



## Product Review

# iShares ESG Screened Global Bond Index (Class S Units)

ISSUE DATE 21-12-2023

### Key information

|                        |   |
|------------------------|---|
| FUND MANAGER           | BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED   |
| RESPONSIBLE ENTITY     | BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED   |
| APIR CODE              | BLK4014AU   |
| ASSET CLASS            | FIXED INTEREST  |
| SECTOR                 | GLOBAL BONDS  |
| SUB SECTOR             | SMART BETA - PASSIVE  |
| INVESTMENT TYPE        | MANAGED FUND  |
| PDS OBJECTIVE          | THE FUND AIMS TO MATCH THE PERFORMANCE OF THE BLOOMBERG MSCI GLOBAL AGGREGATE SRI SELECT EX FOSSIL FUELS INDEX (AUD HEDGED) BEFORE FEES |
| INDEX PROVIDER         | BLOOMBERG (IN COLLABORATION WITH MSCI)  |
| UNDERLYING INDEX       | BLOOMBERG MSCI GLOBAL AGGREGATE SRI SELECT EX FOSSIL FUELS INDEX (AUD HEDGED)   |
| DERIVATIVE USE         | MAY BE USED TO MANAGE RISK AND RETURN (CANNOT BE USED TO LEVERAGE THE FUND)   |
| SECURITIES LENDING     | YES   |
| FUND INCEPTION         | AUGUST 2019   |
| DISTRIBUTION FREQUENCY | QUARTERLY   |
| FUND SIZE              | \$20.3M (SEPTEMBER 2023)  |

### Fees & costs (% per annum)

|                                 |           |
|---------------------------------|-----------|
| MANAGEMENT FEES AND COSTS       | 0.1       |
| PERFORMANCE FEE COSTS           | 0         |
| NET TRANSACTION COSTS           | 0.08      |
| NET OF BUY SPREAD / SELL SPREAD | 0.1 / 0.1 |
| ANNUAL FEES AND COSTS (PDS)     | 0.18      |

WHERE MANAGEMENT FEES & COSTS IS NULL "-" NO DATA HAS BEEN PROVIDED AND THE ANNUAL FEES & COSTS (PDS) CANNOT BE CALCULATED. REFER TO THE PDS FOR THE FEE INFORMATION.

### What this Rating means

The 'Recommended Index' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

### Strengths

- BlackRock is a leading global manager of passive strategies, allowing investors to enjoy the benefits of their scale, experience and resources.
- The Fund utilises MSCI's well-established ESG research engine. MSCI has a demonstrable commitment to the fixed income market with a dedicated global team and well-defined ESG research methodology.
- The Fund is based on an already established Fund providing additional history.

### Weaknesses

- The Underlying Index methodology and constituent details are not publicly available to investors. Lonsec notes however that this is common to all users of this index.
- The Manager does not regularly disclose the Fund's underlying portfolio, somewhat reducing the overall transparency compared to competitive peers.

### Fund Risk Characteristics

|                              | LOW | MODERATE | HIGH |
|------------------------------|-----|----------|------|
| BUSINESS SUSTAINABILITY RISK | ●   |          |      |
| CAPITAL VOLATILITY           |     | ●        |      |
| SECURITY CONCENTRATION RISK  | ●   |          |      |
| SECURITY LIQUIDITY RISK      |     | ●        |      |
| CREDIT RISK                  |     |          | ●    |
| INTEREST RATE RISK           |     |          | ●    |

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

### BIometrics

#### Aggregated risks

|                  | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|------------------|---|---|---|---|---|---|---|
| STD RISK MEASURE |   |   | ● |   |   |   |   |

A Standard Risk Measure score of 3 equates to a Risk Label of 'Low to Medium' and an estimated number of negative annual returns over any 20 year period of 1 to less than 2. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

|                | LOW | MODERATE | HIGH |
|----------------|-----|----------|------|
| RISK TO INCOME |     |          | ●    |

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## Features and benefits

|            | LOW | MODERATE | HIGH |
|------------|-----|----------|------|
| COMPLEXITY |     | ●        |      |
| ESG        |     | ●        |      |

## Fee profile

|                      | LOW | MODERATE | HIGH |
|----------------------|-----|----------|------|
| FEES VS. UNIVERSE    | ●   |          |      |
| FEES VS. ASSET CLASS | ●   |          |      |
| FEES VS. SUB-SECTOR  | ●   |          |      |

Fee BIometrics are a function of expected total fee as a percentage of expected total return.

