

BLACKROCK DIVERSIFIED ESG STABLE FUND

BLACKROCK®

FUND UPDATE

30 April 2023

Investment Performance (%)

| | 1 Mth | 3 Mths | YTD | 1 Yr | 3 Yrs | 5 Yrs | Inc |
|--|-------|--------|-------|-------|-------|-------|-------|
| BlackRock Wholesale Diversified ESG Stable Fund (Gross of Fees) ¹ | 1.02 | 1.86 | 4.75 | 1.90 | 3.23 | 3.89 | 6.19 |
| Benchmark* | 0.98 | 1.69 | 4.69 | 1.73 | 3.28 | 3.83 | 5.63 |
| Outperformance (Gross of Fees) | 0.04 | 0.17 | 0.06 | 0.16 | -0.04 | 0.06 | 0.56 |
| BlackRock Diversified ESG Stable Fund (Net of Fees) ² | 0.96 | 1.71 | 4.53 | 1.22 | 2.55 | 3.20 | 5.62 |
| Benchmark* | 0.98 | 1.69 | 4.69 | 1.73 | 3.28 | 3.83 | 5.83 |
| Outperformance (Net of Fees) | -0.02 | 0.01 | -0.16 | -0.51 | -0.72 | -0.63 | -0.21 |

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

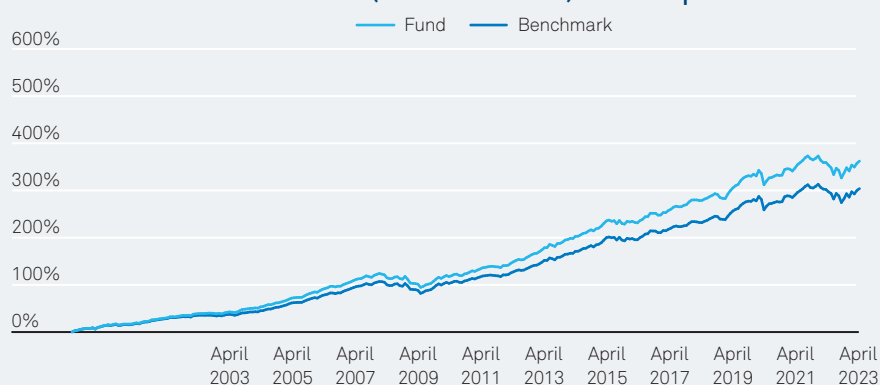
Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised.

* 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 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), Bloomberg Barclays MSCI Global Aggregate SRI Select ex-Fossil Fuels 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 Stable 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 30 April 2023



Performance Summary

Market Overview

Financial markets were relatively calm over April despite the uncertain macroeconomic outlook. Global equities, as measured by the MSCI World Index, increased by 3.1% over the month in Australian dollar terms as investor sentiment held steady. Developed Markets outperformed their Emerging Market counterparts. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), remained relatively volatile but also closed the month in positive territory up 0.4%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

United States

In the US, the S&P 500 Index increased by 1.6% in April (in local currency terms), with Communication Services and Real Estate sectors among the best performers. Core inflation data for March met expectations at 4.7% while the unemployment rate unexpectedly fell to 3.6%, reflecting ongoing tightness in the labour market. US regional banks have also come under renewed scrutiny after the troubles of First Republic Bank, which sold-off sharply after reporting a significant drop in deposits. The recent banking tumult has resulted in further tightening of credit conditions which is likely to drag on economic activity. Although corporate reporting season for Q1 has seen strong performance in terms of earnings surprises relative to analyst expectations, a year-on-year decline in corporate earnings is expected for a second straight quarter.

Europe

European equities, as represented through the Euro Stoxx 50 Index, increased by 1.6% across the period (in local currency terms), with luxury goods producers among the best performers. However, European economic activity remains challenged, with Q1 GDP growing a mere 0.1% from the previous quarter even as the energy shock faded. In April, European Central Bank (ECB) Executive Board Member, Isabel Schnabel, signaled more rate hikes ahead and noted concerns about strong underlying inflation and wages growth. Over the month, the German government also reached a pay deal with labor unions for 2.5 million public sector workers to receive a 5.5% pay rise.

In the UK, the FTSE 100 Index rose by 3.4% in April (in local currency terms). While the unemployment rate edged slightly higher to 3.8% over the month, robust wages growth and persistent inflation mean it is likely that the Bank of England (BOE) will adjust its policy rate higher from 4.25% at next month's meeting. Despite being expected to drop into the single digits, UK headline inflation increased by 10.1% over the year across March and remains elevated compared to other developed nations.

Asia

Asian equity markets were mixed over the period. China's CSI 300 Index fell by 0.5% in April (in local currency terms), as confidence in China's economic recovery moderated. While China's Q1 GDP surprised to the upside, market concerns around the sustainability of the rebound in consumption saw investor sentiment weaken. Meanwhile, the Chinese government also unveiled a new national real estate registration system, which allows for greater regulatory oversight over the property market.

Japanese equities, as represented by the Nikkei 225 Index, rose by 2.9% in April (in local currency terms). Tokyo CPI data saw inflation beat expectations over the month, with inflation excluding food and energy accelerating to a 3.8% annual rate. Although the Bank of Japan (BOJ) kept its policy stance unchanged at the April meeting, it launched a broader policy review that would occur over the next 12 to 18 months. The central bank also left open the possibility it could lift its yield curve control program later in the year.

