

Katherine Palmer

Head of Australia Fixed Income and Credit Product Strategy

28 May 2026

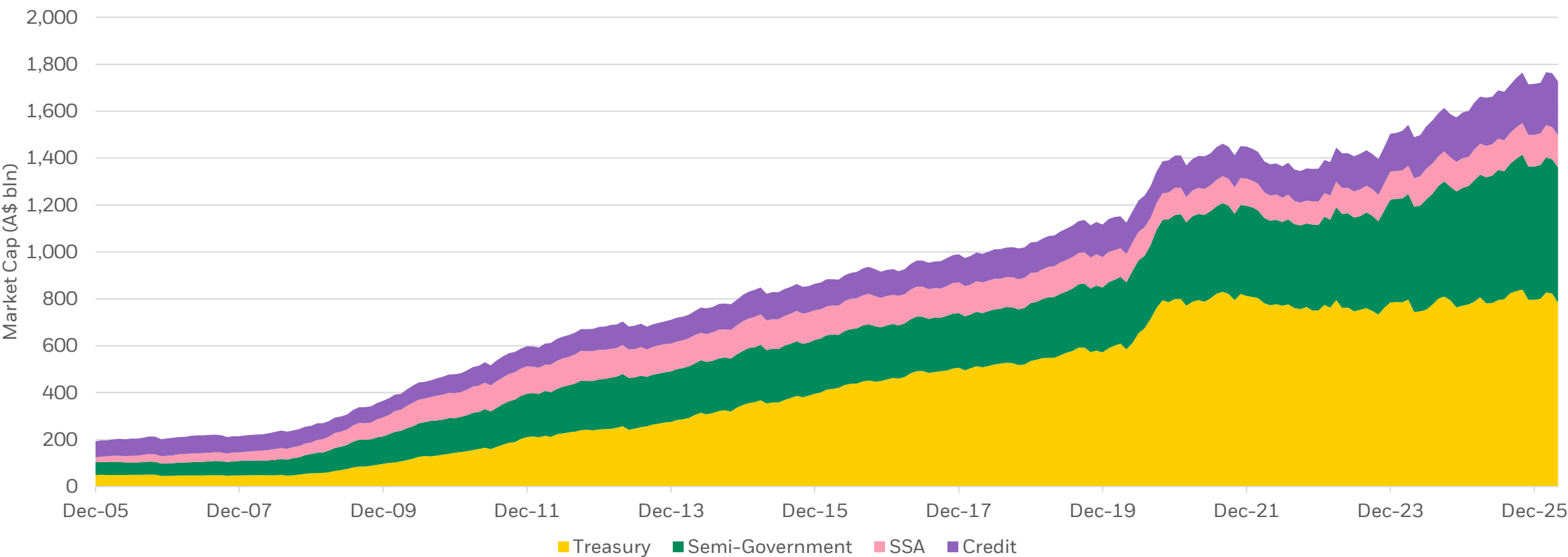
BlackRock®

Solving for Income in a Changing Market

Leaning on income for stable outcomes

The Australian Fixed Income market has grown....

