

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK[®]

FUND UPDATE

31 October 2021

Investment Performance (%)

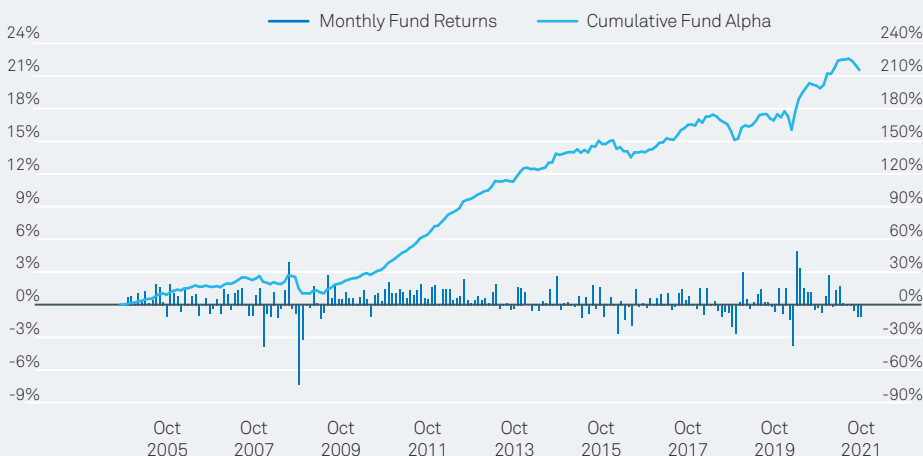
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund [^] (Gross of Fees)	-1.06	-2.57	3.64	3.91	5.65	4.97	8.19
RBA Cash Rate Target	0.01	0.03	0.08	0.11	0.61	0.97	3.24
Outperformance (Gross of Fees)	-1.07	-2.60	3.56	3.79	5.03	4.00	4.95
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	-0.91	-2.60	1.71	1.75	3.68	3.15	2.74
RBA Cash Rate Target	0.01	0.03	0.08	0.11	0.61	0.97	1.45
Outperformance (Net of Fees)	-0.91	-2.62	1.63	1.64	3.06	2.18	1.29

*Fund inception: 31/07/2013. ^Fund inception: 30/07/2004

The BlackRock Multi Opportunity Absolute Return Fund invests in, and has the same underlying investment strategy as, the BlackRock Multi Opportunity Fund, which has an inception date of 31 July 2004. The BlackRock Multi Opportunity Fund is only available to wholesale clients.

Performance for periods greater than one year is annualised. Past performance is not a reliable indicator of future performance. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance of the BlackRock Multi Opportunity Absolute Return Fund and the BlackRock Multi Opportunity Fund will vary due to fee differences. 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.

Fund Performance (Gross of Fees) to 31 October 2021



Performance Summary

Market Commentary

October was a mixed month for financial markets. Risk sentiment stayed positive as equities rebounded from their losses in September. Commodities had another strong month with energy prices continuing to rally, stoking inflationary pressures globally. Developed market government bond yields sold off over the month on the back of continued expectations around monetary stimulus being withdrawn. Some of the most significant rate moves occurred in Australia. 2-year Australian government bond yields spiked from close to zero to 0.6%, while 10-year yields rose from 1.5% to over 2.0% in October after the Reserve Bank of Australia (RBA) abandoned its yield curve control measures and did not intervene in defending its 0.1% target for the key April

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- Fund Performance
- Unit Prices

2024 bond. High yield markets recorded mildly negative returns, while investment grade markets were roughly flat over the month.

Global equities continued to deliver strong positive returns, especially in Australian dollar hedged terms. Regionally, developed market equities continued to outperform their emerging market counterparts, led by the US. Corporate earnings results were encouraging, with several large US and European companies reporting strong profits and announcing high dividend pay-outs. Japanese equities declined slightly in October despite September's rally following a change in Japan's political environment. The Australian dollar appreciated strongly over the month (which lowered some of the unhedged international equity returns).

Performance Statement

The BlackRock Multi Opportunity Absolute Return Fund posted a negative return of -0.91% in October (net of fees). This brings the Fund's year-to-date return to +1.7%, including +1.6% of alpha (net of fees).

Strategy Review

The Fund's Systematic Fixed Income, Equity Market Neutral and Global Macro components led the underperformance in October. Positive contributions came from the Fundamental Equity Long/Short and Event Driven components.

Systematic Equity Market-Neutral Strategies

The 32 Capital Fund posted a negative return in October.

