BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE **30 June 2022**

Investment Performance (%)

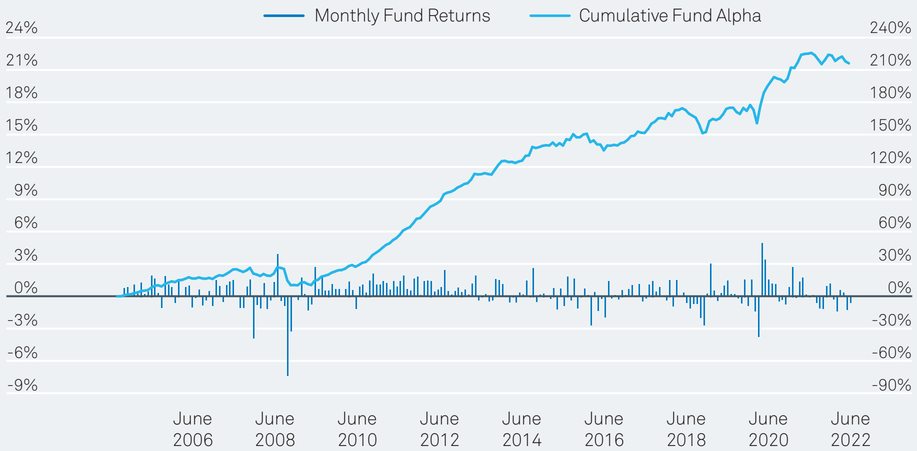
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	-0.44	-1.14	-1.96	-2.18	4.08	4.13	7.89
RBA Cash Rate Target	0.06	0.10	0.12	0.17	0.34	0.80	3.13
Outperformance (Gross of Fees)	-0.50	-1.23	-2.08	-2.36	3.74	3.33	4.76
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	-0.54	-1.43	-2.56	-3.15	2.13	2.31	2.46
RBA Cash Rate Target	0.06	0.10	0.12	0.17	0.34	0.80	1.36
Outperformance (Net of Fees)	-0.60	-1.53	-2.68	-3.32	1.79	1.51	1.10

*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 30 June 2022



Performance Summary

Market Commentary

The second quarter of the year was marked by volatility, with equities and fixed income selling off on the back of recessionary concerns, high inflation, and tightening financial conditions. Global equities finished the quarter down 15.5%, with Emerging Markets outperforming Developed Market counterparts. Fixed income markets were challenged by higher yields particularly at the start of the quarter, before reclining downwards towards the end of June amidst concerns that policy tightening may hurt the economy.

Multi Asset Team

Michael McCorry
Chief Investment Officer, BlackRock Australia

Karsten Kumpf
Senior Portfolio Manager

David Griffith
Senior Investment Strategist

Visit **BlackRock.com.au** for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Strategy Review

The BlackRock Multi Opportunity Absolute Return Fund underperformed over the month of June, down -0.5% (net) and the fund detracted -1.4% (net) for the second quarter of 2022. Quarterly performance was mixed across the underlying components with the fundamental equity component being the primary detractor. The systematic components also underperformed over Q2, with the fixed income component (implemented by the Fixed Income Global Alpha Fund) and the systematic equity long/short components, led by the 32 Cap Fund both detracting from overall Fund performance. The style premia componewnt delivered a positive contribution. Finally, Macro strategies supported the performance through the quarter with a slightly positive contribution to the overall fund.

Systematic Equity Market-Neutral Strategies

The Fund's systematic equity market-neutral component delivered mixed returns within sub-strategies for the second quarter. Within the 32 Capital Fund, the Large Cap sub-strategy dragged the performance for the quarter, followed by Emerging Markets which ended the quarter with a slightly negative return contribution.

