BLACKROCK DIVERSIFIED ESG GROWTH FUND

BLACKROCK®

FUND UPDATE **31 January 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]	1.42	9.85	1.42	10.08	5.66	7.34	7.94
Benchmark*	1.45	9.94	1.45	9.80	6.09	7.34	6.99
Outperformance (Gross of Fees)	-0.02	-0.10	-0.02	0.28	-0.42	0.00	0.95
BlackRock Diversified ESG Growth Fund (Net of Fees)[2]	1.36	9.63	1.36	9.29	4.87	6.55	7.26
Benchmark*	1.45	9.94	1.45	9.80	6.09	7.34	7.22
Outperformance (Net of Fees)	-0.09	-0.32	-0.09	-0.51	-1.22	-0.79	0.04

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

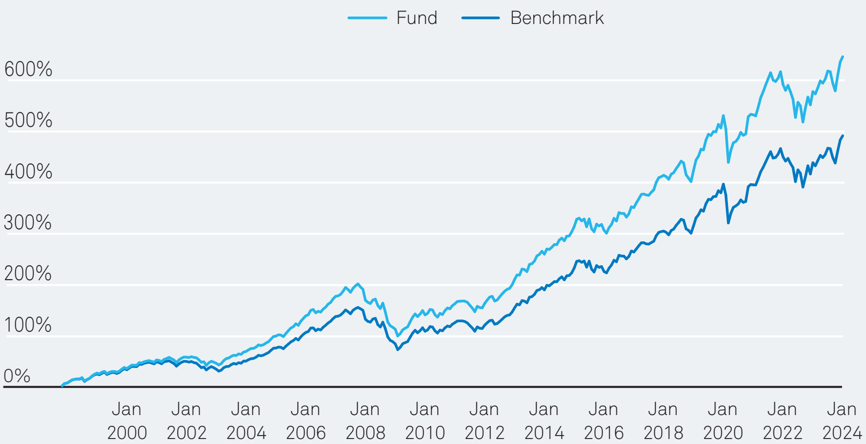
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 Index[SM].

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 January 2024



Performance Summary

Market Overview

Robust economic data continued to support risk assets in January. However, performance diverged across sectors and geographies amid changes in policy expectations and a resurgence in geopolitical concerns. Global equities, as measured by the MSCI World Index (hedged), ended the month up 1.8% in Australian dollar terms and Developed Market equities outperformed their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), finished down 0.3% over the month.

Visit **BlackRock.com.au** for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index rose by 1.7% in January (in local currency terms), with the Information Technology sector outperforming. Three major developments have helped spur stocks higher since late 2023, including that of the US Treasury announcing it would borrow less than it previously estimated, strong economic growth coupled with resilient corporate earnings raising hopes for a soft economic landing, and a growing disinflationary narrative supporting sentiment. However, hopes for imminent rate cuts were dashed towards month end when Fed Chairman, Jerome Powell, suggested policy easing may not be as forthcoming as initially expected. On the data front, core inflation of 2.9% year-on-year for December was the slowest increase since March 2021. Meanwhile, US stocks are now reporting year-over-year growth in earnings for Q4 – with more companies beating estimates and by a wider margin – compared to earlier in the reporting cycle.

Europe

European equities, as represented through the Euro Stoxx 50 Index, gained 2.9% across the month (in local currency terms). The Eurozone narrowly avoided a shallow recession in the final quarter of 2023, with GDP expanding by 0.1% year-on-year to beat expectations. The European Central Bank (ECB) left interest rates unchanged over the month and continues to remain data dependent. Market expectations for an early interest rate cut began to fade after inflation posted a year-over-year increase of 2.9% in December, up from 2.4% in November.

In the UK, the FTSE 100 Index underperformed its developed market peers and fell by 1.3% over the month (in local currency terms). The Bank of England (BoE) continued to hold its policy rate steady at 5.25% in January and, similar to the US Fed, wants to see more evidence of cooling wage pressures. That may make the BOE relatively slower to cutting rates with Chief Economist, Huw Pill, noting that any cuts are "still some way off". Meanwhile, headline inflation unexpectedly reaccelerated over December and printed at 4.0% year-over-year.

Asia

China's CSI 300 Index declined by 6.3% across January (in local currency terms), underperforming most other major markets. Although the country recorded 5.3% annualised economic growth for Q4 to beat expectations, China's economy has faltered amid an underwhelming post-Covid restart and ongoing structural economic challenges. Policy support, including that of the larger-than-expected reduction in the reserve requirement ratio, failed to lift sentiment against the backdrop of a protracted property crisis which saw the indebted property giant Evergrande liquidated.

