

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK[®]

FUND UPDATE

31 July 2022

Investment Performance (%)

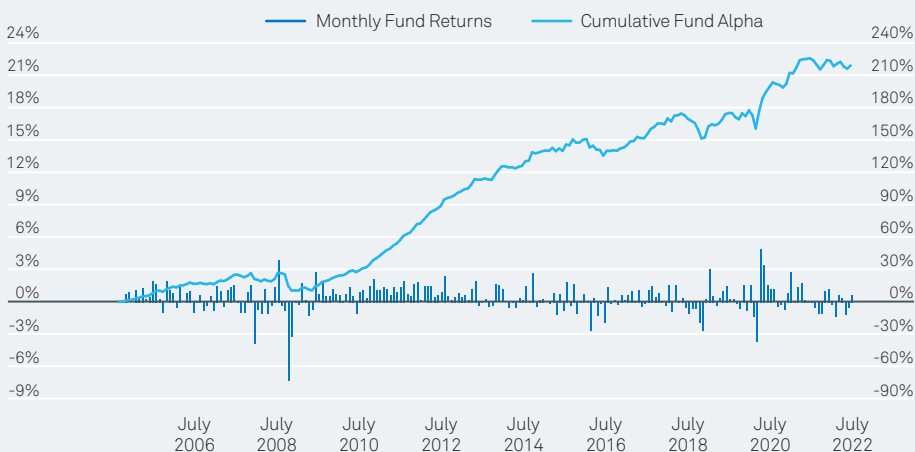
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	0.79	-0.76	-1.18	-1.57	4.23	4.03	7.90
RBA Cash Rate Target	0.11	0.20	0.23	0.27	0.34	0.79	3.12
Outperformance (Gross of Fees)	0.69	-0.96	-1.41	-1.84	3.88	3.24	4.78
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	0.68	-1.06	-1.89	-2.52	2.27	2.21	2.51
RBA Cash Rate Target	0.11	0.20	0.23	0.27	0.34	0.79	1.36
Outperformance (Net of Fees)	0.58	-1.26	-2.12	-2.79	1.93	1.42	1.16

*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 July 2022



Performance Summary

Market Commentary

Risk assets recovered some of their earlier losses in July as markets pared back expectations for monetary tightening amid a deteriorating growth outlook. Global equities, as represented by the MSCI World Index, finished the month up 6.4% in Australian dollar terms, with Developed markets outperforming Emerging market counterparts. Fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index, were offered some respite from prior months of rising rates, closing the month at +2.5% for the Australian dollar hedged investor.

Performance Statement

The BlackRock Multi Absolute Return Fund had a slightly positive return of 0.79% over the month of July (gross).

Multi Asset Team



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Strategy Review

Performance was broad based majorly driven by three of the five hedge fund components posting a positive contribution for the month. The Systematic Equity Market Neutral component led the performance delivering a positive return over the month. The other two contributing components were the Systematic Fixed Income Strategies implemented through Fixed Income Global Alpha Fund and Fundamental Equity Long/Short Strategies which delivered modest positive return contributions for the month. The other two components (Style Premia and Global Macro) were roughly flat over the period.

Systematic Equity Market-Neutral Strategies

The Fund's systematic equity market-neutral component, led by the 32 Capital Fund, delivered a positive return over the month. Three out of the four sub-strategies contributed to the performance which was slightly offset by negative contribution from Large Cap (LC) sub-strategy.

Top contributors: The largest contributor was Small Cap sub-strategy. Within small cap, strong performance came mainly from ensembled model constructs and custom signals designed to profit from beneficiaries of front-end driven curve flattening. Emerging Markets (EM) and Mid Horizon sub strategies also supported the performance over the month. Within EM, model performance outcomes were relatively narrow with stat-arb or short-term reversal signal constructs being the standout performers. The Mid Horizon component delivered a positive contribution to the fund performance over July reflecting the positive environment for liquidity provision as market volatility continued. Performance was broad-based across sleeves and signal families with contributions reflective of risk budget allocations.