Large Cap sub-strategy was the primary detractor caused by onset of growth scares and unresolved nature of the Ukraine. The increasingly single-minded focus on inflation observed in policy-maker rhetoric, ultimately manifested in an escalation in volatility towards the end of the period. Strong quarter-to-date performance of Fundamental Value and contrarian Quality signals reversed sharply as yield curves flattened and several well-known market commentators elevated the probability of the US entering recession within the next 12 months to 50%. Having struggled through April, top-down macro signals did indeed make a positive contribution to performance over May and into June before the turbulence. Despite some traction, further losses extended on a long position across several Travel and Leisure stocks. Q2 losses to stock selection were evenly attributable to Fundamental and Sentiment composites. Losses were most acute across Real Estate and Consumer facing companies.

The Emerging Markets sleeve also detracted, with a majority of the losses attributable to positioning within Asia. China was the main detractor from a regional perspective. From a sector perspective, Retail and Transportation were the weakest performers over the quarter.

Small Cap turned in positive performance boosted by US and APAC portfolios. The US sleeve shined as Trending Sentiment insights worked well and delivered the largest contributions. Within the Sentiment category, Internet search activity was a positive contributor.

The Mid Horizon sleeve was quite resilient and continued to deliver positive contributions coming predominately from Flow and Stat-Arb signals; topping with contributions from our machine-learned feature combination framework.. At the underlying sleeve level it was a bifurcated month of performance with detractions from APAC and Cross Border being offset by positive performance in Europe. The observed rotation across most market regions proved to be a headwind for Statistical Reversal insights in general. Specific to Europe, the positive traction was driven by several flow based insights which were adept at navigating the cross sectional moves prompted by rising recession fears.

Systematic Fixed Income Strategies

The Systematic Fixed Income component of Fund, implemented through Fixed Income Global Alpha (FIGA) Fund detracted from performance over Q2. Credit Long/Short strategies were the main detractor while Emerging Markets and Capital Structure strategies supported performance.

Top detractors: Credit strategies were the main detractor over the quarter as both European and US strategies underperformed. Credit markets were under pressure amid high inflation, persistently high rates volatility, economic growth and recession fears. Corporate credit has been hit by both rising rates and widening spreads. While higher rates led to a higher risk premium, it took time to result in higher dispersion, creating a challenging transitory environment for the signal set and strategies.

Top contributors: Macro strategies contributed during the second quarter primarily driven by Emerging Market (EM) strategies. The key themes during the quarter were rising rates, increasing inflation, decelerating growth and recession fears. These market forces were especially pronounced in EM. Underperformance of Polish rates benefitted positions while short exposures in Hungary and Mexico contributed as terminal rates climbed higher with no signs of domestic inflation moderation. Capital Structure strategies outperformed over the quarter as they successfully navigated the volatile market environment, in particular positioning in the Energy sector benefitted, as oil and gas prices spiked amid the Russian-Ukraine war and recession fears. Defensive equity security selection was especially additive amid anti-cyclical moves, delivering strong performance in Consumer Discretionary, Healthcare and IT. Mortgage & Securitized Credit strategies contributed in Q2 as the Credit Risk Transfer (CRT) securitised market was dominated by new issues which led to a tighter market.

Event Driven

The Event Driven strategy (implemented by the BlackRock Global Merger Partners fund) recorded a negative return overall for Q2 amidst a volatile market environment.

Top detractors: Key detractors from performance in the quarter include the Fund's investments in the NortonLifeLock/Avast and Healthcare Realty Trust/Healthcare Trust of America mergers. The transaction has received regulatory approval in the United States, Spain, and Germany, and is currently undergoing a Phase 2 review from the CMA (Competition and Markets Authority) in the United Kingdom. Spread widening in the quarter was driven by a reduction in the standalone valuation for Avast (should the merger not complete) and hedge fund repositioning to reflect the increased uncertainty associated with the CMA review. The team remains optimistic that the transaction will be approved by the CMA and will complete in the third quarter. The Healthcare Realty Trust/Healthcare Trust of America merger, negative performance was the result of significant spread widening in the quarter. This spread widening occurred after the disclosure of an acquisition proposal for Healthcare Realty Trust (the acquiror) that was conditional on the termination of the Healthcare Realty Trust/Healthcare Trust of America merger. Following this disclosure, the fund exposure has been reduced as the original investment thesis was no longer intact. An investment in the TD Bank/First Horizon merger detracted from performance due to general merger spread widening and a letter from select United States lawmakers to regulators expressing concerns regarding the merger.

