

iSHARES ESG AUSTRALIAN BOND INDEX FUND



FUND UPDATE

30 April 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)	-1.92	-1.12	-0.91	-0.62	-2.00	-0.19	0.36
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	-1.93	-1.11	-0.91	-0.60	-1.99	-0.19	0.35
Outperformance (Gross of Fees)	0.01	0.00	0.00	-0.02	-0.01	0.00	0.01
iShares ESG Australian Bond Index Fund (Net of Fees) (Class D)	-1.94	-1.17	-0.98	-0.82	-2.19	-0.39	0.16
Bloomberg Barclays MSCI Australia 100mn ESG weighted SRI Select Index	-1.93	-1.11	-0.91	-0.60	-1.99	-0.19	0.35
Outperformance (Net of Fees)	-0.01	-0.05	-0.07	-0.23	-0.20	-0.20	-0.19

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 -1.93% in April. Credit (-0.86%) was the best performing sub-component, followed by Supranational-Sovereigns (-0.92%), Treasuries (-1.95%), and Semi-Governments (-2.60%).

Australian 2-year bond yields trended upwards 0.34% over the month to 4.10%, and 10-year yields rose 0.46% to 4.42%.

After surprising strength in February's data which saw the unemployment rate fall to 3.7%, employment prints from March indicated that the relatively tight labour market was still on track to loosen, albeit at a slower pace. The unemployment rate climbed slightly to 3.8%, below forecasts of 3.9%, while net employment dropped by 6,600 against expectations of a 10,000 gain. The participation rate decreased to 66.6%. While the unemployment rate is expected to rise going forward, the labour market remains relatively robust.

Australia saw a disappointing slowdown in quarterly inflation, as rent and education costs increased, dimming hopes of a cut in interest rates this year. The annual pace of CPI for Q1 2024 slowed to 3.6% from 4.1% in the previous quarter, yet came in above forecasts for an easing to 3.5%. A closely watched measure of core inflation, the trimmed mean, slowed to an annual pace of 4% against expectations of 3.8%. On a quarterly basis, the inflation rate was 1%, compared to 0.6% previously.

Retail sales also came in much weaker than expected. A volatile series over recent months, retail sales dipped 0.4% in March, well short of the 0.2% increase expected. From a year earlier, this figure climbed just 0.8%.

In the US, 2-year treasury yields rose by 0.42% to 5.04% while the 10-year yield also moved up 0.48% to 4.68%.

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Labour market data early in the month saw US job growth continue to accelerate, as nonfarm payrolls increased by 303,000, well above estimates of 200,000. The unemployment rate was largely unchanged, edging lower to 3.8% as expected, marking the 26th month in a row that the figure has been below 4%. US CPI accelerated at a faster-than-expected pace in March, topping forecasts for a third straight month. The figure rose 0.4% for the month, putting the YoY inflation rate at 3.5%, 0.3% higher than February. Core CPI also exceeded estimates, at 0.4% MoM and 3.8% YoY.

Minutes of the Fed's meeting in March showed that policymakers were worried that progress on inflation might have stalled, and that the Fed may have to keep rates higher for longer, though PPI data that followed came in softer than expected, helping to sooth inflation concerns. Economic growth was much weaker than expected to start the year, as GDP for Q1 2024 increased at a 1.6% annualized pace, well below an expected 2.4%. This was the slowest pace of growth in nearly two years, and was followed by the release of Core PCE data, the Fed's preferred gauge of inflation. Inflation showed few signs of letting up, with the Core PCE index in March increasing 2.8% YoY.

The FOMC meeting saw the Fed keeping interest rates unchanged in the 5.25% to 5.50% range. A widely expected decision, this was the sixth consecutive time rates were held steady since the last hike in July 2023, with the committee noting a "lack of further progress" in getting inflation down to its 2% target. Fed Chair Powell acknowledged the hot inflation data in Q1 2024, though notably emphasized that the next policy rate move is unlikely to be a hike.

Outlook

In Australia, we expect growth to remain below trend through 2024, although we see scope for a modest pick-up in H2-2024 on improving real household disposable income which should boost consumption. Inflation will continue to ease, however, service inflation may prove to be sticky in 2024 particularly if subsidies roll off. We see the RBA as being on hold for the time being with the bar to a further increase in interest rates as being quite high. The likelihood of persistent above target inflation this year will make easing policy challenging absent a material slowing in the labour market. In the US, hopes of rate cuts this year have been given a boost, with the market pricing back in two this year starting in September.