Top detractors: The only detractor for the month was Large Cap sub-strategy which dragged the performance. The defensive positioning coming into the month ran directly against the grain of the exuberant market tone, which ultimately prevailed over July. As a result, the sub-strategy had a negative performance on the back of top-down macro positioning. However, these were slightly offset by gains from sentiment signals which coincided with investors refocusing attention on bottom-up company earnings. Strongest performing signals over the month centered around insights which seek to capture forward looking fundamental trends.

Systematic Fixed Income Strategies

The systematic fixed income component of the fund, implemented by the Fixed Income Global Alpha Fund (FIGA), posted a positive contribution to the fund performance in July. Most of the underlying sub fund strategies contributed to the performance with Capital Structure and Emerging Markets Long/Short leading the performance while Credit Strategies being the sole detractor over the month.

Top contributors: Equity & Capital Structure strategies were the main contributor. US equity long/short and convertible strategies drove gains. Short positions in high growth equity names and information technology sector, plus long exposure in Energy and Oil, Gas Exploration & Production sub-sectors were especially additive over the period.

Top detractors: Credit Strategies continue to be the detractor for the month and are also the sole detractor Year-to-Date. Both European and US strategies underperformed over the period. European book was overweight metals and miners as the sector rallied on high demand and commodity prices, yet the position hurt as the narrative shifted from inflation to recession fears. Significant outflows in high yield also caused fund's long positions to detract in the US.

Event Driven

The Event Driven strategy (BlackRock Global Merger Partners) recorded a positive return in July as several mergers the fund was invested in closed during the month.

Top contributors: The Fund was invested in 7 mergers that closed during the month. An investment in Ericsson/Vonage contributed to performance following the receipt of final regulatory approval and successful completion of the transaction. Positioning in the Dupont/Rogers transaction was additive to performance as the merger spread tightened over the period. An investment in Vista, Evergreen/Citrix contributed to performance as the merger continued to progress towards completion.

Top detractors: An investment in Norton LifeLock/Avast detracted from performance as the result of increased uncertainty associated with the Phase 2 review in the United Kingdom. Hard catalyst positioning in the Rogers Communications/Shaw Communications transaction hindered performance due to a failed mediation process and additional scrutiny following a network outage at the acquiring company. An investment in Intercontinental Exchange/Black Knight also detracted from performance.

Fundamental Equity Long/Short

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

Within the Emerging Companies strategies:

Top contributors: The top 10 contributors were all long holdings, 5 in the UK and 5 International. The top contributor was RS Group (formerly Electrocomponents), a company which has delivered strong results all year including upgrades to profit expectations but has seen its share price de-rate on recession fears. Whilst not immune to an economic downturn, the team believes that RS Group is well positioned both strategically and financially to continue to win market share in the US and those share gains can accelerate so that has the potential to create significant shareholder value in the coming quarters and years. The second and third largest contributors to the fund performance over the month were Ashtead, and Watches of Switzerland respectively. Both companies have grown well in the recent years but have been sold due to performance fear. The companies recently demonstrated very strong results with no evidence of a slowdown. Share prices rebounded on both their own results as well as a broader easing in macro fears.

Top detractors: The top 10 detractors were 9 short positions and 1 long position, and mostly internationally listed shares. The top detractor was a privately held company which had a capital raise in the period at a discount to the last valuation and so was marked down to that new value. This is the only private investment in the fund and had a small negative contribution to the fund performance. The second largest detractor was a short in a US fast food outlet, which had negative results, but the shares looked through this problem and began to rally alongside many other consumer facing companies. The third largest detractor was a short in a US car manufacturer which saw its shares rebound alongside other growth companies.

The other fundamental equity long/short strategy, Global Equity Absolute Return Fund, posted a positive return in July. From a sector perspective Industrials and Health Care exposures contributed to the performance while Financials and Consumer Discretionary detracted.