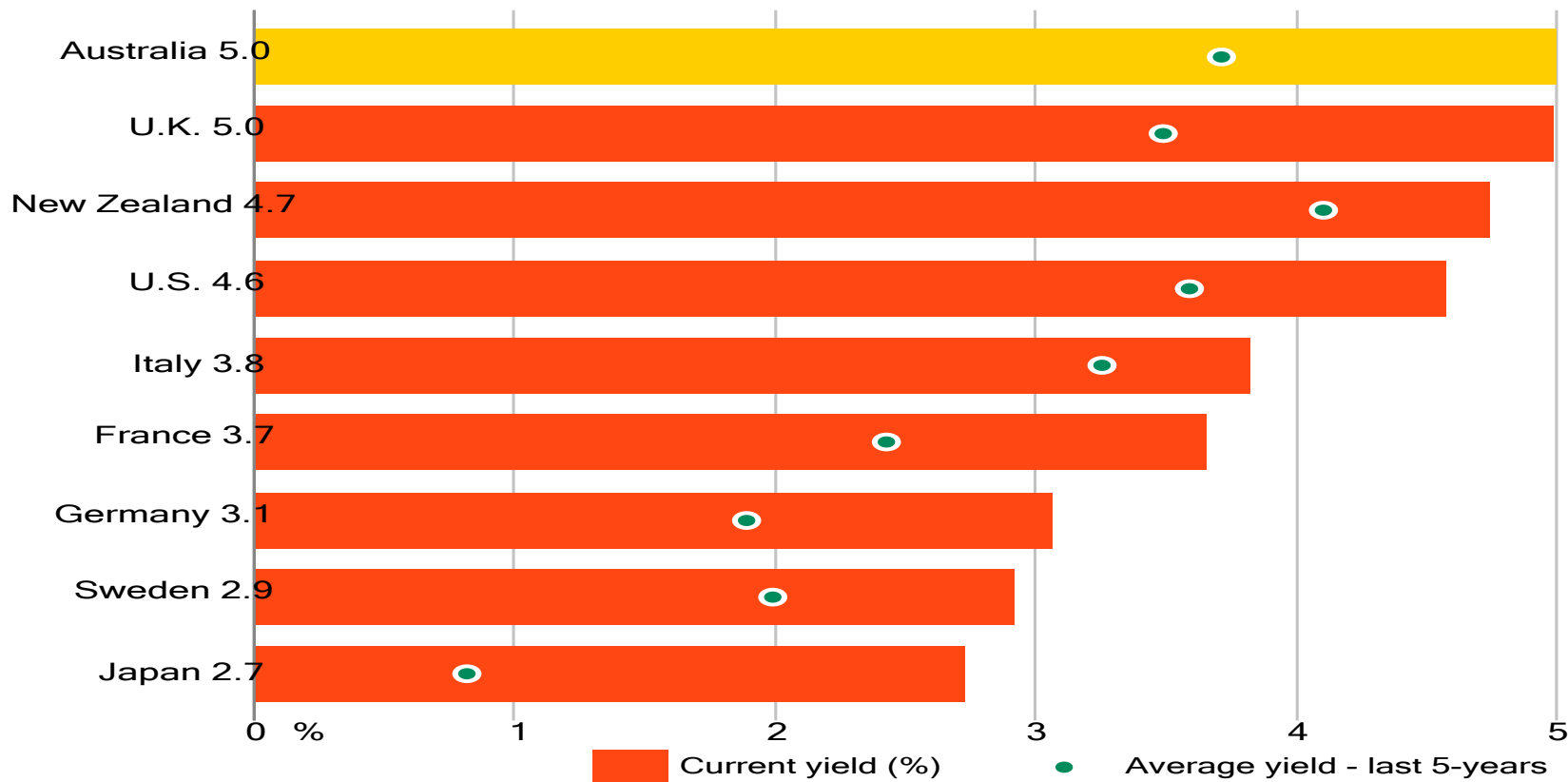
Bonds on issue in Australia



Source: BlackRock Bloomberg Aus Bond indices. Data as of 30th April 2026

... and outright government bond yields are relatively high

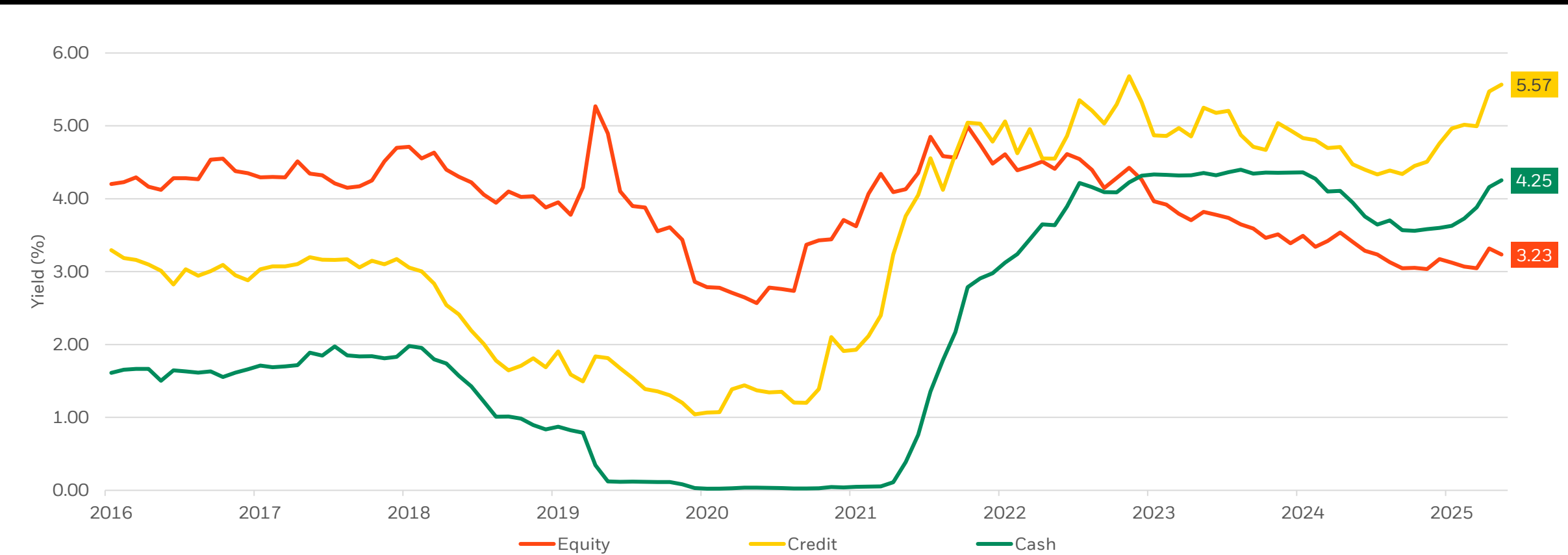
Global 10-year government bond yields



Source: BlackRock, LSEG Datastream, chart by BlackRock Investment Institute as of 21 May 2026. Note: Chart shows yield for benchmark 10-year government bonds within selected countries. Bars show current yield, dots show an average of the last 5-years. Current yield value is shown next to the country name. Past performance is not a guarantee of future results.

