iSHARES ESG SCREENED GLOBAL BOND INDEX FUND

iShares by BLACKROCK®

FUND UPDATE **30 April 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)	-1.79	-1.87	-2.26	0.04	-3.23	-	-1.41
Bloomberg Barclays MSCI Global Agg SRI Select ex-Fossil Fuels Index 100% AUD Hedged	-1.76	-1.81	-2.15	0.11	-3.23	-	-1.41
Outperformance (Gross of Fees)	-0.03	-0.06	-0.10	-0.07	0.00	-	0.00
iShares ESG Screened Global Bond Index Fund (Net of Fees) (Class D)	-1.81	-1.92	-2.32	-0.16	-3.42	-	-1.63
Bloomberg Barclays MSCI Global Agg SRI Select ex-Fossil Fuels Index 100% AUD Hedged	-1.76	-1.81	-2.15	0.11	-3.23	-	-1.41
Outperformance (Net of Fees)	-0.05	-0.11	-0.17	-0.27	-0.19	-	-0.22

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 deteriorated over the month of April to 97.0 from 103.1 in March. The Present Situation Index also decreased to 42.9 from 146.8 in March. The Expectations Index declined to 66.4 from 74.0 in March. Consumer confidence broadly decreased across all age groups and almost all income groups except for the $25,000 to $49,999 bracket. However, consumers under the age of 35 reported greater confidence than their older counterparts. Over the past six months, consumer confidence for consumers earning less than $50,000 has remained stable but confidence among those earning more has seen a downward trend. Elevated prices, especially for food and gas, appeared as primary concerns for consumers while politics and global conflicts as the second largest source of concern. Assessments of the present situation weakened over the period driven primarily by negative views of the current employment situation with fewer survey respondents saying that jobs are plentiful and more responding jobs are hard to get. However, reports showed that views around current business conditions are primarily positive. Expectations for the next six months declined to the lowest level since July 2022 due to renewed pessimism about future business conditions, labor market conditions, and income expectations. Consumer optimism about family finances also decreased. Sentiment about stock prices over the year ahead decreased slightly while the share of consumers expecting an increase in interest rates over the year ahead rose again to 53.8%. Buying plans for autos, homes, and big-ticket items continued to dampen. Vacations plans also decreased to the lowest level since summer of 2023, with both domestic and international travel decreasing. Survey responders also reported weakening discretionary purchase dynamics including food away from home, clothing items, entertainment away from home, and vacations. In contrast, consumers reported less appetite to reduce spending on non-discretionary purchases like childcare, education, and healthcare.

The seasonally adjusted final S&P Global US Composite PMI posted at 50.9 in April, down slightly from last month's 52.1 figure, but still signaling a small improvement in business activity at US companies. Flash US Services PMI remained at a five-month low of 50.9 while Flash Manufacturing PMI rose to 51.1. Overall expansion reflected a weaker rise in both manufacturing and services activity with rates of growth easing to three- and five-month lows, respectively. From a demand perspective, new orders decreased for the first time in six months. Companies responded by scaling back employment for the first time in almost four years. Inflationary pressures generally eased at the start of the second quarter as input and output prices rose less quickly at the composite level.

In March, the US core CPI rose to 0.36%, YoY core CPI remained flat at 3.8%. The March data showed sticky services prices remains the main challenge in getting inflation lower. The primary drivers of the upside surprise were transportation services and medical services, accelerating to 1.5% and 0.6%, respectively. Core goods inflation decreased -0.2% MoM reversing the 0.1% from the month prior. Core services edged up and shelter inflation remained flat at 0.52% and 0.42% MoM, respectively. The headline CPI rose to 0.38% MoM, with energy prices surging 1.1% MoM over the month. Food prices remained soft at 0.1% MoM with food at home prices remaining flat and food away from home accelerating to 0.3% MoM. Overall, caution is advised against over-extrapolation from the report, but the data suggests the Federal Reserve may resist an imminent rate cut.

Eurozone:

The ECB left rates unchanged in their April meeting however language re-enforced the belief that the easing cycle could begin in June. Although a cut is not guaranteed the bar to accomplish this appears low with ECB requiring incoming inflation data to confirm its prior assessment. President Lagarde even noted that "a few members felt sufficiently confident to cut rates already on today's data, but rallied behind majority that needed more confidence". The market now expects close to 75bps of cuts in 2024 with this path diverging from the FEB and BOE where around 40bps of easing is expected.

European rates finished the month higher, driven mostly by data from the US with 10-year Bund and Treasuries climbing by 37bps and 28bps respectively. For example, although US Q1 GDP missed economist expectations of 2.5%, instead printing at 1.6%, PCE inflation data released on the same day showed a small increase to 2.7%, above estimates and the previous month's reading. In addition, strong labour market data, some more hawkish Fed talk and general economic data placed further pressure on bond yields as expectations for interest rate cuts diminished.

Despite the volatility in risk markets, European Government Bonds Spreads performed well. Italian and Spanish spreads (to Germany) closed the month tighter by 5bps and 9bps respectively. Assisted by improving country economic fundamentals, Spanish government bonds have performed well in 2024 with spreads to Germany now at their 1-year tights. Moody's and Fitch left the credit rating of France unchanged, prior to the event there was some downgrade fear given recent fiscal deficits. Spreads (to Germany) reacted positively to the news, closing the month 4bps tighter.