Top contributors: Select high-conviction investments in the hard catalyst portfolio, including positioning in the Parker Hannifin/Meggitt and II-VI/Coherent mergers, contributed to performance in the period. The Parker Hannifin/Meggitt merger spread tightened significantly in the quarter as the parties achieved several important milestones, including: (i) competition approval in China, (ii) conditional approval from the European Commission, (iii) the announcement of a required asset divestiture, and most recently (iv) the U.K. Secretary of State for Business, Energy, and Industrial Strategy announcing he is "minded to accept" the parties' undertakings and grant U.K. regulatory approval after a consultation period (final U.K approval was received on July 19th). The Fund's positioning in the II-VI/Coherent merger positively impacted performance as the parties received final regulatory approval from China in June. Also position in the Oracle/Cerner merger contributed to the performance since the transaction closed during the period.

Fundamental Equity Long/Short

The Multi Opportunity Fund invests in three fundamental long/short equity strategies – the Emerging Companies Hedge Fund (Cayman), the Emerging Companies Hedge Fund (UCITS) and the Global Equity Absolute Return Fund – each of which recorded a negative return over Q2.

Within the Emerging Companies strategies:

Top detractors: The top 10 detractors were all long positions, and YTD the majority of these holdings continue to see strong trading and positive revisions to forecasts. Their poor performance therefore has been the result of significant de-rating as the market has worried about the impact of inflation and potential recession on earnings and a rising discount rate lowering valuations. The biggest detractor was Integrafin, a UK wealth management platform for advisers, which did disappoint in the month on a further cost-led downgrade. This is a particularly unwelcome development following a similar issue in late December. Second biggest detractor was Watches of Switzerland which continued to fall despite raising their financial guidance on the back of strong trading in late May and subsequently issued strong FY results recently. The team have met management recently and they reinforced the message that luxury watch demand remains robust and supply remains limited. The third biggest detractor was from Alphabet fell back after results showed a slowdown in YouTube revenue growth which was in contrast to recent quarters. This seems to be a function of current slower marketing spend especially in Europe. The team do not think it reflects an end to growth, just a slowdown in the growth rate.

Top contributors: The 10 contributors were all short positions. The largest contributor was from a short in a Scandinavian property company which has continued to fall on accounting concerns and its large debt burden. Other notable contributors included continued falls in a US online platform for second hand cars which fell a further 80% in the quarter, as well as a US online homewares business, and various other US consumer facing shorts. Another UK short success was a UK Industrial (specialising in manufacturing electrolysers for the production of hydrogen) which delivered a material profit warning in the period which combined anaemic order growth and operational challenges in delivering existing orders.

The Global Equity Absolute Return Fund delivered a significant negative result during the quarter (gross, standalone). This represents the fourth weak quarter in a row for the fund. There have been significant changes made to the Fund in response to both recent performance and the changes to macro-economic fundamentals given challenges of the current investing environment.

Top Detractors: The top three detractors came from the long book. Recruit is one of the Fund's largest long positions. The shares de-rated early in Q1 as rates rose, Earnings estimates were revised lower in Q2 as the market feared looming recession and the negative impact that would have on current tightness in the labour market. The team retains the position as the team believes the company is well placed to dominate online recruitment in the long term, investing aggressively through cycle to gain share. Sony, also detracted over the quarter even though they have managed earnings extremely well YTD, yet the shares have de-rated on account of concerns around Microsoft agreeing to buy Activision, and numerous other deals in game software, including Sony's own purchase of studio Bungie. The market is fearful around the long-term growth outlook for outsourcing trends towards third party logistics players such as GXO, particularly given the weakness in sales of many e-commerce companies and excess capacity being built up at companies like Amazon.