## What is this Fund?

- iShares ESG Global Bond Index Fund ('BLK4014AU' or 'the Fund') provides investors with exposure to a hedged portfolio of Australian and global bonds screened with ethical filters. Furthermore, the Fund incorporates an additional filter removing companies with fossil fuel reserves. The Fund further applies an exclusion to treasury and government-related issuers with MSCI ESG Government ratings of 'B' or 'CCC'. However, Lonsec notes that this generally has a very limited impact on the available universe or overall portfolio structure.
- The Fund is passively managed by iShares by BlackRock ('the Manager') and aims to track the customer-built, Bloomberg MSCI Global Aggregate SRI Select ex Fossil Fuels Index (AUD hedged) ('the Underlying Index'). Bloomberg ('the Index Provider') has developed the Underlying Index in collaboration with MSCI's extensive global ESG research.
- The Underlying Index utilises MSCI SRI filters to exclude non-government related securities associated with Controversial Weapons, Nuclear Weapons, Civilian Firearms, Tobacco, Alcohol, Thermal Coal, Fossil Fuels, Conventional Weapons, Nuclear Power, Adult Entertainment, Gambling, or Genetically Modified Organisms, as well as an additional controversy screening in the ESG investment methodology of the Fund.
- The iShares ESG Screened Global Bond Index (Class S Units) is an Australian domiciled fund and is an additional share class of the iShares ESG Screened Global Bond Index (Class D Units) (APIR Code: BLK4636AU) ('the Underlying Fund').
- The Fund is an Australian domiciled product and is currency hedged, substantially reducing, but not eliminating, the risk associated with movements in foreign currencies. In order to replicate the currency hedging component of the Underlying Index, the Manager on behalf of the Fund will enter into foreign currency forward contracts designed to offset the Fund's currency exposure.
- The Manager has adopted a sampling approach to track the Underlying Index. Under this approach, the Fund will hold a representative basket of securities in order to closely match the risk profile of the Underlying Index. Lonsec notes that as the Fund is an unlisted managed fund, detailed information regarding the portfolio's holdings and characteristics is not available.
- The Fund has not made a hedging election under the Taxation of Financial Arrangements ('TOFA')

rules. As such, the timing of gains and losses on the hedging financial arrangements are not matched with the timing of gains or losses on the hedged item. Instead, gains and losses on hedging arrangements are allocated to income years according to an internal rate of return. This means foreign exchange rate movements will likely impact the Fund's annual distribution to unitholders to a higher degree than if the Fund made a hedging election under the TOFA rules.

- The Fund's PDS, dated 25 October 2023, disclosed Annual Fees and Costs ('AFC') totaling 0.18% p.a. This value comprises (1) management fee and costs of 0.10% p.a., and; (2) net transaction cost estimate of 0.08% p.a. In line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates, particularly with respect to net transaction costs.

## Using this Fund

**This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.**

- Lonsec notes that the Manager has produced a Target Market Determination ('TMD') which forms part of the Responsible Entity's Design and Distribution Obligations for the Fund. Lonsec has collected the TMD provided by the Manager and notes that this should be referred to for further details on the Target Market Summary, Description of the Target Market, and Review Triggers.
- The Fund is a 'long only', fixed income product and as such, will generally sit within the defensive component of a balanced portfolio.
- Fixed income funds are useful for investors seeking yields greater than cash or cash equivalents and those prepared to accept a low to moderate level of asset price volatility.
- Global and Australian fixed income funds typically perform better during periods of declining or stable interest rates and contracting or stable credit spreads.

