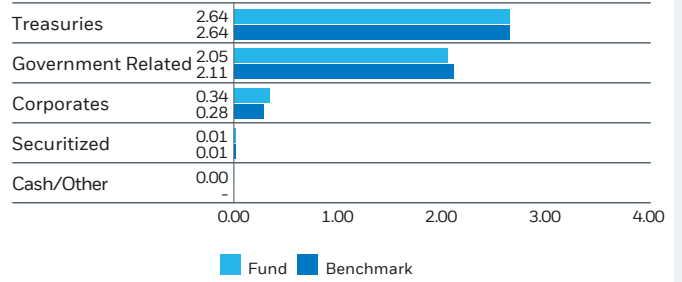
Top 10 Issuers held by ESG score

Issuer	ESG Score
EUROPEAN INVESTMENT BANK	10.0
KFW	10.0
INTERNATIONAL FINANCE CORP	10.0
TRANSURBAN QUEENSLAND FINANCE PTY LTD	10.0
CNH INDUSTRIAL CAPITAL AUSTRALIA PTY LTD	9.7
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	9.7
SHINHAN BANK	9.3
EUROFIMA	9.0
NORDIC INVESTMENT BANK	8.9
INTER-AMERICAN DEVELOPMENT BANK	8.9

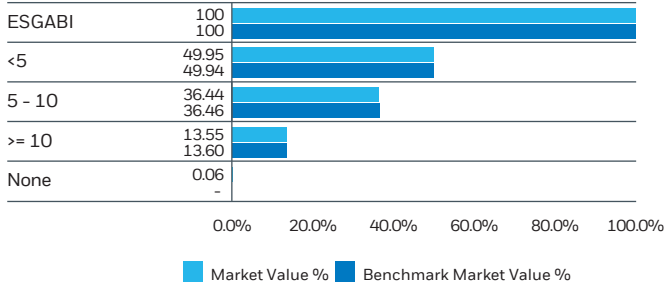
Sector Exposure



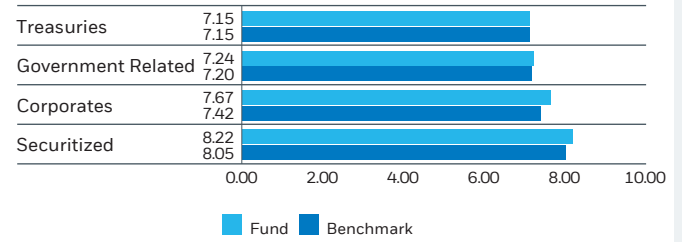
Contribution to Modified Duration



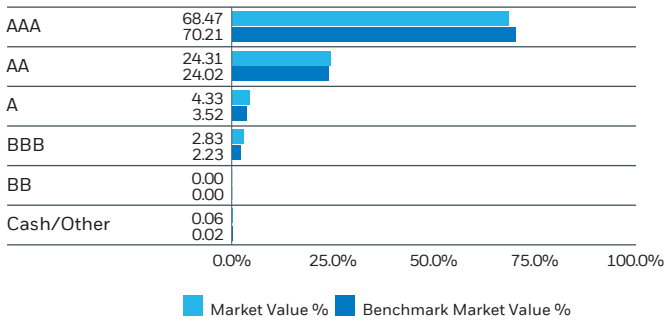
Maturity Exposure



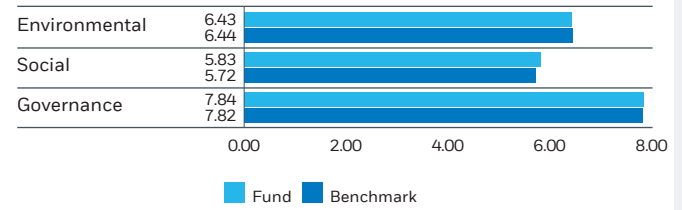
ESG Sector Score



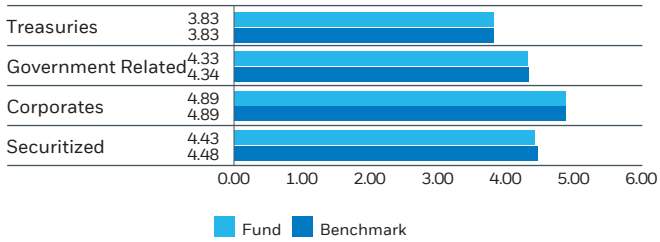
Quality Exposure



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	804 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