Top Contributors: The top contributors came from both the long and short book. The greatest positive contributor was a short position in a UK Software company, whose shares derated from around 30 times forward Price to Earning to around 22 times, due to higher rates and ongoing competitive concerns. A short position in a US listed streaming music company proved successful, as growth was impacted by service outages, Russia and FX downgrades, while gross margins continue to disappoint versus expectations, revealing their unenviable position as a price taker within the broader music value chain. Lastly, a long position in Baker Hughes benefited from consistent upgrades through the half with tailwinds from greater demand for Energy Security and particularly for LNG capacity, where Baker is dominant through its liquefaction equipment in turbines and compression. The traditional oil field services business also benefited from higher oil prices amidst the tight supply conditions.

Global Macro

The Fund's global macro component is implemented with two funds, the Tactical Opportunities Fund and the Absolute Macro Fund.

The global macro/managed futures strategy (implemented through the Tactical Opportunities Fund) underperformed quartering Q2; modulating between modestly positive and modestly negative returns before ultimately ending down. Gains generally came from developed market bond positioning, both directional and relative value, while relative value positioning in emerging market bonds and global equities detracted.

The Fund began the quarter net long equities and duration. Over the period the team trimmed its equity long and flipped to a net short duration position as the growth outlook weakened. In equities, the Fund reduced its European long while rotating into a basket of Asia Pacific versus the US and UK.

Top Detractors: Relative value equity positioning was the largest detractor on the quarter. The Fund positioned for a recovery in US equity performance in May, rotating to a long after positioning short for much of the year, but was early. Relative longs in Germany and France versus Italy and Spain underperformed after the ECB surprised with a program to limit rising peripheral spreads. In bonds, a long South Africa vs India position detracted as declines in metals and food prices boosted sentiment in India. A directional long basket of developed market bonds on weak growth data and peaking inflation data detracted.

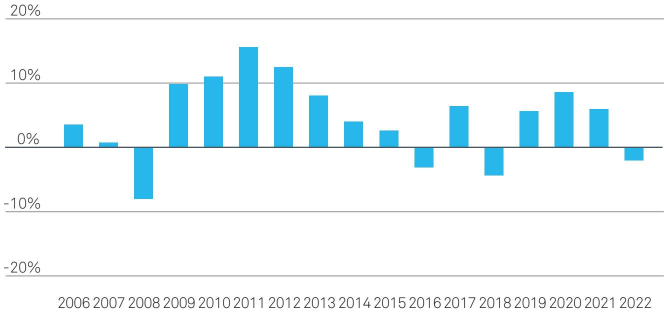
Top Contributors: Short positions in US 5 year and 30 year bonds and German 30 year bonds were key contributors over the period, as inflation continued to surprise to the upside and the Federal Reserve and European Central Bank (ECB) each reacted hawkishly. Relative value long postions in US and German bonds against Australia, Canada, and the UK further boosted returns as the former saw bond prices rally on recession fears while central banks in the latter began to shift policy more hawkishly.

The other sub-strategy within the Global Macro component, implemented via the BlackRock Absolute Macro Fund, delivered a strong positive performance over the second quarter. The outperformance was led by the Monetary policy timing and Macro-Aware Security Selection which had a strong performance. The Discretionary strategies also had a strong performance for the period while the Global Equity Country Selection and Global Rates country selection dragged the performance for the quarter.