The Large Cap model had a challenging month. Strong performance from Sentiment and ESG / Quality related insights were offset by weakness from Macro and contrarian Value signals and the effects of a number of stock specific events associated with poor earnings results and M&A activity. Short positions were the main driver of positive performance while the long side of the book detracted on a market adjusted basis. From a signal perspective, the best performing were Momentum signals constructed from alternative data such as internet search, mobile app usage, transaction activity and consumer brand ratings; while top-down measures designed to capture themes of inflation and supply chain disruption detracted over the month. From a sector perspective, a preference for Aerospace and Defence over Machinery and Electrical Equipment manufacturers was a notable detractor, amplified by material earnings misses from US Défense firms.

The Global Small Cap model navigated October well with gains spread across a number of industries, led by Healthcare and Pharma. From a country perspective Europe led the positive contribution, followed by North America. Overall, core Machine Learned models were the major contributor to performance with Quality-oriented signals contributing most.

The Mid Horizon component generated small gains for October. The challenging time for liquidity provision continued with elevated volatility which failed to deliver on traction for liquidity provision given the market's rapid transition between short term trends.

Systematic Fixed Income Strategies

The Fixed Income Global Alpha Fund delivered a negative return for October.

Relative Value strategies were the main detractor this month amid elevated volatility in the rates markets. Increased inflation fears and more hawkish central bank activity drove dramatic spikes in front-end rates and a flattening in the back-end of the yield curves across many countries. In the UK, the Debt Management Office dramatically reduced its debt issuance. In Australia, the Reserve Bank of Australia (RBA) ended its Yield Curve Target (YCT) following a robust CPI print. Poland's Central Banks announced a 40bps hike, exceeding the most hawkish forecast of 15bps. Long front-end positions in Canada also suffered as

the market priced in the most aggressive hiking path for the Bank of Canada (BoC) in the past decade.

Macro Strategies were the second largest detractor during the month as inflation continued to push higher driving significant volatility in rates markets. Long positions in Australia and Canada both detracted as their respective central banks dropped yield curve targeting and quantitative easing. Euro rates exhibited high volatility with front ends repricing aggressively and breakeven inflation rallying without significant push back from the European Central Bank (ECB), hurting positions in Sweden, Switzerland and New Zealand.

Credit strategies were a small positive as increased macro volatility coincided with earnings volatility, leading to a pick-up in dispersion in the European credit market which supported the Fund's signals in real estate and autos. Mortgage and Securitised strategies also mostly added. Capital Structure also added on country and sector selection, for example short positions in Covid-affected sectors such as airlines added due to muted earnings as a result of highly levered balance sheets.

Event Driven

The Event Driven strategy implemented by BlackRock Global Merger Partners posted a positive return in October.

Seven mergers the Fund was invested in closed during the month. An investment in the Baxter / Hillrommerger contributed to performance, as the HSR waiting period expired and the transaction continued to progress towards completion. Investments in the Canadian Pacific Railway / Kansas City Southern and UnitedHealth Group / Change Healthcare mergers contributed to returns, as both merger spreads moved tighter over the period. An investment in the Rogers Communications / Shaw Communications merger detracted from performance, as investors weighed any potential impact on the Shaw transaction arising from a conflict between certain board members of Rogers Communications and its CEO. Positioning in the Square / Afterpay and NortonLifeLock/ Avast mergers detracted modestly from returns, as both merger spreads drifted wider over the period.

Fundamental Active Equity Long/Short

Both the Global Equity Absolute Return Fund and the Emerging Companies fund posted positive returns in October.

Within the Global Equity Absolute Return Fund, the top contributor was Canadian National Railway, after an activist investor proposed a plan to improve the company's operations while reducing costs. The share price also benefitted from a change in management and reported an increase in profits over Q3, helped by higher freight rates and a rise in fuel surcharges. Netflix was the second largest contributor after posting positive Q3 results, with solid beats on both earnings and new subscriber growth at 4.4mn vs expected 3.84mn. The third contributor for the month was Recruit Holdings benefiting once again from the tightness in the US and EU job markets, where its major asset indeed. com profits from enterprise customers posting job advertisements. The top detractor was a long position in Locaweb, which has been a result of continued underperformance of Brazilian stocks on macro concerns rather than any stock specific news flow. Comcast was the second largest detractor after concerns were raised around the sustainability of growth momentum of the cable industry going forward driven by increased competition and a high household penetration for broadband services. The third detractor in October was a short position in a distribution and outsourcing company, which reported an increase in its underlying Q3 revenue on strong recovery in its base business in North America, raising its annual guidance.