## Suggested Lonsec risk profile suitability

| SECURE | DEFENSIVE | CONSERVATIVE | BALANCED | GROWTH | HIGH GROWTH |
|--------|-----------|--------------|----------|--------|-------------|
|        | ●         | ●            | ●        | ●      |             |

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

## Changes Since Previous Lonsec Review

- This is Lonsec's initial review of the Fund.

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## Lonsec Opinion of this Fund

### People and resources

- BlackRock is a global leader in ETFs with over 1,100 iShares ETFs listed globally. Further, BlackRock also had US\$5.95 trillion of FUM invested across its suite of ETF and Index strategies as at September 2023. These funds are managed and brought to market by BlackRock, one of the largest asset management firms globally. BlackRock has significant scale and resources for effectively managing and structuring ETFs both in Australia and abroad and has a proven track record of successfully running index strategies.
- The Fund is managed by BlackRock's EMEA Core Portfolio Management Team which is based in the UK. The team is led by John Hutson with the day-to-day management of this Fund being the responsibility of portfolio managers Tristan Hockin, and Liz Nicol. Lonsec believes the team to be well resourced with sound knowledge of the model-based process. As the Fund aims to closely match its Underlying Index's performance, considerable emphasis is placed on process and automation, which requires less investment staff than an actively managed process.
- A differentiated aspect of the BlackRock core portfolio management structure is that portfolio managers are responsible for both active and passive fixed income strategies. Lonsec notes that it is this structure that differentiates BlackRock from Lonsec's peer group of asset managers, expanding the Portfolio Manager's focus and potentially creating greater market awareness. Furthermore, the Portfolio Manager has discretion on the inclusion of securities either at the issue date or the end of the month. These temporary 'off benchmark' investments represent a modest reliance on manager experience and skill rather than a pure quantitative process.
- The Manager utilises BlackRock's Risk and Quantitative Analysis ('RQA') team for ongoing risk monitoring and reporting for the Fund. RQA is a separate unit with its own reporting lines. Lonsec considers RQA to have access to sophisticated risk monitoring tools which aid in providing the Fund with an effective risk management framework. The team also regularly meets with members of the RQA, with this interaction playing more of a risk reporting than a compliance role. RQA members do not have the power to veto investment decisions for the Fund.
- These teams are further supported by the wider operational staff across BlackRock as well as in-house credit research analysts and traders. The team continues to collaborate globally and utilise BlackRock's global presence. Lonsec believes this adds to both efficiency and scalability.
- Bloomberg provides the Underlying Index in partnership with MSCI. Bloomberg is a globally significant and deeply experienced index provider, and MSCI is a global leader in the ESG research space. Lonsec considers MSCI to have an impressive ESG research engine globally, noting global breadth across over 8,500 companies (approximately 14,000 total issuers including subsidiaries), strong analyst support (+200 teams), and the efficacy of its methodology.

### Investment approach

- Lonsec views the Fund as an efficient means to gain exposure to a broad set of global fixed income securities with an ESG overlay. The Fund capitalises on MSCI's well-established global ESG research and rating process, which demonstrates both breadth and is contemporary by covering factors such as ESG integration, values alignment (business involvement and norms/controversies screening), and impact investment. Lonsec considers that this engine provides strong rigour for the Underlying Index, and believes the screening process and methodology used to derive the Underlying Index is logical, with implementation provided by an experienced third-party index provider in Bloomberg.
- Lonsec notes that the Underlying Index methodology utilises a combination of negative screening (whereby securities issued by companies in industries considered to adversely impact society and the environment are screened out) and controversy screening, however, does not use positive screening (securities issued by companies exhibiting strong ESG principles are up-weighted). The resultant securities are hence market capitalisation weighted as opposed to ESG-weighted.
- While observing the efficacy of the ESG methodology, Lonsec notes that the Fund is very strongly correlated with the iShares Global Bond Index Fund (BGL0008AU). This indicates that despite the extensive ESG methodology, the ESG filtering, and weighting appear to currently have a minimal effect relative to the performance of the respective benchmarks and that the composition and weighting of the funds are very similar.
- Lonsec notes that each of the key characteristics of the Fund closely matched that of the Underlying Index as at November 2023. Moreover, a 'sampling approach' is commonly adopted for similar passive fixed income funds. While Lonsec considers that the 'full replication' approach could better match the risk and return characteristics of the Underlying Index at the margins, Lonsec concedes that such an approach is not optimal from a cost-benefit perspective for most fixed income indices due to a lack of liquidity in some securities. Given this, Lonsec considers a sampling approach to be the most effective means of hedging a Fund's exposure to the risk profile of the Underlying Index while also minimising trading costs. However, Lonsec expects that the sample size will increase over time as the Fund builds its size.
- Lonsec considers BlackRock's Aladdin risk management system to be impressive and notes that it allows stress testing for funds to be conducted in addition to the daily monitoring of the standard risk metrics for the Fund.