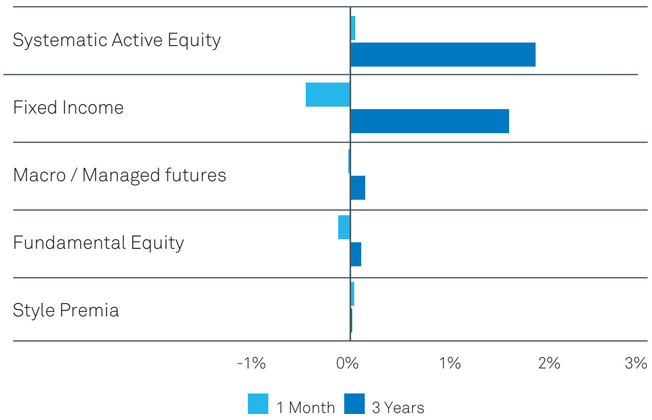
Top Contributors: The Monetary Policy timing strategy benefitted form an overall bias in Emerging and Developed Markets (DM). Performance came from both directional and long/short positioning, in the shorter end of the DM curve. This continued to be driven by the signals picking up on inflationary pressures via cross asset insights and supportive technicals. These positions benefitted from the hawkish ECB, US CPI printing above expectations and from the Fed hikes. In the discretionary stragtegies, short position in 30 year Bunds and long in European and Japanese equities supported the performance during Q2.

Top Detractors: The Global Rates Country Selection strategy struggled with longs in USD proxies e.g. Hong Kong and South Africa. Short positioning in Poland got hurt in the dovish turn there. Inflation timing strategy also dragged the performance over the period. Global Equity Country Selection was weak at the end of Q2 due to both cross-sectional and directional views.

Yearly Alpha, Gross of Fees (%)

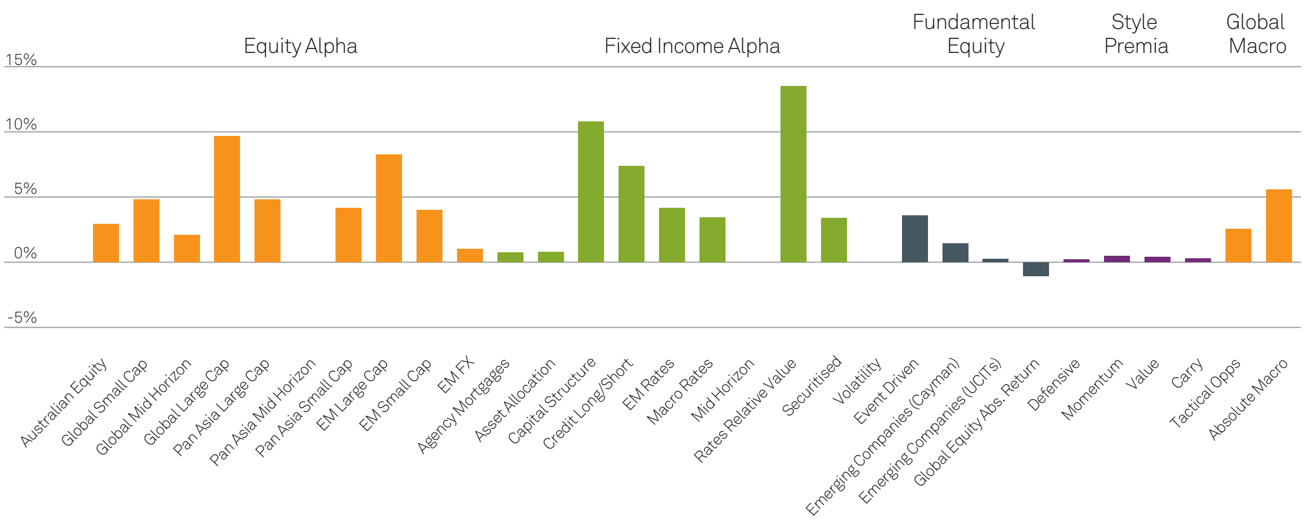


Yearly alpha for the BlackRock Multi Opportunity Fund



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	$1121 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

BLACKROCK®