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Market Announcements Office  
ASX Limited

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## ANNOUNCEMENT - IMPORTANT PRODUCT CHANGES FOR THE iSHARES CORE MSCI WORLD ALL CAP (AUD HEDGED) ETF

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We are writing to inform you about some enhancements being made to the iShares Core MSCI World All Cap (AUD Hedged) ETF (ASX: IHWL) (Fund). Effective on 8 June 2021 the following changes will be implemented:

1. **New benchmark:** MSCI World ex Australia Custom ESG Leaders Index 100% Hedged to AUD (Index)
2. **Fund name change:** iShares Core MSCI World ex Australia ESG Leaders (AUD Hedged) ETF
3. **New fund structure:** The Fund currently gains exposure to the benchmark via an optimisation strategy holding 4 ETFs. Upon changing the benchmark, the Fund will transition to holding physical underlying securities

Please note that no response or action is required of you as an investor as a result of this change. Material information pertaining to the Fund's new features will be outlined in the Product Disclosure Statement (PDS) which will be available on our website on 8 June 2021.

### **What are the benefits?**

This change will provide the following benefits to existing and new holders with the **management fee remaining the same at 0.12%**:

- **A more targeted portfolio building block:** While the new benchmark will continue to provide a broad diversified world equity exposure, it will exclude Australian stocks (representing about 2% of the MSCI All Country World Index) allowing investors to attain international exposure with no overlap with the Australian equity market.
- **A sustainable integrated benchmark:** Sustainable investing is about investing in progress, and recognising that companies solving the world's biggest challenges may be best positioned for growth. It's about pioneering better ways of doing business and creating the momentum to encourage more people to create a sustainable future.
- **Improved tracking to the new benchmark:** While the current structure proved an efficient method to replicate a broad global exposure, the structure change to physically holding the underlying securities will enable iShares to more accurately replicate the index performance.
- **A cost efficient sustainable equity range:** With the simultaneous change to the non-currency hedged option (IWLD) and the upcoming launch of an Australian equity exposure ESG ETF, which uses a similar investment methodology, investors will have the ability to invest in a consistent ESG line-up across three exposures.

### **About the new Benchmark**

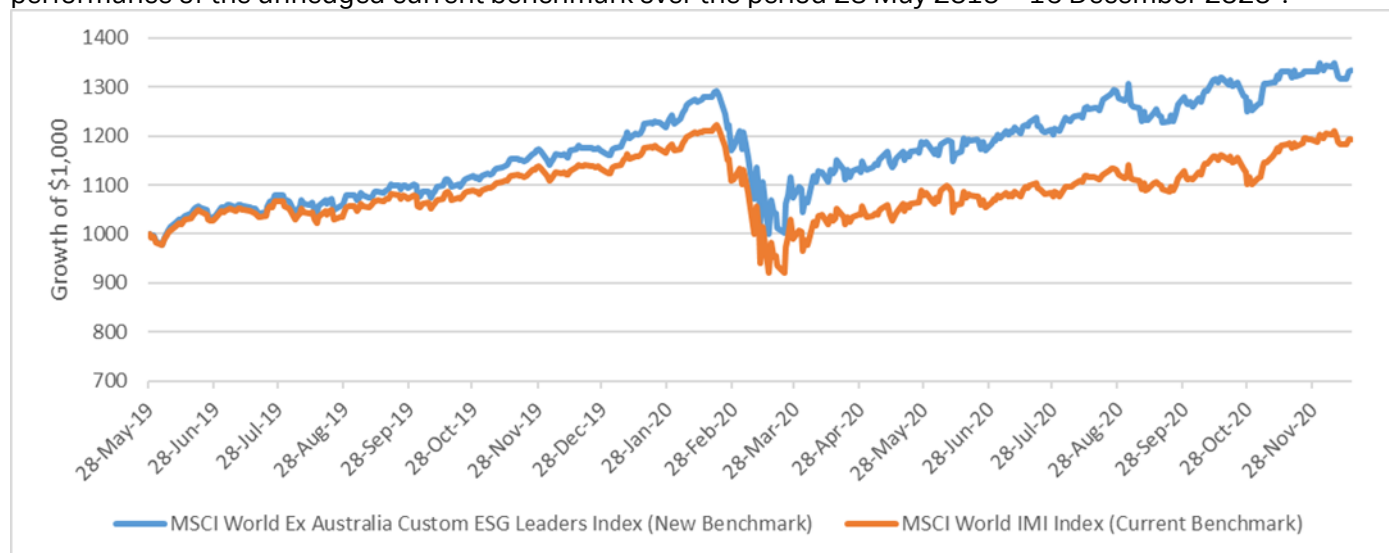
The new index is designed to represent the performance of companies that have high Environmental, Social and Governance (ESG) ratings relative to their sector peers, to ensure the inclusion of the best-in-class companies from an ESG perspective. The Index excludes companies involved in severe ESG related business controversies and screens out companies engaged in certain business activities including but not limited to fossil fuels, tobacco & alcohol. Once the eligible securities have been confirmed, through the Index methodology, securities are ranked based on their ESG credentials and selected from this ranked universe until the target market capitalisation is reached within each relevant sector.

For more information on the index methodology, please refer to the benchmark change notice on the [IHWL product page](#) on the BlackRock website.

### **What does this mean for the investment performance?**

The Fund will continue to replicate a currency hedged, diversified, market capitalisation weighted index composed of international equities. Our investment conviction is that sustainability-integrated portfolios can provide better risk-adjusted returns to investors and with the impact of sustainability on investment returns increasing, we believe that sustainable investment will be a critical foundation for client portfolios going forward.

The below chart shows index back testing of the non-currency hedged version of the new benchmark against the performance of the unhedged current benchmark over the period 28 May 2019 – 16 December 2020\*:



\*Performance figures represent past performance and are not indicative of future performance. Current performance may be higher or lower than that shown. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Returns in the chart reflect the performance of the non-currency hedged version of the benchmarks. Over the same period, the performance differential of the MSCI World ex Australia Custom ESG Leaders Index 100% Hedged to AUD versus the MSCI World Investable Market Index 100% Hedged to AUD would be expected to be comparable.

### **Are there any tax considerations?**

As part of the transition, the Fund will realise net capital gains on disposal of the iShares ETF investments. These realised capital gains will be included in the Fund's distributable income for the current year ending 30 June 2021. Generally, most of the investments disposed of will have been held for 12 months or more, and the realised gains should be eligible for the Capital Gains Tax (CGT) discount. Investors eligible for the CGT discount may obtain the benefit of the CGT discount on the distributions of discounted capital gains they receive.

While the amount of realised capital gains connected to the disposal of investments is hard to predict, with returns over 10% per annum since inception, the distribution of additional income from capital gains is expected to result in a higher than usual distribution of income at the end of the financial year.

The ETFs presently held by IHWL will distribute either quarterly or semi-annually. By implementing the conversion prior to the latest distribution, the Fund will not distribute additional foreign dividend income, replacing this dividend income with capital gains from disposal of the units, some of which may be discounted.<sup>1</sup>

### **Need assistance or further information?**

If you require any further information please contact us on 1300 474 273 between 8:30am and 5:00pm (AEST), Monday to Friday or at [clientservices.aus@blackrock.com](mailto:clientservices.aus@blackrock.com).

We thank you for your continued support.

**Christian Obrist**  
Head of iShares Australia

## IMPORTANT INFORMATION

Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL).

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