Inflation for April in the Eurozone came in unchanged from March at 2.4%, in line with economist's expectations. Core inflation (excluding volatile energy and food) continued to fall from 2.9% to 2.7% with services inflation also falling. The data keeps the ECB on track for a June rate cut, although the pace thereafter remains open. Despite the stalling in headline disinflation, the data suggests that core disinflation likely resumed after a noisy Q1.

Q1 GDP in the Eurozone came in at 0.3%, ending 5 quarters of stagnation although headwinds remain. Recent data releases support the narrative that monetary transmission is taking affect. Recent figures from the ECB Bank Lending Survey demonstrated lenders showed a "substantial" drop in loan demand from companies. Furthermore, European house price data showed prices fell for the first time in a decade last year, as declines in northern European countries offset positive developments in Southern countries. There were some positive developments, for example Eurozone business activity rose to a 11-month high although the this was led by services with manufacturing continuing to struggle.

UK:

Market expectations for Central Bank interest rate cuts continued to be pushed back across developed markets, with the first cut in the UK now priced for September, with just one full cut priced for 2024. This was largely driven by the strong inflation and employment data out of the US, further delaying any interest rate cuts, and causing a ripple-effect across developed markets.

Economic data releases in the UK were broadly in line with market expectations. Unemployment rate ticked higher at 4.2% compared to last month's rate of 3.9%. GDP data continued to support the end of recessionary pressures, with month-on-month (MoM) estimates for January were revised up from 0.2% to 0.3%, while the February estimate data release came in at 0.1%. Inflation data was somewhat varied, as year-on-year (YoY) headline inflation remained constat at 3.8%, while Consumer Price Inflation (CPI) fell from 3.4% in the twelve months to February, to 3.2% in March. Similarly to last month, all but one of the members of the Monetary Policy Committee voted to maintain the Bank Rate at 5.25%. Despite this, UK 10-year government bond yields trended higher by 41 bps over the month. This was largely due to technical market dynamics alongside the UK wage data release which showed little improvement, going from 6.1% to 6.0% – a level which continues to prevent the Monetary Policy Committee from recommending interest rate cuts.

Japan:

JGB yields rose in the month against the backdrop of unexpectedly strong US inflation indicators, which led to US rates selloff with less cuts by the Fed priced in the markets, and somewhat hawkish tone from Bank of Japan Governor Ueda regarding additional rate hikes.

The Bank of Japan maintained its monetary policy at the April meeting. The statement was simplified, and it was stated that they would follow the policy decided in March regarding JGB purchases. In the Outlook Report, it was indicated that the underlying growth rate in the CPI would move at a level consistent with the price stability target in the latter half of the forecast period, and that the magnitude of monetary easing would be adjusted as this outlook is realized.

The overall inflation ex-perishable food was +2.6% YoY in March, above the central bank's 2% target as food prices continued to be high. The unemployment rate remained at 2.6% in March.

Risk Characteristics

	Fund	Benchmark
Average Maturity (Years)	8.40	8.51
Modified Duration (Years)	6.55	6.54
Norminal Yield (%)	4.01	4.07
Convexity	0.83	0.82

Top 10 Issuers (%)

	Weight (%)
UNITED STATES TREASURY	19.5%
JAPAN (GOVERNMENT OF)	10.6%
UNIFORM MBS	8.9%
CHINA PEOPLES REPUBLIC OF (GOVERNMENT)	5.2%
FRANCE (REPUBLIC OF)	3.0%
UK CONV GILT	3.0%
ITALY (REPUBLIC OF)	2.8%
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION 2	2.6%
SPAIN (KINGDOM OF)	1.9%
GERMANY (FEDERAL REPUBLIC OF)	1.9%

Top 10 Issuers held by ESG score

	ESG Score
ADOBE INC	10.0
AGENCE FRANCAISE DE DEVELOPPEMENT	10.0
APPLIED MATERIALS INC	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

Quality

	Fund %	Benchmark %
Aaa	11.6	12.9
Aa	45.2	45.5
A	28.2	27.4
Baa	13.2	12.7
Ba	0.0	0.0
NR	1.8	1.5

Maturity Exposure

	Fund %	Benchmark %
< 5	43.30	42.88
5 - 10	34.46	34.73
>= 10	22.24	22.39

Country Exposure

	Fund %	Benchmark %
US	40.91	41.23
Japan	10.86	11.40
China	6.35	6.39
Germany	4.61	4.58
France	5.73	5.46
UK	4.21	4.46
Italy	3.07	3.20
Canada	3.55	3.45
Other	20.70	19.82

ESG Sector Score

	Fund	Benchmark
Treasuries	6.68	6.68
Government Related	6.63	6.62
Corporates	5.58	5.44
Securitized	5.55	5.52

ESG Score Breakdown

	Fund	Benchmark
Environmental	6.32	6.23
Social	6.68	6.70
Governance	6.60	6.59

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	270 mil
Buy/Sell Spread	0.10%/0.10%
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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