Within the Emerging Companies Hedge Fund, a strong performance for October was driven strong US Q3 reporting season. Top contributors

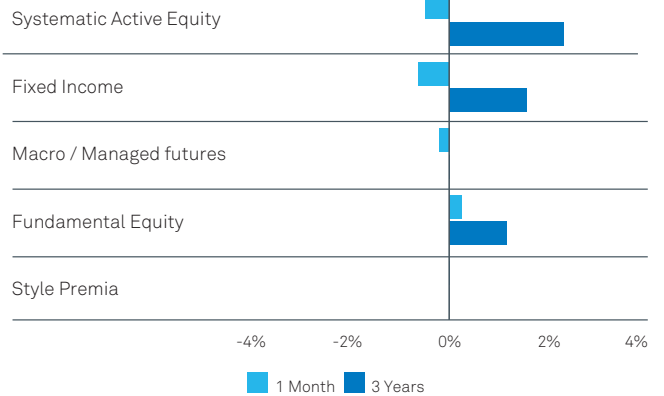
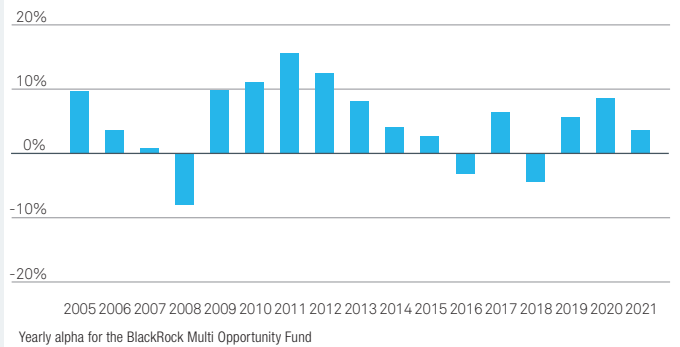
included Microsoft and Alphabet, which both delivered strong updates, reporting solid bottom line growth and delivering positive guidance. There was also strong share price performance in the UK from Watches of Switzerland and Ashtead, both of which remain core holdings for the Fund. There were also some disappointing updates which caused detractions, for example Snap revealed challenges in managing Apple's recent iOS changes with a shortfall in revenues that compares poorly with other providers such as Google and Facebook. On this basis the Fund sold Snap but retained Google and Facebook. Paypal was the largest detractor as the rumours of a deal to buy Pinterest this month caused investors to pause and reassess what they were buying into – payments or commerce? Paypal has subsequently confirmed they will not progress the purchase, but the shares are yet to rebound. Qinetiq also provided a disappointing update and is in dispute over a large contract, as such the Fund reduced the holding. More broadly, the mid cap space was subdued as investors continue to grapple with rising costs, supply chain issues and, in some cases, worries over domestic spending habits as we roll out of the Covid pandemic and return to work. The team see this as a transitory pattern and, indeed, an opportunity, as the mid cap space has some excellent and differentiated companies.

Global Macro

The global macro component of the fund, implemented by the Tactical Opportunities Fund, delivered a materially negative return in October as volatility in rates markets impacted several active positions. The Fund's largest risk driver – a long relative value position in Australian bond markets – was a material underperformer as Australian yields idiosyncratically repriced higher throughout the month. Uncertainty over central bank's policy in 2022 resulted in extreme volatility in front end rate markets and atypical yield curve responses. Additionally, a number of the positions that had contributed to strong September performance unwound their gains in October and some of the month-end losses were exacerbated by asynchronous marks-to-market.

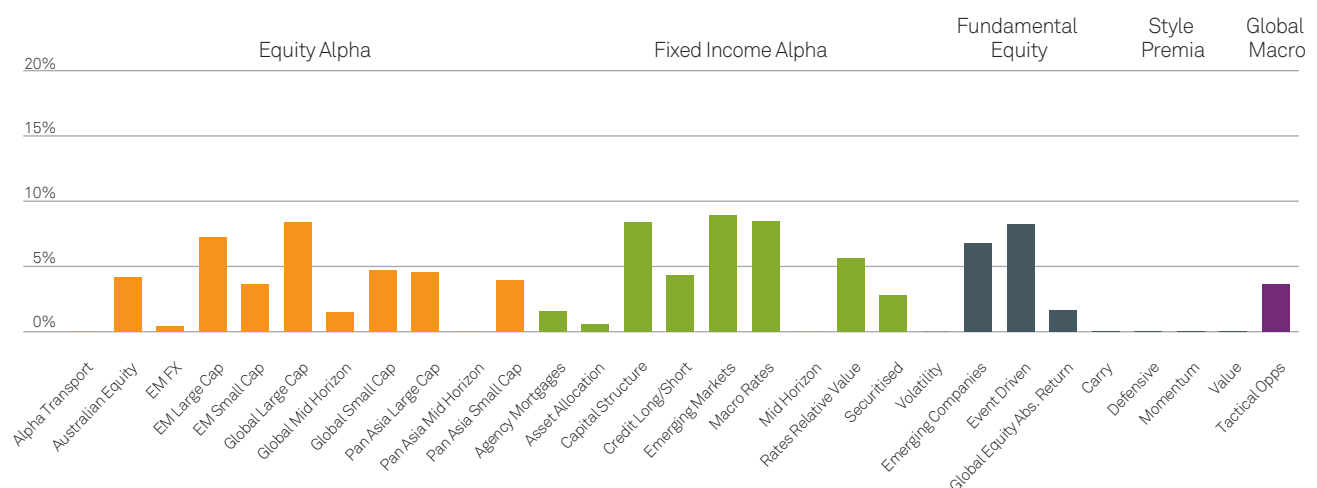
More broadly across the book, the largest detractors were Relative Value, cross-country strategies in sovereign bonds, country equity indices, and interest rates; as well as Systematic directional bond positioning and discretionary thematic positions. Some contributions came from Directional equity positions.

