

Enhanced Strategic Model Portfolios ETF ONLY

Performance Details

Portfolio performance (Total return as of 29/09/17)

	September 2017	3 Months	YTD	One Year	Since Inception ¹
Conservative	0.22%	0.62%	3.21%	2.38%	2.91%
Moderate	0.44%	0.78%	3.77%	4.05%	3.59%
Balanced	0.69%	0.88%	4.07%	6.12%	4.34%
Growth	0.97%	1.04%	4.48%	8.28%	5.23%
Aggressive	1.18%	1.23%	4.90%	9.97%	5.97%

The model portfolio performances shown are hypothetical and for illustrative purposes only and do not represent the performance of a specific investment product. The performance figures represent past performance of the model portfolios and not indicative of future performance.

Market Overview

Global risk assets continued to surge higher during the third quarter, as synchronized global expansion, earnings momentum, and an overall stimulative environment helped to support asset prices. Market volatility, as measured by the VIX Index, remained near historically low levels, and correlations across regional indices remained low as investors focused back on fundamental drivers of returns – as opposed to systematic risks. Global equities produced mid-single-digit returns during the quarter in Australian dollar terms, led by Emerging markets, with Developed market equities closely following. Likewise, credit prices moved higher as credit spreads narrowed further and longer-term interest rates declined – benefiting longer term bonds. In addition, commodities rebounded after struggling for much of the year on the back of improving energy prices and strength across industrial metals. However, like much of the year, foreign exchange continued to be a major factor of returns, as sharp US dollar weakness has significantly impacted returns for global investors.

After moving higher at the start of the quarter, global risk assets consolidated gains in August as geopolitical risks increased (i.e. North Korea), but resumed their upward trend in September as markets began to reprice potential fiscal stimulus from the US and global macroeconomic data continued to point to further synchronized expansion. For example, the Eurozone manufacturing PMI hit its highest level in six years, Japanese manufacturing accelerated, UK unemployment fell to a fresh 42-year low, and the OECD said global growth will rise this year to its highest point since 2011. This macroeconomic strength and rising inflation expectations drove yields higher towards quarter end, boosting the financial sector and pressuring rate sensitive assets.

Higher beta, growth, and momentum oriented equities performed well over the quarter, although value outperformed growth as the quarter drew to a close and the US dollar strengthened. President Trump's proposed overhaul of the US tax system provided a catalyst for markets to reprice fiscal "Trump Trades," as the odds of expansionary fiscal policy in the US increased – small caps, value, financials, and cyclical assets were boosted higher.

In addition, global central banks were relatively hawkish, with the Fed, Bank of England, European Central Bank, and Bank of Canada all surprising markets with actions and rhetoric suggesting normalization of global monetary policy at a faster pace than market participants expected.

Performance Highlights

The total returns of the model portfolios ranged from 0.22% to 1.18% for the Conservative to Aggressive model in the month of September.

At the August 21 rebalance, we retained a modest overweight to equities relative to fixed income assets, introduced positions in the MSCI World Diversified Multifactor (WDMF) and World Minimum Volatility (WVOL) ETFs, as well as incorporating an Australian dollar cash ETF (ISEC) to increase portfolio yield.

Throughout the month of September, the models generated active returns of between 0.16% - 0.22% above the benchmark.

As geopolitical risk subsided, our overweight to equities relative to fixed income throughout all models contributed to positive performance. More specifically, our overweight to Europe, Australasia & the Far-East contributed to positive performance, as did our overweight to Japan & US equities (both currency hedged & unhedged).

Within fixed income, our underweight to Australian fixed income assets generated positive returns as the "risk on" trade continued through the month of September. Furthermore, the Reserve Bank of Australia (RBA) announced that rates will remain unchanged at 1.50% for the fourteenth consecutive meeting. Our overweight to global credit in high yield assets was slightly detrimental to overall model performance.

FOOTNOTES

1 Inception date for all models is 30 January 2015. Since inception returns are annualized.

Want to know more?



blackrock.com/au/ishares



iShares.Australia@blackrock.com



1300 474 273

PERFORMANCE DATA

The model portfolio performances shown are hypothetical and for illustrative purposes only and do not represent the performance of a specific investment product. The performance figures represent past performance of the model portfolios and not indicative of future performance. Performance for periods longer than a year have been annualised and represent cumulative (i.e. compounded) returns. Performance is calculated to the last business day of the month, using closing ETF price returns. Performance does not include brokerage fees and commissions that may be incurred in the trading of securities within each model portfolio. Performance figures include fund management fees and expenses of the iShares ETFs included within a model portfolio and assume the reinvestment of distributions of any such iShares ETF. Index performance returns do not reflect any management fees, transaction costs or expenses.

IMPORTANT INFORMATION

Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Corporations Act 2001 (Cth). This material is intended only for wholesale clients and must not be relied on or acted upon by retail clients.

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

This material is not a securities recommendation or an offer or solicitation with respect to the purchase or sale of any securities in any jurisdiction.

BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material, including the Australian domiciled iShares ETFs. BIMAL is the local agent and intermediary for non-Australian domiciled iShares ETFs referred to in this material that are quoted on ASX and are issued by iShares, Inc. ARBN 125632 279 formed in Maryland, USA; and iShares Trust ARBN 125 632 411 organised in Delaware, USA (International iShares ETFs). BlackRock Fund Advisors (BFA) serves as an advisor to the International iShares ETFs, which are registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940. BFA is a subsidiary of BlackRock Institutional Trust Company, N.A. (BTC). BTC is a wholly-owned subsidiary of BlackRock, Inc. ®.

An iShares ETF is not sponsored, endorsed, issued, sold or promoted by the provider of the index which a particular iShares ETF seeks to track. No index provider makes any representation regarding the advisability of investing in the iShares ETFs. Further information on the index providers can be found in the BIMAL website terms and conditions at www.blackrock.com.au. Indexes are unmanaged and one cannot invest directly in an index.

BIMAL, its officers, employees and agents believe that the information in this material and the sources on which the information is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for this information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies.

No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL.

© 2017 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

ISH-5755-07.17

BLACKROCK®

EIII1017A-281734-836986