

# ESG-SCREENED GLOBAL BONDS

## iShares Global Aggregate Bond ESG (AUD Hedged) ETF

### Fund description

The iShares Global Aggregate Bond ESG (AUD Hedged) ETF (ASX: AESG) is a fixed-income fund that provides AUD hedged exposure to global investment grade ESG-screened bonds. It holds government, government-related, corporate, securitised and green bonds across global markets and sectors.

This product is likely to be appropriate for an investor seeking income distribution with a medium risk/return profile. This product is unlikely to be appropriate for an investor with a short investment timeframe or as a whole portfolio solution.

### Benefits of investing in ASX: AESG



#### Low cost

Simple, low-cost exposure to investment grade bonds across various global markets and sectors.



#### ESG Screens

Tracks an ESG screened index to avoid corporate bond issuers involved in serious ESG controversies<sup>1</sup>, and avoid corporate bond issuers engaged in select activities based on revenue thresholds. A larger allocation to Green Bonds compared to the standard non-ESG index.<sup>2</sup>



#### Currency hedged

Gain international exposure while seeking to minimise the impact of Australian dollar volatility on returns.

1. The index excludes companies with an MSCI controversy score of zero (red Flag Issuers) – For further information please refer to the MSCI methodology - <https://www.msci.com/documents/1296102/34424357/ESG-Research-Controversies-Methodology.pdf/18ac41fc-734c-f85b-3590-3691bb4a0373?t=1666194457933> - For details on the ESG screens applied please refer to the PDS or contact Blackrock.

2. The Index will allocate the maximum of 10% or 2 times the market value of the non ESG benchmark to Green Bonds.

There is no guarantee that a positive investment outcome will be achieved. Diversification and asset allocation may not fully protect you from market risk. While the investment approach described herein seeks to control risk, risk cannot be eliminated.

### Fund details

<b>Ticker</b>	AESG
<b>Currency</b>	AUD
<b>Exchange</b>	ASX
<b>Distribution frequency</b>	Tri-Annually
<b>Inception date</b>	9 August 2022
<b>Asset class</b>	Fixed Income
<b>Benchmark</b>	Bloomberg MSCI Global Aggregate Sustainable Green Bond SRI AUD Hedged Index (AUD)
<b>Management fee</b>	0.19%
<b>Fund data</b>	<a href="#">Fact sheet and data</a>

### Fund features

**1**

**Transparency:** Full transparency to the securities held by AESG, published on the website

**2**

**Daily liquidity:** Tradable daily when the ASX is open with T+2 settlement

**3**

**Cost-effective:** An all-inclusive and transparent annual management fee of just 0.19%

# What is AESG?

AESG's index gives investors an AUD-hedged, diversified exposure to the global bond market with an **improved sustainability profile** (see below), and a similar composition to the Bloomberg Global Aggregate Index.

The Fund provides **tri-annual distribution payments** and provides for **daily liquidity**.

## Bloomberg MSCI Global Aggregate Sustainable and Green Bond SRI Index

### Index construction

Starting Universe (Parent Index): Bloomberg Global Aggregate Index		
Exclude	Sovereign issuers that are:	Corporates, Covered, Agency, Local Authority, Supranational bonds that are:
	<ul style="list-style-type: none"> <li>Subject to UNSC Trade Sanctions</li> </ul>	<ul style="list-style-type: none"> <li>Exposed to select controversial revenue sources<sup>1</sup></li> <li>Have low MSCI ESG Ratings (below BBB)</li> <li>Have MSCI Controversy score = Red</li> </ul>
Reweight	<ul style="list-style-type: none"> <li>Rebalance to retain currency, sector and maturity composition of the parent Global Aggregate Index</li> <li>Optimise to maximise MSCI ESG score while ensuring exposure to as many bonds as possible for diversification<sup>1</sup></li> <li>Allocate at least 10% of market value to securities qualifying as having Sustainable Exposure</li> <li>Allocate at least 10% of market value to securities classified as green bonds<sup>2</sup></li> </ul>	

### Sustainable profile improvement

<b>6x</b>	<b>INCREASE IN GREEN BOND %</b>
<b>+4%</b>	<b>IMPROVEMENT IN MSCI ESG SCORE<sup>3</sup></b>
<b>-22%</b>	<b>REDUCED CARBON EMISSIONS<sup>4</sup></b>
<b>10%</b>	<b>PARENT INDEX EXCLUDED BY ESG SCREENING<sup>5</sup></b>

Source: BlackRock, the sustainable profile data is as of 28/02/2023 and subject to change over time. Comparison metrics are provided for illustrative purposes only.