Australian credit is currently priced at a higher yield than equities

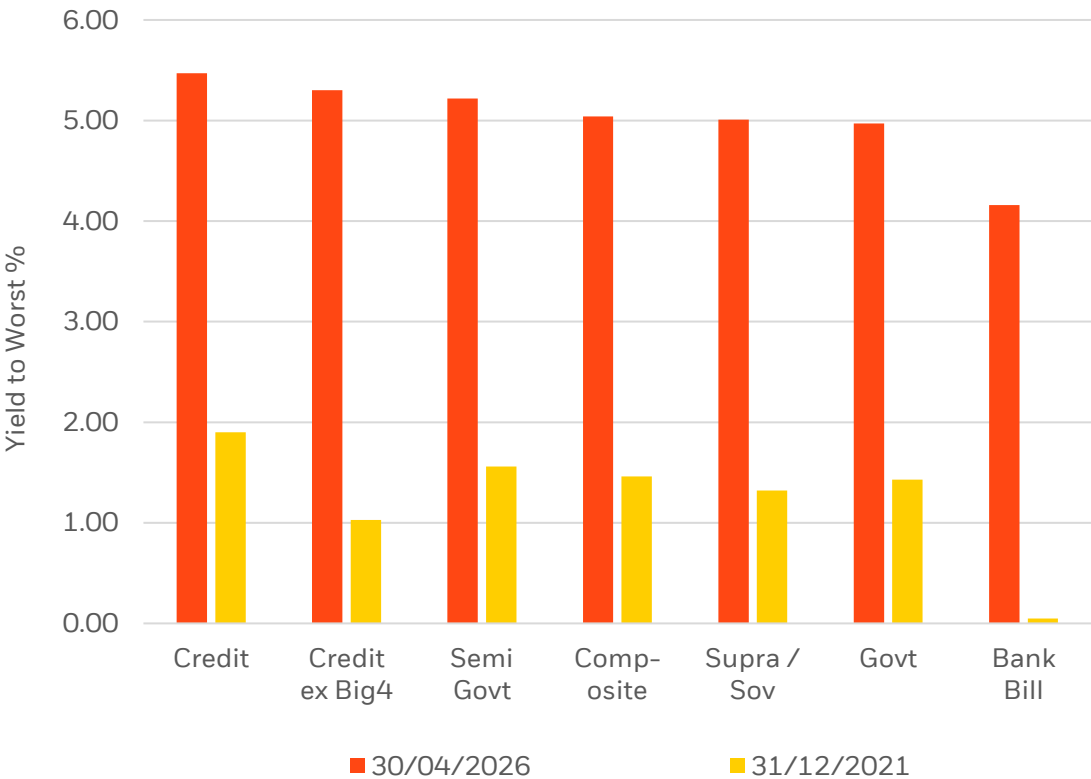
Yields over time across asset classes



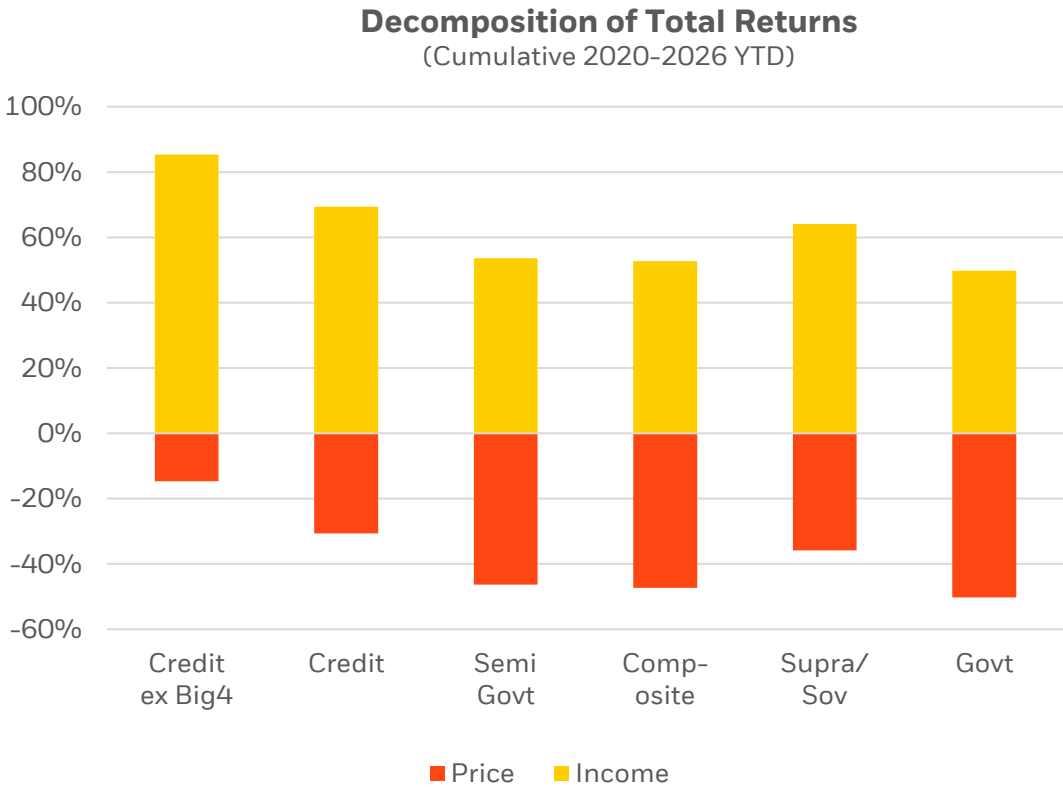
Source: BlackRock, Bloomberg, 30 April 2026. Equity: S&P ASX 200 Index – Dividend Yield. Credit: Bloomberg AusBond Credit Index – Yield to Maturity. Cash: Bloomberg AusBond Bank Bill Index – Yield to Maturity.

Higher starting yields compared to 5 years ago – income is a key component of total returns

Fixed Income now has higher starting yields today across sectors



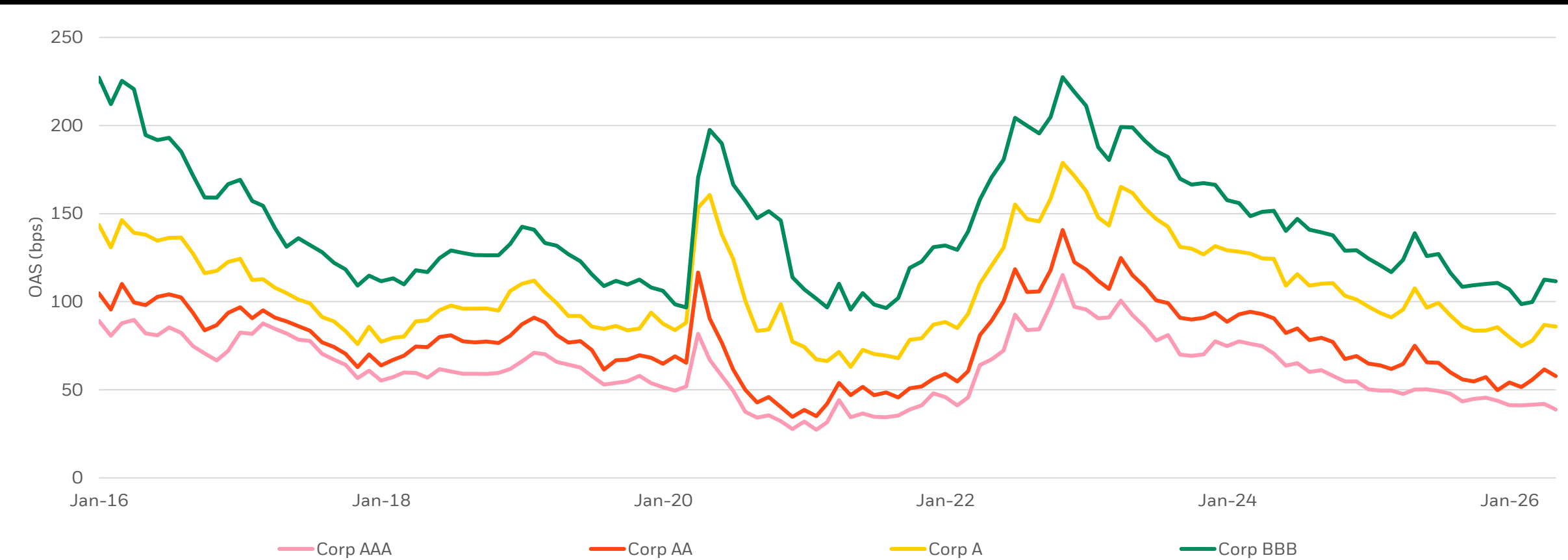
Income continues to be a dominant driver in total returns



Source: BlackRock, Bloomberg as of 30 April 2026, compared to data as of 31 December 2025. All indices are from the Bloomberg AusBond family. Index performance returns does not reflect any management fees, transaction costs or expenses. Past performance is not a reliable indicator of current or future results. Indexes are unmanaged therefore direct investment is not possible.