Top 10 Issuers

Issuer	Weight %
AUSTRALIA (COMMONWEALTH OF)	48.7
NEW SOUTH WALES TREASURY CORPORATION	9.2
TREASURY CORPORATION OF VICTORIA	8.1
QUEENSLAND TREASURY CORPORATION	7.1
WESTERN AUSTRALIAN TREASURY CORPORATION	2.7
SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY	2.1
INTERNATIONAL FINANCE CORP	1.8
KFW	1.6
ASIAN DEVELOPMENT BANK	1.3
EUROPEAN INVESTMENT BANK	1.2

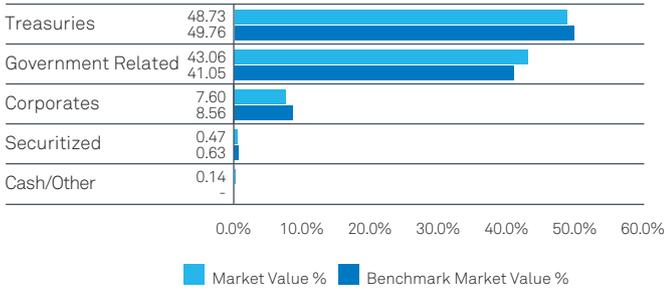
Risk Characteristics

	Fund	Benchmark	Difference
Modified Duration (Years)	4.97	4.98	0.00
Duration x spread	1.70	1.82	-0.12
Yield	4.55	4.58	-0.03
Average Coupon (%)	2.77	2.83	-0.06
Average Maturity (Years)	5.87	5.90	-0.03
ESG Score	7.26	7.21	0.05

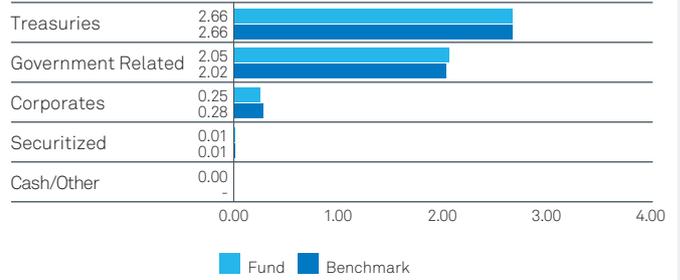
Top 10 Issuers held by ESG score

Issuer	ESG Score
EUROPEAN INVESTMENT BANK	10.0
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	10.0
INTERNATIONAL FINANCE CORP	10.0
KFW	10.0
NORDIC INVESTMENT BANK	10.0
SUNCORP METWAY LTD	10.0
TRANSURBAN QUEENSLAND FINANCE PTY LTD	10.0
CNH INDUSTRIAL CAPITAL AUSTRALIA PTY LTD	9.7
INTER-AMERICAN DEVELOPMENT BANK	9.5
EUROFIMA	9.0

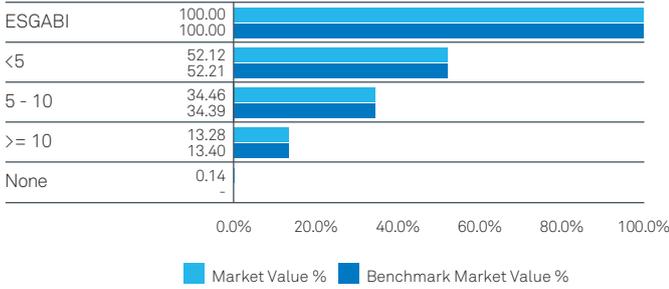
Sector Exposure



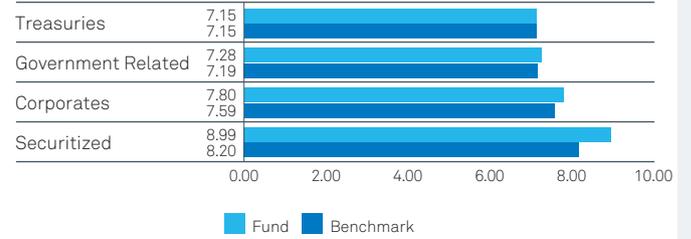
Contribution to Modified Duration



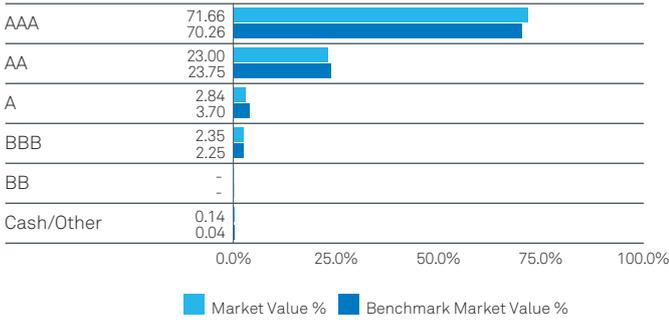
Maturity Exposure



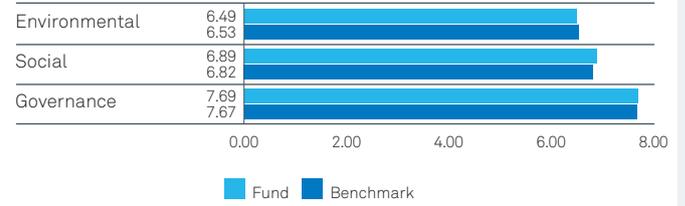
ESG Sector Score



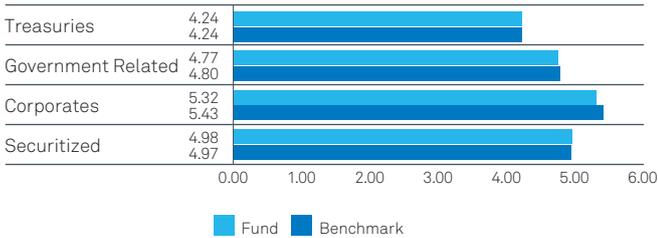
Quality Exposure



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	675 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