iSHARES ESG SCREENED GLOBAL 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 Screened Global Bond Index Fund (Gross of Fees) (Class E)	1.01	3.72	2.18	5.82	-2.33	-0.85	-0.45
Bloomberg Barclays MSCI Global Agg SRI Select ex-Fossil Fuels Index 100% AUD Hedged	1.00	3.73	2.25	5.81	-2.33	-0.84	-0.46
Outperformance (Gross of Fees)	0.01	-0.01	-0.07	0.01	0.01	-0.01	0.01
iShares ESG Screened Global Bond Index Fund (Net of Fees) (Class D)	0.99	3.71	2.08	5.65	-2.51	-1.06	-0.67
Bloomberg Barclays MSCI Global Agg SRI Select ex-Fossil Fuels Index 100% AUD Hedged	1.00	3.73	2.25	5.81	-2.33	-0.84	-0.46
Outperformance (Net of Fees)	-0.01	-0.02	-0.17	-0.16	-0.18	-0.22	-0.21

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.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Review

US:

The Conference Board Consumer Confidence Index rose moderately during the month from 101.9 points for July to 103.3 in August. The Present Situation Index increased to 134.4 points up from 133.1 points in July. The expectations index also improved to 82.5 points in August, up from an upward revision of 81.1. August marked the second consecutive month of the index above 80. In August, consumer confidence rose in August but remained within the narrow range that has prevailed over the past two years. In comparison to July, consumers were more positive about current and future business conditions, but are more concerned about the labor market. Data also showed that consumers' assessments of the current labor situation, while still positive, continued to weaken, and assessments of the labor market going forward were more pessimistic. Consumers were also slightly less positive about the labor market. Confidence declined among consumers under 35 while it increased for those 35 and older. On a 6-month moving average basis, confidence remained the highest among young consumers. Despite the overall improvement in the headline index, confidence declined for consumers earning less than $25 thousand. In contrast, consumers earning over $100K remined the most confident while confidence among consumers earning $15K to $25K continued to trend down to levels nearly as low as those earning less than $15K. Average 12-month inflation expectation dropped to 4.9% in August, the lowest since March 2020 and consistent with lower overall inflation and declines in some goods prices. On a six-month moving average basis, purchasing plans for homes fell to a new 12-year low, while buying plans for cars improved slightly.

The seasonally adjusted final S&P Global US Composite PMI posted at 54.1 in July, down 0.2 from July, representing a 4-month low. US business activity growth remained robust in August signaling a sustained economic expansion over the third quarter so far. However, dispersion in growth widened with the service sector expanding while manufacturing output declining at the fastest rate in 14 months. Employment also decreased as dampening manufacturing output led to a slower hiring dynamic in the near term. Similarly, service sector payroll numbers also declined as companies faced hiring difficulties. Manufacturing PMI fell to ~48.0 points, ~1.6

points below the July figure, signaling a deterioration in business conditions within the goods-producing sector for a second consecutive month. All five components of the PMI weakened in August. Increased rates of decline for new orders and inventories were accompanied by the first fall in factory production for seven months. Average prices charged for goods and services rose at the slowest rate since June 2020 with the rate of inflation now only marginally above the above the pre-pandemic average. Input price inflation consequently remained elevated by historical standards, most notably in the service sector. Firms cited higher staff costs as a key cause of raised prices alongside higher raw material prices and increased shipping rates.

In July, Core CPI rebounded to 0.17% month-over-month in July, slowing year-over-year core CPI to 3.2% from 3.3%. Owner equivalent rent (OER) and rent inflation increased to 0.4% and 0.5%, respectively. OER remains stubbornly range bound, but we continue to hold the view that the path ahead will see deceleration. Medical care services fell -0.3% month-over-month, reflecting the largest downside surprise over the month. Hospital and related services saw a record -1.0% month-over-month plunge, which also contributed to a -0.4% decline in CPI health insurance. Similarly, airfares slid -1.6% month-over-month in July, while lodging increased to 0.2% over the month. CPI airfares and lodging have now fallen -10.9% and -2.0%, respectively, cumulatively over the last 5-months. Autos fell -0.8% month-over-month in July, declining from -0.6% month-over-month in July. Both used cars and new cars surprised to the downside contributing to a -8.3% decline over the last 7-months. Energy prices were flat as a 0.1% in energy goods was offset by a -0.1% decrease in energy services. Food prices rose 0.2% month-over-month for a second consecutive month, with food at home edging up 0.1% month-over-month and stickier food away from home increasing 0.2% month-over-month. Overall, CPI data and Fed speak over the month suggests that the Federal Reserve Bank may begin its rate cutting cycle in the nearer term.

Eurozone:

European yields were approximately flat over the month of August with 10-year German Bunds remaining at 2.30% at the end of August, exactly where it was at the end of July. Italian 10-year yields rose 5 bps over the month to 3.70%. Those benign yield moves, however, mask what has been a volatile August.

With no ECB meeting in August, much of the markets focus has been on US data and the Federal Reserve, who had kept Fed Fund Rates unchanged at the end of July. However, a materially weaker US employment report early in the month August caused market participants to be concerned about a potential material slowdown in the US economy, which resulted in a widening of credit spreads globally. Subsequent data releases showed a continued moderation in inflation and reinforcing market expectation of an imminent interest rate cut, which saw risk free yields decline and spreads tighten towards the end of the month.

At the Jackson Hole conference speech Federal Reserve Chair Powell finally delivered a jumping off point for a shift in monetary policy that would start to bring the Fed Funds rate down at the next FOMC meeting in a couple of weeks.