What about credit?

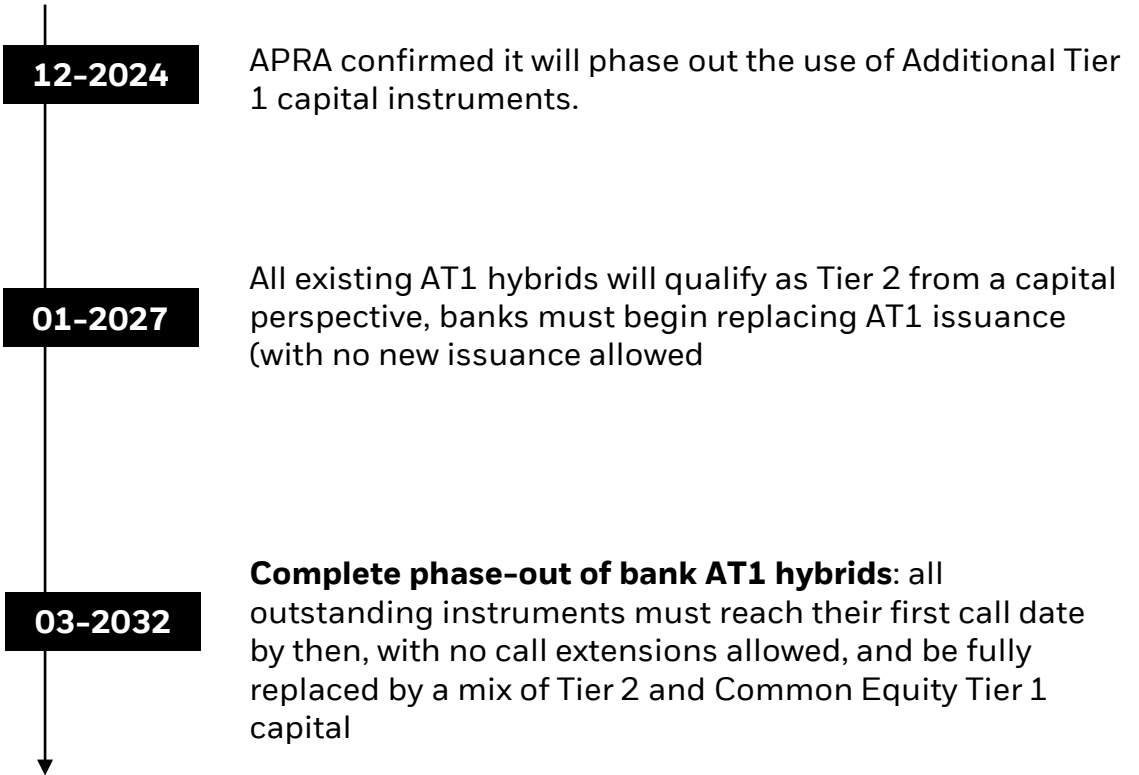
Credit spreads have held in well notwithstanding recent global events



Source: BlackRock, Bloomberg, 30 April 2026. Bloomberg AusBond Credit Index

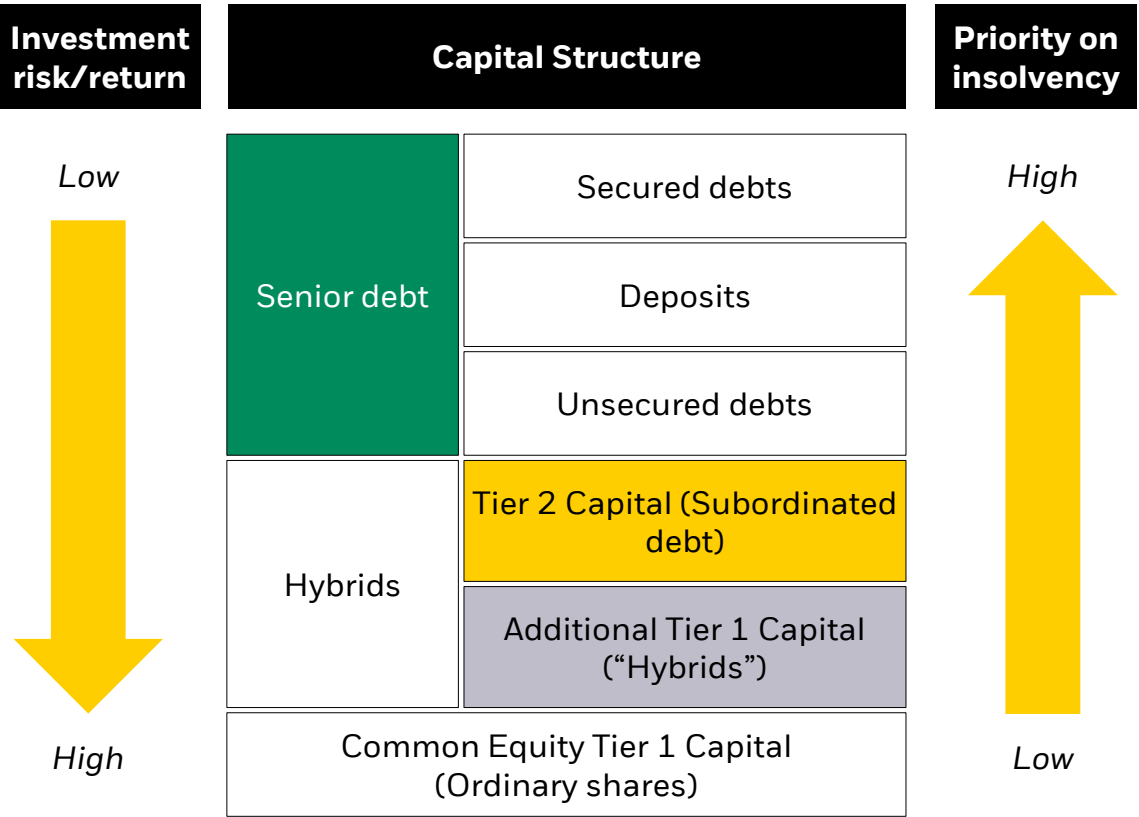
Hybrids in the Australian market offer yield – but Bank AT1 to be phased out

AT1 instruments will remain until 2032



Source: APRA, December 2024

Investors should look beyond AT1s



Source: BlackRock, ASIC, 2025

Hybrid spreads and Subordinated Debt (Tier 2) yields

A\$ IG Corporate Hybrid Spreads – Equal Weighted Basket



Source: Commonwealth Bank of Australia, Bloomberg, BVAL and Tradeweb as of 30 March 2026. Not: includes investment grade rated hybrids across all tenors except Verizon (i.e. excludes Lendlease & Pac Nat).