Yearly Alpha, Gross of Fees (%)



Attribution for the BlackRock Multi Opportunity Fund

Sub-Strategy Risk Allocation



About the Fund

Investment Objective

The Fund aims to achieve a return of 8% p.a. before fees, above the Reserve Bank of Australia's Cash Rate Target over rolling three-year periods. The Fund will aim to achieve its investment objective by targeting a total expected risk of between 4%-6% p.a. over the same rolling three-year period.

Fund Strategy

The Fund aims to outperform the Benchmark by providing investors with a source of risk controlled absolute returns that are, over time, expected to have low correlations with the returns of major asset classes.

The Fund gains exposure to a diversified range of absolute return strategies that may include, but are not limited to:

- ▶ **Equity Market Absolute Return** strategies that seek to exploit inefficiencies in individual stock prices by gaining exposure to long and short positions in local and global equity markets.
- ▶ **Event Driven** strategies that seek to capture the structural and persistent risk premia in merger arbitrage through a robust and repeatable investment process focused on companies that are involved in publicly announced definitive mergers, takeovers, tender offers, leveraged buyouts, and other corporate combinations.
- ▶ **Fixed Income Absolute Return** strategies that seek to exploit opportunities across global fixed income markets by taking long and short positions in a broad range of fixed income securities including, but not limited to: sovereign bonds; corporate credit; mortgages; and other securities.
- ▶ **Global Macro/Managed Futures** strategies that seek to exploit inefficiencies across global markets by gaining exposure to long and short positions across a broad array of global assets including, but not limited to: equities; bonds; currencies; commodities; and other assets. These strategies may utilise both fundamental and/or trend following insights to construct portfolios.
- ▶ **Market Neutral Style Premia** strategies that seek to capture positive returns from a range of style factor strategies across global asset classes while maintaining low correlation to broad market factors.

The selection of an investment for the Fund is the result of comprehensive due diligence to ensure that it is in line with fiduciary duties and in compliance with related party policies. The Fund may be a seed, lead or only investor in a BlackRock strategy. Acting as the seed investor may create a commercial opportunity for the BlackRock Group. For example, a seed investment in a BlackRock Strategy may allow the BlackRock Group to establish a track record for a fund or product that it is then able to sell to other clients.

We continuously explore BlackRock for the addition of new investment strategies with the view of including these where they meet the Fund's strict investment criteria. The Fund's investment strategy is implemented in three stages :

1. **Strategy Selection:** continuous search for (and due diligence on) the latest and most innovative research and investment ideas, leveraging BlackRock's extensive pool of investment specialists.
2. **Capital Allocation:** capital is allocated to construct a diversified portfolio of absolute-return strategies taking into account the expected return, risk and cost of accessing each absolute return category, as well as the available capacity of each category.
3. **Core Security/Market Selection:** security/market selection occurs within each absolute-return category at the underlying strategy level.

The Fund should be considered by investors who ...

- ▶ Seek a fund that uses total-return strategies across major asset classes and world markets with the objective of enhancing portfolio returns while diversifying risk.
- ▶ Seek a fund that has a low correlation to equity returns, interest rate moves and other active return sources.
- ▶ Have a long term investment horizon.

Fund Details

BlackRock Multi Opportunity Absolute Return Fund	
APIR	BLK0001AU
Buy/Sell Spread	0.45%/0.45%
Management Fee	1.25% p.a.
Performance Fee	20%
Strategy AUM	\$1146 mil
Hurdle Rate	RBA Cash Rate
Liquidity	Monthly
Private placements (% of NAV)	1.0%
Minimum Initial Investment	\$50K
Notification	12 business days
Lock-up Period	None
Domicile	Australian Unit Trust
Custodian	J.P.Morgan Chase Bank

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