Top contributors: The top contributor was Recruit Holdings, which benefitted as growthier areas of the market generally performed strongly, having been weak earlier in the year. ASML was the second largest contributor after the company announced strong Q2 results, demonstrating robust sales and a backlog of growth momentum. In addition to this, bookings remained solid which supported the fact that ASML appears to have resilient demand, even during a slowdown in the broader sector. The third contributor for the month was Vestas Wind Systems, which rose sharply following a breakthrough in US budget negotiations, which will pave the way for further green spending, and a potential resumption in the Production Tax credit for wind power.

Top detractors: The top detractor was a short position in a US kitchenware and home furnishings retailer, after the share price benefited from a more positive market environment and falling US ten-year yields (which typically support the relative performance of the Consumer Discretionary sector). Tencent was the second largest detractor after the company faced new fines from the Chinese regulator for being in breach of disclosure violations. The company continues to be unable to launch any new games in China, although the regulatory ban was eased for some smaller gaming companies. The third detractor was a short position in a US semiconductor business, on no stock specific news flow other than a supportive market environment. The position is a partial hedge for exposure to semiconductor positions in the long book.

Global Macro

The Fund's global macro/managed futures component is implemented by two strategies, the Tactical Opportunities Fund, and the Absolute Macro Fund.

The Tactical Opportunities Fund had a muted performance in July. Discretionary views gave back returns after a streak of 6 consecutive months of positive returns.

Top detractors: Directional duration shorts all detracted as yields fell across the board. Equity markets climbed higher in July, however, which benefited the funds' Discretionary longs in Japanese equities and helped offset some losses. Within the Systematic Equity Timing strategy, a modest short position in a basket of Developed Market equities detracted, driven by deteriorating free cash flow yields, challenging monetary policy regimes, and negative equity sentiment as measured by IPO activity. Finally, the systematic Sovereign Bond Relative Value strategy detracted as long bonds in the US and Germany underperformed short bonds in Canada, the UK, and Australia.

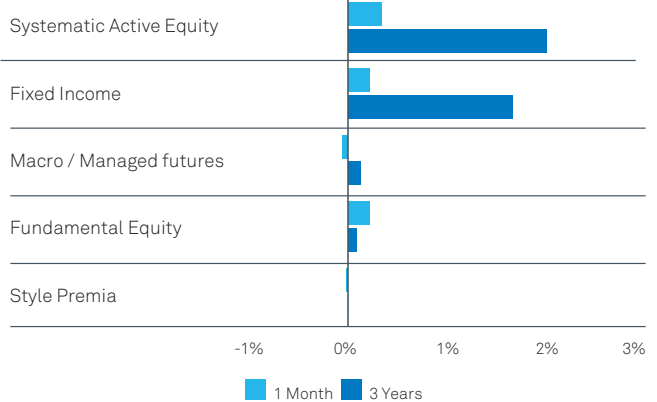
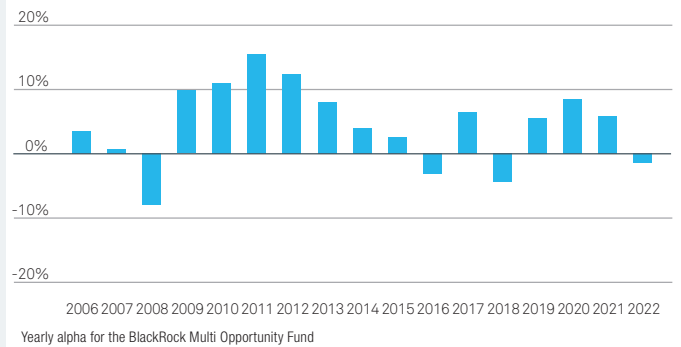
Top contributors: Equity country views contributed positively in July after suffering losses in June. Long positions in Singapore and Australia vs France and Hong Kong on improving shipping data in the former vs deteriorating data in the latter performed positively, as did reversal insights that faded recent Chinese equity underperformance and Italian outperformance. Equity industry views enjoyed strong performance from long positions in Tech and Utilities and underweights in Consumer Staples and Energy. Contributing insights included Inventories (Consumer Staples having too much inventory vs. demand and needing to destock at lower prices) played out over the month, as did trading against elevated Labour Costs (Technology has done a good job of reducing hiring/labour costs relative to other sectors).