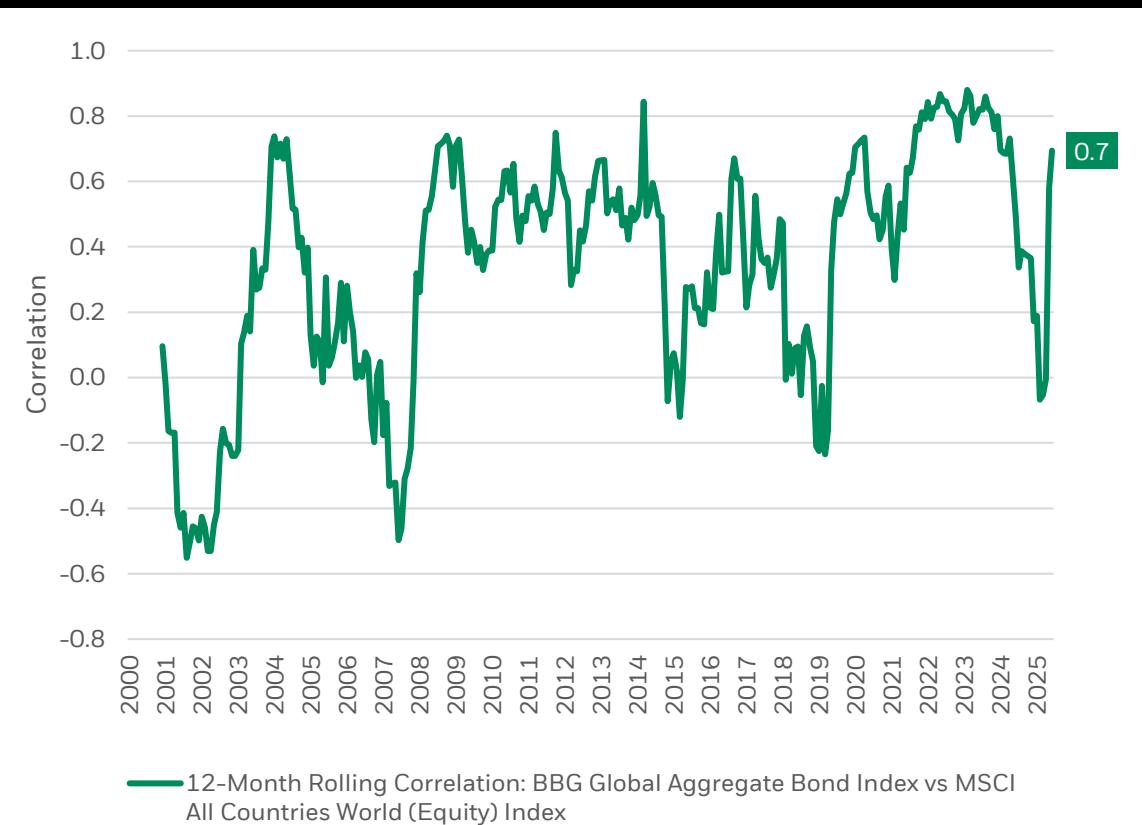
AUD-denominated Tier 2 vs Credit: long term differential ~ 70bps



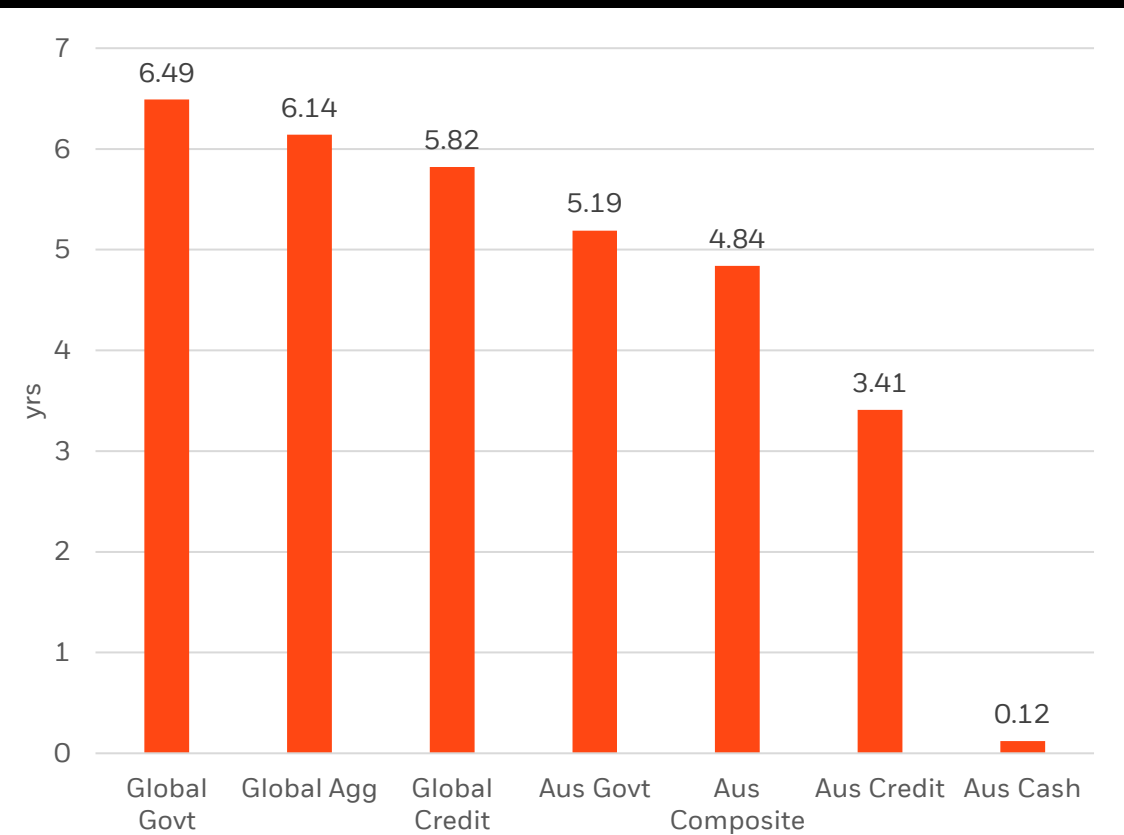
Source: BlackRock, Bloomberg, IHS Markit as of 29th April 2026. Annual Yield (%) of the iBoxx AUD Investment Grade Subordinated Mid Price Index vs Yield to Maturity of the AusBond Credit Index. The Subordinated Debt Index yield data is not available for a brief period in 2020.