Australia

The S&P/ASX 300 Accumulation Index gained 1.8% in April, with Information Technology and Industrials sectors among the best performers. Although Australia's headline inflation for Q1 beat forecasts, core inflation was softer than expected and rose by 6.6% year-on-year. The data suggests that domestic inflation may have peaked but the path down to the Reserve Bank of Australia's (RBA) target of 2-3% per annum is uncertain. During the month, Treasurer Chalmers released the findings of the external review of the RBA, which sought to sharpen the definition of the bank's mandates, improve governance structures, and reduce meeting frequency. These recommendations will also need to be legislated before being enacted. Meanwhile, the decline in Australian house prices appears to have ended (or at least slowed) and the CoreLogic Home Value index posted a second consecutive monthly rise in April.

Fixed Income

Despite experiencing intra-month volatility, fixed income markets finished April on a slightly positive note. Rising concerns around the US debt ceiling and ongoing market repricing over expectations of future monetary policy drove volatility across short-dated government bonds. Over the month, the US and Australian 10-year yields declined by 5 basis points and rose by 4 basis points to end April at 3.4% and 3.3% respectively. The Australian composite bond index increased by 0.2% and the Global Aggregate index by 0.4% across the period. Riskier parts of the fixed income markets, including corporate credit indices, also realised gains as credit spreads tightened amid the improved sentiment.

Commodities & FX

Commodity and energy prices were mixed over April. Industrials metals were weaker, with Iron Ore and Copper falling 17.8% and 5.2% respectively. By contrast, precious metals shone brightly over the month as Gold rose by 1.1% and remains close to record highs. Oil prices saw modest gains, steadying after surging earlier in April on the surprise OPEC+ production cut. Within currencies, the US dollar depreciated slightly against its developed market peers, weakening by 0.3% over the month. The Australian dollar depreciated by 1.0% against the US dollar, as weaker commodity prices and growing interest rate differentials dragged the domestic currency lower.

Strategy Commentary – April 2023

The BlackRock Diversified ESG Stable Fund recorded a positive return for April of 0.96% (after fees). Investor sentiment held steady over the month, with global markets grinding higher despite the uncertain outlook and mixed economic data.

In terms of absolute performance, Growth assets realised gains across the period, with positive performance driven by Global Equities and Australian Equities. Global Property and Global Infrastructure also contributed in April. Although fixed income markets experienced intra-month volatility, the Fund's more defensive asset classes were additive, which included Global High Yield Corporate Bonds, Australian Investment Grade Corporate Bonds, Australian Fixed Income and Global Fixed Income. The defensive allocation to Gold and Cash further contributed over the month.

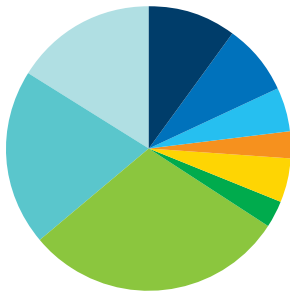
On the active front, the Fund underperformed its diversified benchmark over the month by -0.02% (after fees). The Fund's global macro strategy (implemented through the BlackRock Tactical Opportunities Fund) was the largest contributor to active returns in April. This strategy takes overweight and underweight positions across asset classes and regions (i.e. tactical asset allocation).

Australia Equities added to alpha, particularly via the Australian systematic strategy (implemented through the BlackRock Australian ESG Alpha Tilts Fund). Gains came from a number of sectors, including Materials and Financials, while overweights in Real Estate and Industrials further contributed.

Global Property also outperformed its underlying benchmark, primarily driven by security selection within the Americas region, namely US Healthcare and Consumer REITS although partially offset by Industrials. Global High Yield contributed while Global Infrastructure was relatively flat across the period.

Emerging Market Equities detracted from alpha, driven by the Fund's fundamental equities strategy (implemented through the BGF Emerging Market Sustainable Equity Fund). Stock selection within China and Taiwan and an underweight to Saudi Arabia weighed on active returns. Global Equities also modestly underperformed.

Fund Allocation



| | Fund | Benchmark |
|---|-------|-----------|
| Australian Shares | 10.19 | 10.00 |
| International Shares | 8.03 | 8.00 |
| Emerging Markets Shares | 4.99 | 5.00 |
| Global REITs (unhedged) | 3.00 | 3.00 |
| Global Listed Infrastructure (unhedged) | 5.11 | 5.00 |
| Gold | 3.04 | 3.00 |
| Australian Bonds | 29.74 | 30.00 |
| International Bonds | 20.00 | 20.00 |
| Cash | 15.89 | 16.00 |

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 70% of which represent defensive assets and 30% of which represent growth assets.

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Fund Strategy

The Fund employs BlackRock's climate-aware capital market assumptions, or long-term estimates of asset class expected return and expected risk, as a key input into the portfolio's design. This enables the manager to incorporate its assessment of the expected impact of climate change on asset classes into the Fund's strategic asset allocation process.

The Fund's investment strategy accesses various asset classes by investing in other pooled investment vehicles (Underlying Funds), including those managed by us or other entities within the BlackRock Group. The strategy invests across a range of active and index investment strategies to construct the portfolio's strategic asset allocation. Each active strategy utilises a disciplined approach to investing that aims to add value over the strategic allocation, whilst controlling risk. In addition to long only active funds, Underlying Funds may also include exposure to a diversified range of absolute return strategies seeking the Fund's overall performance objective.

The selection of an Underlying Fund for inclusion in the strategy is the result of a comprehensive due diligence process. The assessment of ESG considerations is considered in the due diligence process for selection of Underlying Funds.

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 Stable Fund | |
|---|-------------|
| APIR | BGL0002AU |
| Fund Size | 76 mil |
| Buy/Sell Spread | 0.09%/0.09% |

| BlackRock Diversified ESG Stable Fund | |
|---------------------------------------|------------|
| APIR | BAR0811AU |
| Management Fee | 0.69% p.a. |