### ESG Integration

- Lonsec's ESG integration assessment considers the rigour and structure of the ESG process for the Fund and how well it integrates into the investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Fund's portfolio or the Manager's adherence to any form of impact, green/sustainable, or ethical standards.

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- ESG integration for index tracking portfolios is largely limited to stewardship and engagement activities unless ESG considerations are clearly incorporated within the index. As such, for non-ESG driven indices, the ESG score provided by Lonsec is primarily an assessment of the overall ESG adoption, commitment, and policy framework implemented at the Manager level.
- At the corporate level Lonsec views the Manager's overall ESG policy framework and disclosure as ahead of peers. The Manager has an articulated commitment to the integration of ESG within their investment process with clear public positioning and evidence of a strong policy framework. The updated ESG policy and stewardship principles are freely available on the firm's website. The proxy voting policy and reporting on voting outcomes is stronger than peers with particular credit paid to the disclosure of voting rationale for controversial votes. The level of disclosure with respect to the Manager's engagement policies and outcomes is considered ahead of peers, particularly the firm's stewardship policies. Reporting on engagement outcomes is publicly available and the Manager is transparent about the engagement priorities, which focus on disclosure and climate change related issues.
- The Underlying Index used for this Fund applies an extensive range of traditional ethical and basic controversy filters, however, there is no integration of ESG factors in its construction.

## Overall

- Lonsec has initiated the Fund at a **'Recommended' Index** rating. Lonsec views the Fund as an efficient and cost-effective means for investors to gain ESG exposure to the global fixed income market, albeit with some limitations with regard to its ESG methodology. Further, Lonsec believes the Fund is competitively priced within the broader peer group, particularly when factoring in the ESG overlay of the Fund. Additionally, the Fund leverages MSCI's well-established ESG research engine. Lonsec also considers BlackRock to be well resourced in terms of personnel and systems and to be a leader in the passive investment space.
- Lonsec notes the Fund and Underlying Index are still building a track record, and Lonsec will look to gain further conviction in the Fund's strategy but also notes the Fund follows the same investment process as 'BLK4636AU' providing additional performance history. Additionally, Lonsec considers the transparency of the Fund to be lower than some competitors among the broader passive fixed income universe, noting that the Fund's underlying holdings are not publicly available.

## People and Resources

BlackRock Inc. is a global asset management business with products that span active, enhanced, and index strategies across markets and asset classes. As at September 2023, BlackRock Inc. managed approximately US\$9.1 trillion. Products are offered in a variety of structures including separate accounts, mutual funds, other pooled investment vehicles, and iShares ETFs. BlackRock Inc is publicly listed on the New York Stock Exchange (NYSE) and the company has a majority of independent directors. BlackRock Investment Management (Australia) Limited ('BlackRock') is a wholly owned subsidiary of BlackRock Inc. BlackRock is the Investment Manager and Responsible Entity of the Funds. As at September 2023, BlackRock Australia had FUM of \$207.48 billion.