Has the correlation between bonds and equities broken down? Don't forget fixed income has many sub sectors

12-Month Rolling Correlation: Bonds vs Equity



Modified Duration for Global and Australian Bond Indices



Source: BlackRock, Bloomberg, MSCI as of 30 April 2026.

Source: BlackRock, as of 30 April 2026. Indices - FTSE World Government Bond Index, BBG Global Aggregate Index, BBG Global Aggregate Corporate Index, BBG AusBond Treasury 0+Yr Index, BBG AusBond Composite 0+Yr Index, BBG AusBond Credit 0+Yr Index, BBG AusBond Bank Bill Index

Why is active management relevant now?

Annual total return by sector, ranked

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Semis 10.7%	Credit 3.0%	Credit 3.8%	Credit 5.1%	Govt 4.8%	Govt 7.6%	Semis 5.5%	Bank Bill 0.0%	Bank Bill 1.3%	Credit 6.8%	Credit 5.4%	Credit 4.3%
Govt 10.5%	Sup/Sov 2.8%	Semis 3.3%	Sup/Sov 3.9%	Comp 4.5%	Comp 7.3%	Credit 5.3%	Credit -1.6%	Sup/Sov -5.5%	Semis 5.9%	Bank Bill 4.5%	Bank Bill 4.0%
Comp 9.8%	Semis 2.7%	Sup/Sov 3.1%	Comp 3.7%	Semis 4.1%	Credit 7.1%	Govt 4.5%	Sup/Sov -2.2%	Credit -6.7%	Comp 5.1%	Sup/Sov 4.4%	Semis 3.6%
Sup/Sov 8.5%	Comp 2.6%	Comp 2.9%	Govt 3.4%	Credit 3.9%	Semis 6.9%	Comp 4.5%	Comp -2.9%	Comp -9.7%	Sup/Sov 5.0%	Comp 2.9%	Sup/Sov 3.6%
Credit 8.1%	Govt 2.5%	Govt 2.8%	Semis 3.2%	Sup/Sov 3.7%	Sup/Sov 5.6%	Sup/Sov 4.1%	Semis -3.0%	Govt -10.4%	Govt 4.8%	Semis 2.7%	Comp 3.2%
Bank Bill 2.7%	Bank Bill 2.3%	Bank Bill 2.1%	Bank Bill 1.7%	Bank Bill 1.9%	Bank Bill 1.5%	Bank Bill 0.4%	Govt -3.1%	Semis -10.8%	Bank Bill 3.9%	Govt 2.4%	Govt 3.0%
8%	1%	2%	3%	3%	6%	5%	3%	12%	3%	3%	1%

Annual Return Dispersion

Sources: BlackRock, Bloomberg as of 31 December 2025. All indices from the Bloomberg AusBond family. Index performance returns does not reflect any management fees, transaction costs or expenses. Past performance is not a reliable indicator of current or future results. Indexes are unmanaged therefore direct investment is not possible. Annual Return Dispersion refers to the highest category annual return minus the lowest category annual return.

Diversification within Australian Fixed Income sectors

Correlation	<i>Treasuries</i>	<i>Semis</i>	<i>Supras</i>	<i>Credit</i>	<i>Tier 2</i>	<i>Preferred Shares</i>	<i>Hybrid</i>	<i>Credit FRN</i>	<i>RMBS</i>
Treasuries	1.00								
Semis	0.98	1.00							
Supras	0.96	0.97	1.00						
Credit	0.94	0.95	0.98	1.00					
Tier 2	0.20	0.22	0.25	0.31	1.00				
Preferred Shares	-0.01	0.04	0.05	0.07	0.16	1.00			
Hybrid	-0.02	0.04	0.05	0.08	0.15	0.99	1.00		
Credit FRN	0.29	0.31	0.41	0.47	0.50	0.21	0.23	1.00	
RMBS	0.17	0.19	0.28	0.34	0.60	0.13	0.15	0.81	1.00

Source: BlackRock, Correlation data using monthly returns from 30 June 2020 to 31 March 2026. Treasuries, Semis, Supras, Credit, Credit FRN: Bloomberg AusBond 0+yr Indices. Tier 2: iBoxx AUD Investment Grade Subordinated Debt Mid Price Index. Preferred Shares: Solactive Australian Banking Preferred Shares Index. Hybrid: Solactive Australian Hybrid Securities Index. RMBS: ICE AAA Australian RMBS Index.

What about Securitised assets?

Securitised assets may provide opportunities for income generation beyond traditional fixed income sectors

Potential Income Generation

- Aim to provide **steady portfolio income** across a variety of interest rate environments

Focus on Carry

- By investing across capital structures, securitized assets aim to provide income generation opportunities at a range of risk/reward levels for fixed income and multi-asset portfolios.
- Most securitized assets are issued as floating-rate securities, meaning **lower interest-rate sensitivity** compared to other fixed income sectors.

Diversification Benefits

- Seek **low performance correlations** to other FI sectors and may serve as a diversifier in a FI or multi-asset portfolio

Expand Your Guidelines

- **Low performance correlations** are especially helpful when investors face rising interest rates.

Expertise & Experience

- **BlackRock's** securitised assets platform offers access to **insights and idiosyncratic deals** which help navigate fixed income markets amid changing conditions.