Meanwhile, European GDP data point to a continued gradual recovery in the euro area. Disinflation also continued in August, with headline inflation falling to 2.2% from 2.6%, according to a flash estimate from Eurostat, driven by a decline in energy prices. That's the lowest inflation for the Euro Area since July 2021, however, services inflation remains at a higher level and rose to 4.2% in August from 4% in July. Markets expect the ECB to lower rates at its meeting in September, in fact, as of 30 August the market fully prices a potential 25bps cut, though with the path for subsequent cuts more uncertain and dependant on further deceleration in inflation and continued recovery in the euro-area economies.

UK:

Over the month, UK yields modestly fell as 10-year gilts fell 4 bps to end the month at 4.0%. The decrease in yields was driven by the combination of an interest rate cut from the Bank of England and weaker than expect US labour market data which lead to a sharp rally in global government bond yields. On the former, the interest rate cut form the Bank of England whilst anticipated was not fully priced in by the market which was a specific drove yields lower over the month and result in a modest steepening of the yield curve.

Japan:

JGB yields significantly declined, especially in 5-10y zone. JGB 10y ended the month 0.165% lower at 0.89%. At the beginning of the month, JGB yields declined significantly and the curve bull steepened in the belly to long end as the domestic equity market and USD/JPY experienced a rapid selloff, against the backdrop of several factors such as the BoJ's rate hike at the end of the previous month, weaker-than-expected US non-farm payroll, and the increased likelihood of the Fed starting rate cuts in September. During this period, Deputy Governor Uchida made comments partially acknowledging the market turmoil. However, the stance from the July meeting—that the degree of policy easing would be adjusted only when economic and inflation trends align with the BoJ's expectations—was essentially maintained along with later remarks by Governor Ueda during the hearing by a financial affairs committee on Aug 23rd.

The domestic equity market also recovered at a rapid pace with the stance maintained. The overall inflation ex-perishable food was +2.7% YoY in July, above the central bank's 2% target as the reduction of government subsidy in electricity still added upward pressure on energy prices. The unemployment rate rose to 2.7% in July from 2.5% in June.

Risk Characteristics

	Fund	Benchmark
Average Maturity (Years)	8.35	8.46
Modified Duration (Years)	6.57	6.59
Norminal Yield (%)	3.36	3.48
Convexity	0.78	0.79

Top 10 Issuers (%)

	Weight (%)
UNITED STATES TREASURY	20.2
JAPAN (GOVERNMENT OF)	10.8
UNIFORM MBS	8.5
CHINA PEOPLES REPUBLIC OF (GOVERNMENT)	5.6
UK CONV GILT	3.1
ITALY (REPUBLIC OF)	2.9
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION 2	2.8
FRANCE (REPUBLIC OF)	2.5
GERMANY (FEDERAL REPUBLIC OF)	2.2
SPAIN (KINGDOM OF)	1.9

Top 10 Issuers held by ESG score

	ESG Score
ADOBE INC	10.0
AGENCE FRANCAISE DE DEVELOPPEMENT	10.0
ASSICURAZIONI GENERALI SPA	10.0
AVIVA PLC	10.0
BANK OF NOVA SCOTIA	10.0
BANQUE DEVELOPPT CONSEIL EUROPE 9	10.0
BUNGE LIMITED FINANCE CORPORATION	10.0
COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN SCA	10.0
CRH FINANCE DAC	10.0
CUMMINS INC	10.0

Quality

	Fund %	Benchmark %
Aaa	11.4	11.5
Aa	45.5	46.0
A	25.9	25.0
Baa	15.9	15.0
Ba	0.3	0.5
NR	1.0	2.0

Maturity Exposure

	Fund %	Benchmark %
< 5	45.01	43.74
5 - 10	33.50	33.90
>= 10	21.49	22.36

Country Exposure

	Fund %	Benchmark %
US	39.10	41.40
Japan	11.12	11.19
China	6.64	6.72
Germany	4.61	4.60
France	5.39	5.41
UK	4.19	4.45
Italy	3.20	3.19
Canada	3.34	3.50
Other	22.41	19.54

ESG Sector Score

	Fund	Benchmark
Treasuries	5.97	5.98
Government Related	6.85	6.93
Corporates	7.09	6.81
Securitized	7.79	7.57

ESG Score Breakdown

	Fund	Benchmark
Environmental	6.28	6.21
Social	5.25	5.15
Governance	6.64	6.63

About the Fund

Investment Objective

The Fund aims to match the return of the Bloomberg Barclays MSCI Global Aggregate SRI Select ex-Fossil Fuels index (AUD hedged) before fees less interest withholding taxes and the cost of currency hedging.

Fund Strategy

The strategy seeks to match the distribution of the risk-and-return factors of the index through a “stratified sampling” approach. This approach breaks the index into “cells” of securities that have similar factors of risk and return and then build a portfolio to match these cells. The factors we consider are interest-rate risk, credit risk and specific (security) risk.

Should be considered by investors who ...

- Seek broad exposure to global bonds.
- Seek a fund that uses a stratified-sampling approach so returns match those of the global bond market before fees and before the cost of currency hedging.
- Have a long term investment horizon.

Fund Details

iShares ESG Screened Global Bond Index Fund (Class E)	
APIR	BLK2319AU
Fund Size	284 mil
Buy/Sell Spread	0.06%/0.06%
Tracking Error (3 Years p.a.)	0.11%

iShares ESG Screened Global Bond Index Fund (Class D)	
APIR	BLK4636AU
Management Fee	0.20%

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

^ The actual inception of the Fund is 1 August 2019.

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