## Size and experience

| NAME           | POSITION                                | EXPERIENCE<br>INDUSTRY /<br>FIRM |
|----------------|---|----------------------------------|
| JOHN HUTSON    | HEAD OF INDEXED<br>FIXED INCOME IN EMEA | 23 / 13                          |
| TRISTAN HOCKIN | SENIOR PORTFOLIO<br>MANAGER             | 23 / 12                          |
| LIZ NICOL      | PORTFOLIO MANAGER                       | 6 / 6                            |

The investment team responsible for managing the Fund is the London-based EMEA Fixed Income Core Portfolio Management Team, with both Hockin and Nicol responsible for managing the Fund. However, portfolio management resources are structured along asset class lines rather than a more traditional active/passive distinction, meaning several more portfolio managers are abreast of the portfolio characteristics. The Fund also benefits from other members of BlackRock's research team who are primarily dedicated to ongoing quantitative research, focusing on the index methodology, the projection of index changes, and value-added trading strategies. There is considerable emphasis placed on process and automation, requiring fewer staff to maintain the portfolio than a typical actively managed fund.

## Investment Approach

### Overview

BlackRock employs a passive investment strategy designed to closely track the performance of the Underlying Index, before fees and expenses. The Manager uses 'stratified sampling' to achieve the risk/return characteristics of the Underlying Index. Stratified sampling is an indexing strategy that involves investing in a representative sample of securities that collectively have an investment profile similar to that of the Underlying Index. The securities selected are expected to have aggregate investment characteristics such as duration, maturity, credit ratings, yield, and liquidity similar to those of the Underlying Index. Lonsec believes that stratified sampling is the most appropriate investment strategy to track the performance of the Underlying Index as it takes into account liquidity, transaction cost impact, and overall risk. Stratified sampling involves choosing a subset of index eligible securities to create a portfolio that behaves like an index. In many cases, holding every

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security in an index is not cost-effective as illiquid or thinly traded securities incur higher transaction costs and wider bid / ask spreads. Investing in a subset of securities that combine to match the overall risk profile of an index, saves a fund from incurring unnecessary trading costs which can detract from total returns. A stratified sampling approach is usually accomplished by dividing the index into strata or "cells" along some of the more common fixed income security attributes such as maturity, sector, and credit quality. Securities are then chosen that have similar risk and return characteristics that replicate each of the cells and in units consistent with index exposures.

## Securities Lending

The Manager is able to lend the securities in the Fund and Lonsec believes BlackRock appears to have satisfactory security lending guidelines in place to manage counterparty risk. The counterparty risk associated with lending securities is fully indemnified by the Fund's custodian managing the securities lending program.

## Underlying index

The Bloomberg MSCI Global Aggregate SRI Select ex Fossil Fuels Index (AUD hedged) is constructed in partnership between index provider Bloomberg and MSCI's ESG research. The MSCI ESG component provides negative screening on issuers from selected industries that form a part of the investable universe, which stems from the Bloomberg MSCI Global Aggregate SRI Index (AUD hedged) ('the Parent Index'). The benchmark includes income-generating securities issued by governments, government-owned entities, government-guaranteed entities, and investment grade corporate issues.

The Underlying Index was created by Bloomberg, who is also responsible for its maintenance. The minimum requirements of the Parent Index (and thus the investable universe) include:

- Have a minimum credit rating of investment grade (BBB- or above);
- Must be denominated in an eligible currency and meet the minimum issue size requirements (as defined by the Index Provider);
- Each security must have at least one year until maturity, regardless of optionality; and
- There is a range of exclusions, such as but not limited to convertible notes, inflation-linked / floating-rate issues, private placements, collateralised bond obligations, synthetic securitisations, hybrid capital securities, and perpetual securities.

The Underlying Index construction begins with a 'negative' screen of issuers, based on fundamental research, which generates revenue (various thresholds apply across categories and the full methodology can be viewed in full through MSCI) or is associated with:

- Controversial Weapons;
- Nuclear Weapons;
- Civilian Firearms;
- Tobacco;
- Alcohol;
- Thermal Coal;
- Fossil Fuels;
- Conventional Weapons;

- Nuclear Power;
- Adult Entertainment;
- Gambling; and
- Genetically Modified Organisms.