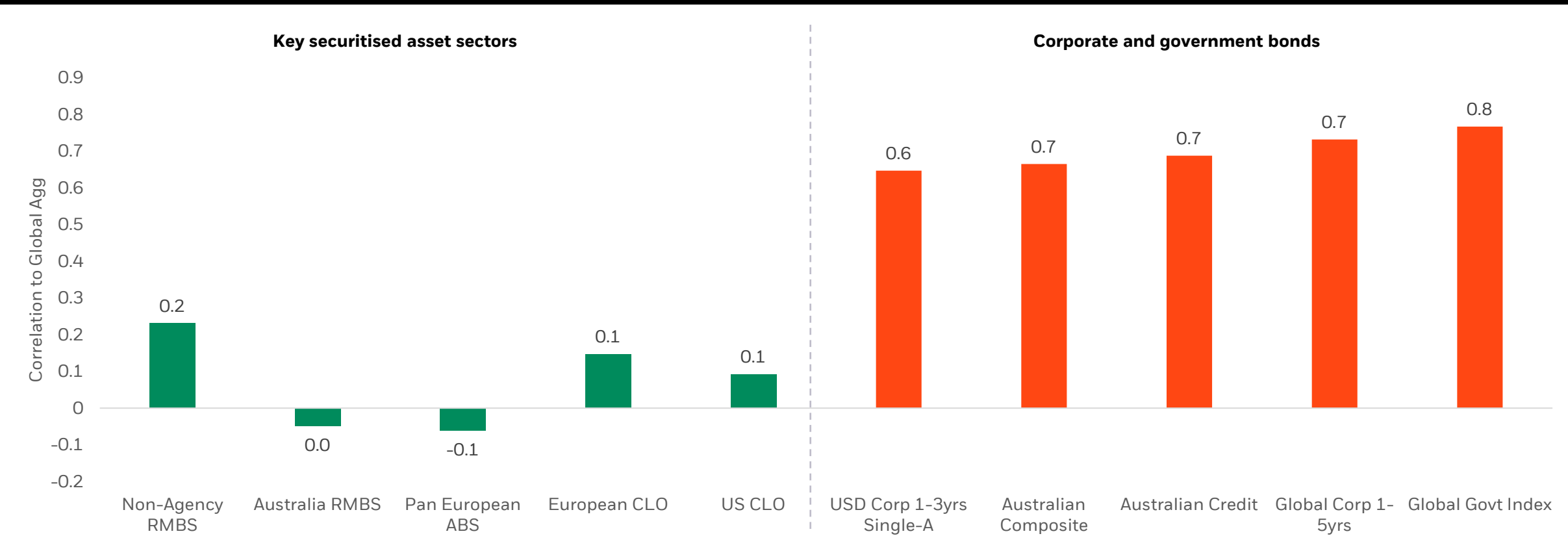
Gain Market Access

- Securitised assets are harder to source.
- Investors may consider a manager with **dedicated resources** and **long-standing relationships** with the dealers, issuers, and sponsors.

Sources: BlackRock, as of April 2026. Important note: Diversification does not guarantee a profit or eliminate the potential for loss. The above views are shown for illustrative purposes only and represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This is not meant to be a recommendation to buy or sell any security.

Securitised assets can offer diversification benefits

Return correlations to the Global Aggregate Index (last 10 years)



Source: Bloomberg, BlackRock, JP Morgan as of October 2025. Correlations are to the Barclays Global Aggregate Index. Securitised sectors: iBoxx US Non-Agency RMBS Index, ICE AU RMBS Index, Bloomberg Pan European Floating ABS Bond Index, JP Morgan European CLOIE AAA Index, JP Morgan US CLOE Index. Corporate and government bond indices: ICE BofA USD single-A index, Bloomberg AusBond Credit, Bloomberg AusBond Composite, ICE BofA 1-5 Year Global Corporate Index, Bloomberg Global Aggregate - Government Index

The Building Blocks

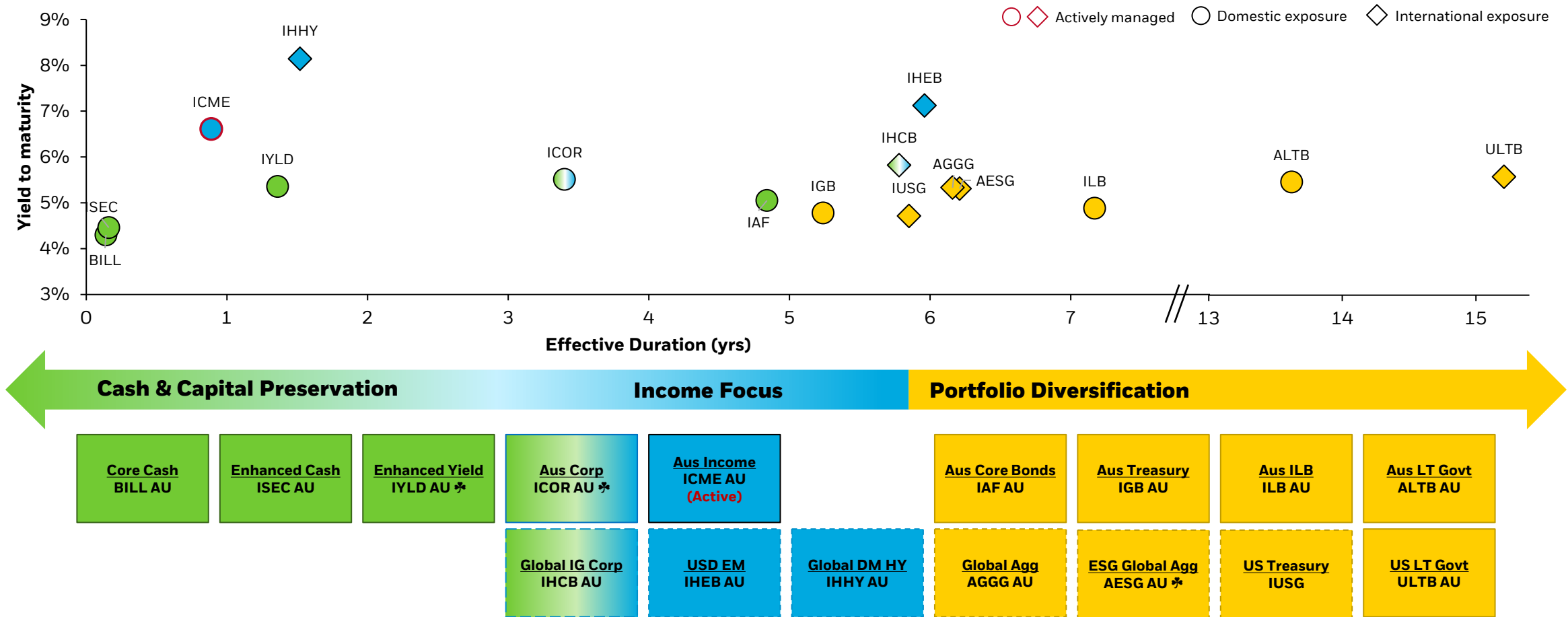
How to build an income portfolio in practice