1 See <https://assets.bwbx.io/documents/users/iqjWHBFdfxIU/riUwRa3mmz1c/v0> for an outline of these screens applied by the index provider and the Bloomberg MSCI ESG FI Index Guide (<https://www.msci.com/our-solutions/indexes/bloomberg-msci-esg-fixed-income-indexes>) for comprehensive descriptions of these screens.

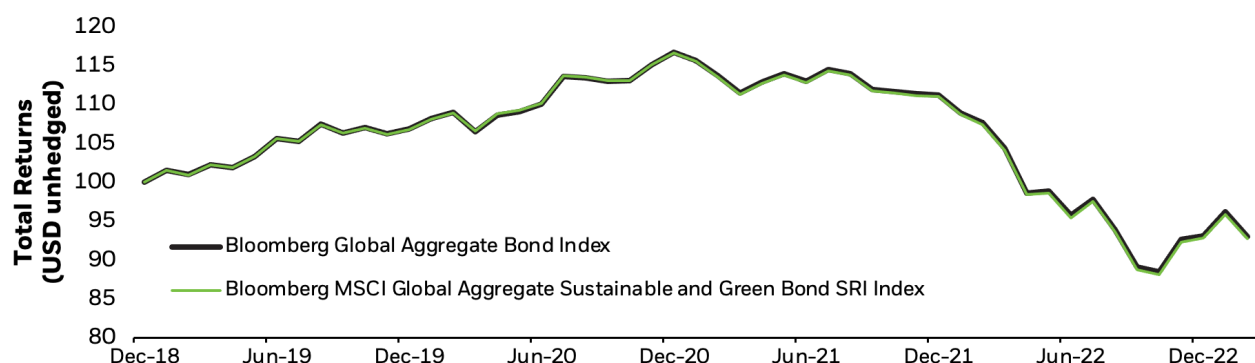
2 The Index will allocate the maximum of 10% or 2 times the market value of the non ESG benchmark to Green Bonds.

3 MSCI ESG Score calculated based on MSCI ESG Rating Methodology, please refer to: <https://www.msci.com/esg-ratings>

4 Weighted average carbon emission intensity calculates the carbon intensity (Scope 1+2 Emissions / \$M Sales) for each security and calculating the weighted average by portfolio/index weight. It measures the exposure to carbon intensive companies in a portfolio and/or an index.

5 Refers to exposure excluded from BBG Global Aggregate Bond Index from both the ESG screens and portfolio construction process

## AESG's index delivers comparable returns to Global Agg, the parent index



Source: BlackRock, Bloomberg, as of 28/02/2023. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. All index returns are expressed as gross of fees. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Note: AESG invests in AUD hedged share class units of the iShares Global Aggregate Bond ESG UCITS ETF. Currency hedging is applied within the underlying ETF units, where the investment manager monitors currency exposures daily and resets currency exposures back to AUD dynamically.

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## Don't forget about interest rate risk

Investors looking to invest in AESG are still exposed to interest rate risk (duration). AESG holds fixed rate bonds which are exposed to varying levels of duration risk based on each securities coupon rate, yield and remaining time until maturity. Bonds with longer maturities are more sensitive to changes in interest rates, and therefore carry a higher level of duration risk. A bond's value decreases as interest rates (yields) rise and increases as interest rates (yields) decline. It is important for investors to carefully consider the duration of their fixed income investments and to regularly review and adjust their portfolio to manage duration risk.

## Want to know more?

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