A further exclusion screen is applied in the form of a controversy screen, which is designed to identify issuer involvement in notable ESG controversies related to their operations and/or products, and adherence to international norms and principles (UN Global Compact Principles and ILO Core Convention). MSCI's ESG research assigns a controversy score from 0 (worst) - 10 (best), and any issuer with a controversy score of '0' is automatically excluded from the Underlying Index.

The Underlying Index also employs a final exclusionary screen, with any treasury or government-related issuers with a low MSCI ESG Government rating (categorised as 'B' or 'CCC') excluded from the Underlying Index.

The remaining constituents are then weighted according to market capitalisation, resulting in the customised benchmark.

| INDEX METRIC                         | DATA  |
|--------------------------------------|---|
| INDEX PROVIDER                       | BLOOMBERG                                   |
| RESPONSIBILITY FOR INDEX CALCULATION | BLOOMBERG                                   |
| MINIMUM ISSUE SIZE                   | VARIABLE BY MARKET/CURRENCY (E.G. US\$300M) |
| MATURITY                             | AT LEAST ONE YEAR UNTIL FINAL MATURITY      |
| COUPON                               | FIXED-RATE COUPON                           |
| MINIMUM COUNTERPARTY CREDIT RATING   | INVESTMENT GRADE ONLY (>=BBB-)              |
| CURRENCY                             | MULTI-CURRENCY HEDGED TO AUD                |

## Transparency

The rules dictating the constitution of the Underlying Index and its constituents are the property of Bloomberg and are not publicly available without a subscription. Additionally, the Manager does not disclose the holdings of the Fund, reducing the overall transparency of the Fund relative to many other passive products.

Lonsec notes that bond indices tend to be both less transparent and accessible to end-investors when compared with equity market indices, as are unlisted funds relative to their ETF counterparts.

## Liquidity

The Fund is invested in via application/redemption, which is a simple online and paper process. Relative to the same ETF class offerings this is a slight disadvantage as applications and redemptions can take more time compared to buying/selling listed ETFs. Redemptions are normally processed within three business days of receipt of the redemption request, in line with peers, compared to T+2 for ASX ETFs.

As of September 2023, the Fund had \$20.3m in FUM. The Fund's holdings are predominantly invested in liquid investment grade securities issued by global treasuries, government-related entities and corporates. During normal market conditions, liquidity for these securities is typically not of concern, however, during periods of heightened volatility and market dislocation, liquidity has the potential to deteriorate.

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## Fees and Indirect Costs

Lonsec considers the Fund's AFC to be at the lower end of Lonsec's broader universe of international fixed income funds.

Lonsec notes that the Fund's bid / ask spread was 0.20% over the 12 months to September 2023 which is competitive in comparison to the broader passive global fixed income market. The bid / ask spread for an ETF represents the average daily spread over a one-year period but may not reflect the actual spread incurred, while the bid / ask spread on an index fund is fixed.

## Fee comparison

| FUND NAME  | AFC (% P.A.) | AVERAGE<br>BID/ASK<br>SPREAD (%)<br>P.A.) |
|--|--------------|---|
| ISHARES ESG SCREENED GLOBAL BOND INDEX (CLASS S) (BLK4014AU)                       | 0.18         | 0.10/0.10                                 |
| VANGUARD ETHICALLY CONSCIOUS GLOBAL AGGREGATE BOND INDEX FUND (HEDGED) (VAN2989AU) | 0.28         | 0.13/0.13                                 |
| ISHARES ESG SCREENED GLOBAL BOND INDEX FUND (CLASS D) (BLK4636AU)                  | 0.28         | 0.10/0.10                                 |

Source: For unlisted funds, various fund manager PDS documents.

## Performance

Lonsec notes that the Fund commenced in October 2021 and is still establishing a long-term track record. That said, the Manager offers a different share class of the Fund which was inceptioned in August 2019.

The Fund delivered a one-year excess return (after fees) of -0.20% and a tracking error of 0.11% to October 2023.

On an absolute basis, the Fund delivered a total return (after fees) of -0.39% for the one-year period ended October 2023.