RBA Hikes

- ISEC** iShares Enhanced Cash ETF
- ICME** iShares Credit Income Active ETF
- ILB** iShares Government Inflation ETF

RBA Cuts

- IYLD** iShares Yield Plus ETF
- ICME** iShares Credit Income Active ETF
- IAF** iShares Core Composite Bond ETF
- ALTB** iShares 15+ Year Australian Government Bond ETF



This information is for illustration purposes only. It should not be relied upon by the reader as investment advice or recommendation regarding the iShares funds. This includes ASX-listed ETFs and mutual funds domiciled in Australia
Source: BlackRock, as of 31 Mar 2026. ILB = Inflation-Linked Bonds. ✱ denotes Screened/Sustainable offering. Mentioning of iShares Fund does not construe as any investment advices or recommendations. Please refer to the Fund prospectus for more details, including the risk disclosure. International exposure are showing hedged yield with estimated hedged cost using 1M FX Fwd as of 31. Mar 2026. Diversification may not fully protect you from market risk.

iShares Credit Income Active ETF

The iShares Credit Income Active ETF provides investors with access to a portfolio of higher yielding Australian bonds, aiming to outperform the RBA cash rate after fees.

ICME



Income focused

Designed to provide investors with regular income and capital preservation which is sourced from Australian fixed income securities.



Multi Sector

The fund can invest across various Australian fixed income sectors, including a range of corporates like subordinated debt, securitized assets and hybrids.



Research-Driven Decisions

Uses bottom-up research aiming to find reliable, high-yield securities, drawing on BlackRock's global active fixed income expertise.

Fund Characteristics

Portfolio Managers



Navin Saigal
Head of Global Fixed Income, Asia Pacific



Craig Vardy
Head of Australian Fixed Income



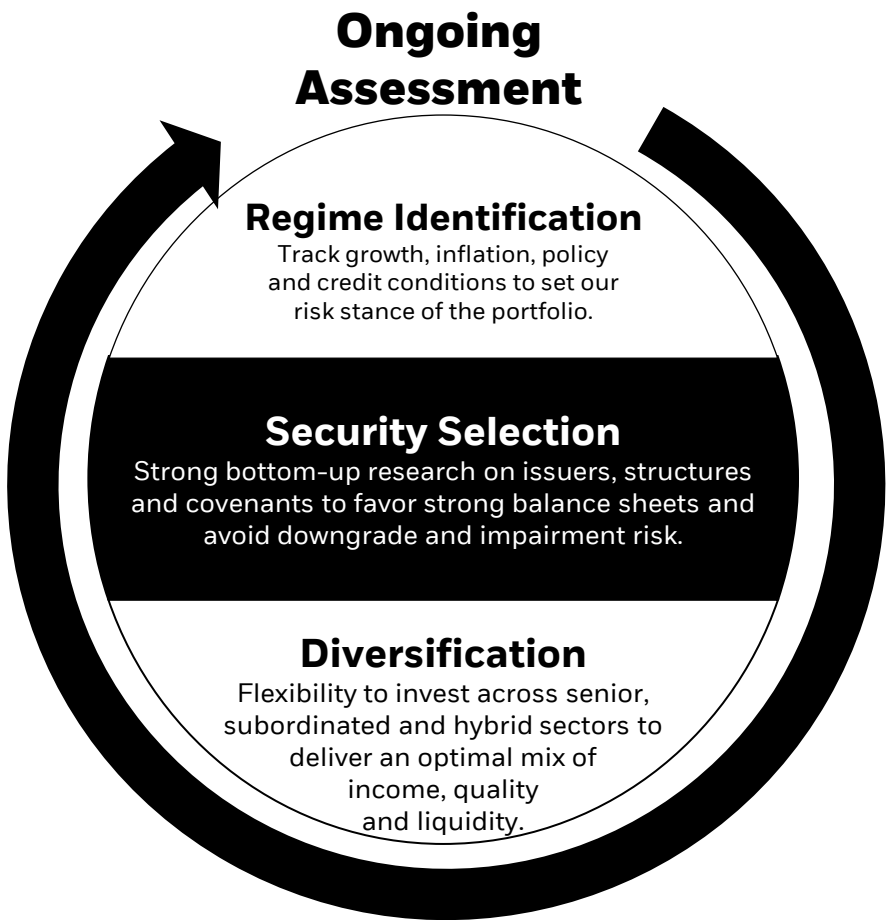
Cameron Garlick
Director, Global Fixed Income Portfolio Manager

Inception	21/11/2025
Currency	AUD
Benchmark	RBA Cash Rate
Yield Target	RBA Cash Rate + 150bps
Fees	0.29%
Distribution	Monthly
# of Positions	~60
Approach	Active

Source: BlackRock. The current investment process is as of April 2026 and is subject to change. Diversification and asset allocation may not fully protect you from market risk. Targets are predictive in nature and may be affected by unknown risks and uncertainties. Actual results may differ. There is no guarantee that a positive investment outcome will be achieved

Dynamic Framework

As markets shift, the iShares Credit Income Active ETF (ASX: ICME AU) management team will continuously evaluate income opportunities across fixed income sectors.

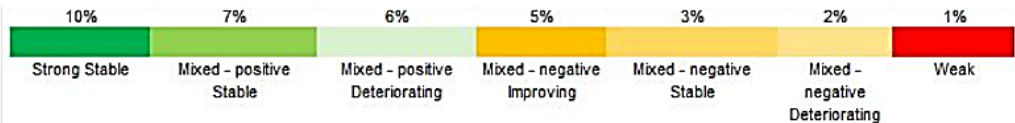


Investment Parameters

Sector	Indicative Portfolio*
Senior Debt	15%
Subordinated Debt (Tier 2)	75%
Hybrids (AT1)	0%
Securitised (eg RMBS)	10%

*Subject to change.

- Duration target ~ 1 year
- Flexible allocation to Investment Grade Corporate Bonds and Subordinated Debt
- 20% limit to Hybrids and Securitised respectively
- Indicative issuer limits based on BlackRock credit assessment:



Source: BlackRock. The current investment process is as of April 2026 and is subject to change. Diversification and asset allocation may not fully protect you from market risk

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