Japanese equities, as represented by the Nikkei 225 Index, rose by 8.4% (in local currency terms) over the month, outperforming most other share markets. The Bank of Japan (BoJ) left policy unchanged in January, although many market participants expect it could end its yield curve control measures and begin rate hikes in 2024. Although services inflation is accelerating, the BoJ will need to be convinced that wages growth – which was just 0.2% annualized in November – is consistent with its 2% inflation target. Moreover, Tokyo core CPI rose only 1.6% year-on-year over the month which was below economist forecasts.

Australia

The S&P/ASX 300 Accumulation Index gained 1.1% in January to close the month at a record high, with Financials and Healthcare among the best performing sectors. On the data front, headline inflation for Q4 slowed to 4.1% to reach a two-year low, with softer prints observed across goods and services inflation. Australian unemployment also held steady at 3.9% as the domestic jobs market remains tight, however retail sales plunged by 2.7% in December. Australian house prices, as represented by the CoreLogic Home Value index, posted a 0.4% increase in January to start the year on a positive note.

Fixed Income

Fixed income markets were slightly weaker in January as investors lost faith that rate cuts by central banks would occur in the first quarter of 2024. Over the month, the US 10-year yield rose by 3 basis points, while the Australian 10-year yield increased by 6 basis points to end January at 3.9% and 4.0% respectively. The rise in rates pushed bond prices lower in certain markets, such as European government debt. The Global Aggregate index (hedged) finished the month down 0.3%, while the Australian composite bond index modestly rose 0.2% over January. Riskier parts of the fixed income market saw mixed performance – while corporate credit realised modest gains, emerging market debt indices sold-off across the period.

Commodities & FX

Commodity markets and energy prices were mixed over the month. Oil prices rose sharply by 4.7% in January as geopolitical tensions spiked in the Middle East. While Copper modestly rose 0.4%, Iron Ore fell by 5.3% having rallied strongly in late 2023 alongside Chinese economic stimulus announcements. Gold also declined 1.1% across the period. Within currencies, the US dollar appreciated 2.1% over the month against its developed market peers. The Australian dollar fell 3.6% against the US dollar over January given weakness in the Australian inflation data and changes in US policy expectations.

Strategy Commentary – January 2024

The BlackRock Diversified ESG Growth Fund recorded a positive return over the month of +1.36% (after fees). Stock-specific and sector developments drove markets for most of the month, while economic data reaffirmed the soft-landing narrative which had fuelled the broad-based rally towards the end of 2023.

In terms of absolute performance, growth assets including Australian Equities and Global Equities delivered strong performance, however Emerging Market Equities detracted as Chinese markets underperformed. Global Property also declined, while Global Infrastructure was roughly flat over the month.

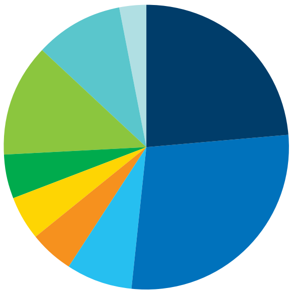
The Fund's more defensive asset classes delivered mixed performance in January. Although Australian Fixed Income, Australian Investment Grade Corporate Bonds, US Inflation Bonds and Global High Yield Corporate Bonds modestly contributed over the month, the allocation to Australian Inflation Linked Bonds detracted. The defensive allocation to Gold further added to returns across the period.

On the active front, the Fund underperformed its diversified benchmark over the month by -0.09% (after fees). Global Equities was the largest detractor in January, driven by the allocation to the global fundamental strategy which underperformed due to stock selection across the Information Technology and Financial sectors. The global systematic equities strategy further detracted from alpha across the period, while Emerging Markets also weighed on active returns.

Australian Equities modestly contributed to active performance over the month as positioning in Materials contributed, while relative underweights to Financials and Energy sectors tempered overall gains. Global Infrastructure and Global Property were relatively flat over January, while the allocation to Global High Yield modestly added across the period.

The Fund's global macro strategy which takes overweight and underweight positions across asset classes and regions (i.e. tactical asset allocation) further contributed, driven by equity relative value positioning.

Fund Allocation



	Fund	Benchmark
Australian Shares	23.85	24.00
International Shares	27.94	27.50
Emerging Markets Shares	7.46	7.50
Global REITs (unhedged)	5.00	5.00
Global Listed Infrastructure (unhedged)	4.97	5.00
Gold	5.18	5.00
Australian Bonds	12.83	13.00
International Bonds	9.91	10.00
Cash	2.87	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	447 mil
Buy/Sell Spread	0.10%/0.10%

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

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