The other sub-strategy within the Global Macro component, implemented via the BlackRock Absolute Macro Fund, was slightly down over the month. Global equity Country Selection had a negative performance followed by underperformance from Discretionary Thematic. The Macro-Aware Security Selection had a positive return over the month along with Monetary Policy Timing which supported the performance.

Top detractors: The biggest laggards were Global Equity Country Selection where a short position in US equity stock hurt the portfolio. Discretionary Thematic also had a negative return over the month with short duration positioning detracting as yields fell over the month. Lastly Inflation Timing sleeve also underperformed. The fund was short break-evens which performed well over the period.

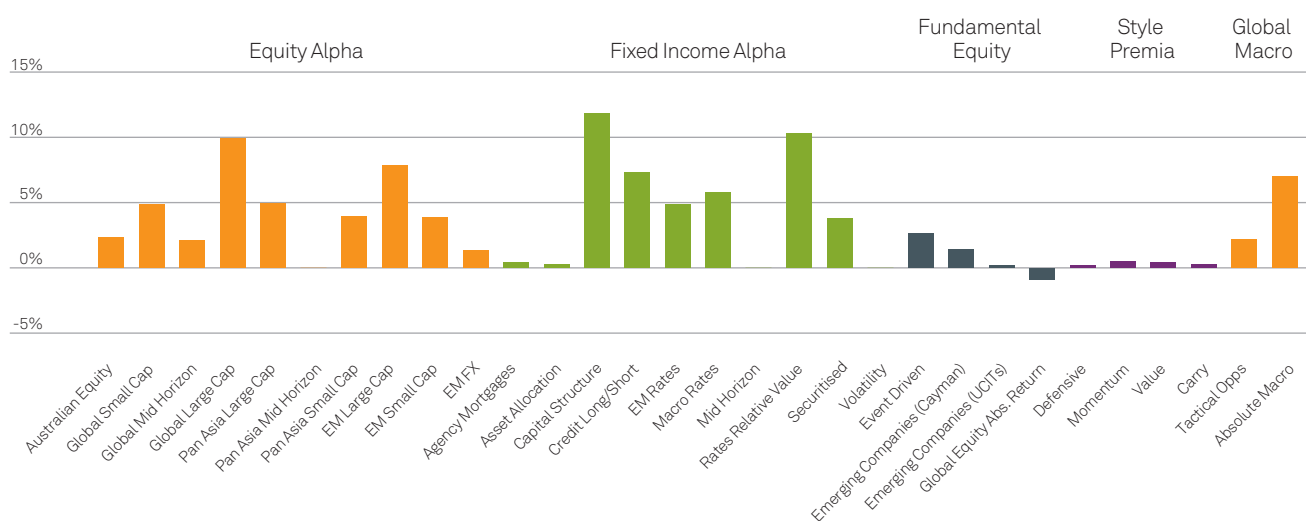
Top contributors: The fund had a strong performance from the Macro-Aware Security Selection sleeve as the fund benefitted from both industry, style, and overall security selection positioning. Monetary Policy Timing also supported the performance with positive returns particularly in EMs (short Eastern Europe and Lat Am against Asia).

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	0.10%/0.10%
Management Fee	1.25% p.a.
Performance Fee	20%
Strategy AUM	\$1120 mil
Hurdle Rate	RBA Cash Rate
Liquidity	Monthly
Private placements (% of NAV)	1.0%
Minimum Initial Investment	\$50K
Notification	15 business days
Lock-up Period	None
Domicile	Australian Unit Trust
Custodian	J.P.Morgan Chase Bank

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