## Risks

An investment in the Fund carries a number of standard investment risks associated with investment markets. These include economic, political, legal, tax, and regulatory risks. These and other risks are outlined in the relevant PDS and should be read in full and understood by investors. Lonsec considers the major risks to be:

### Tracking error risk

BlackRock seeks to minimise the tracking error against the index the Fund aims to track. There is no guarantee that this objective will be met.

### Performance risk

The value of, and returns from, an investment in the Fund will depend upon the performance of the Underlying Index. There is no guarantee the value of an investment in the Fund will increase.

### Interest rate risk

Changes in interest rates may have a direct impact (positive or negative) on the Fund's returns.

### Currency risk

Investors are exposed to some currency risks as the Fund holds bonds issued in off-shore markets issued in their local currencies.

## Credit risk

Investors are exposed to the creditworthiness of the institutions the Fund invests in.

## Further information

Further information can be obtained by calling BlackRock on 1300 474 273 or visiting: [www.blackrock.com/au](http://www.blackrock.com/au).

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## Quantitative Performance Analysis - annualised after-fee % returns (at 31-12-2023)

### Performance metrics

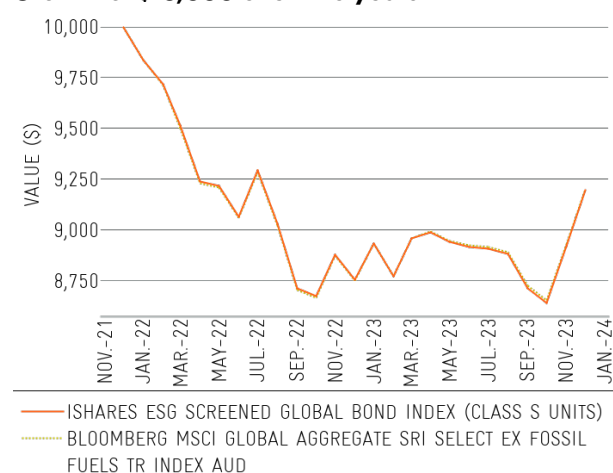
|                           | 1 YR  | 2 YR   | 3 YR | 5 YR |
|---------------------------|-------|--------|------|------|
| TOTAL RETURN (% PA)       | 5.01  | -4.11  | -    | -    |
| STANDARD DEVIATION (% PA) | 6.14  | 6.78   | -    | -    |
| EXCESS RETURN (% PA)      | -0.16 | -0.04  | -    | -    |
| WORST DRAWDOWN (%)        | -3.86 | -13.57 | -    | -    |
| TIME TO RECOVERY (MTHS)   | 2     | NR     | -    | -    |
| TRACKING ERROR (% PA)     | 0.12  | 0.12   | -    | -    |

PRODUCT: ISHARES ESG SCREENED GLOBAL BOND INDEX (CLASS S UNITS)

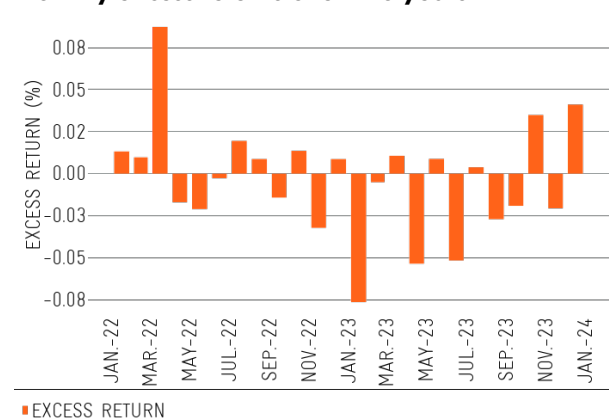
PRODUCT BENCHMARK: BLOOMBERG MSCI GLOBAL AGGREGATE SRI SELECT EX FOSSIL FUELS TR INDEX AUD

TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

### Growth of \$10,000 over two years



### Monthly excess returns over two years



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## Glossary

[Click here for the glossary of terms.](#)

## About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

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