

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE

31 August 2022

Investment Performance (%)

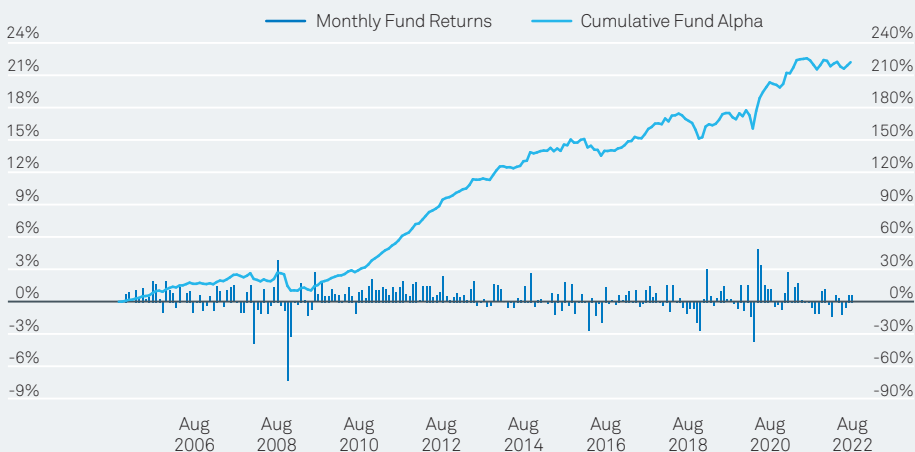
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	0.84	1.20	-0.35	-0.23	4.88	3.88	7.91
RBA Cash Rate Target	0.15	0.32	0.38	0.42	0.37	0.80	3.11
Outperformance (Gross of Fees)	0.69	0.88	-0.73	-0.65	4.51	3.08	4.80
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	0.73	0.88	-1.17	-1.21	2.91	2.08	2.57
RBA Cash Rate Target	0.15	0.32	0.38	0.42	0.37	0.80	1.36
Outperformance (Net of Fees)	0.58	0.56	-1.55	-1.63	2.54	1.28	1.21

*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 August 2022



Performance Summary

Market Commentary

Financial market volatility was elevated in August amid hawkish central bank rhetoric. Global equities, as represented by the MSCI World Index, finished the month down 2.5% in Australian dollar terms, with Developed markets underperforming Emerging market counterparts. Fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index, were also challenged as bond yields rose, closing the month down at 2.7% for the Australian dollar hedged investor.

Multi Asset Team



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

PERFORMANCE STATEMENT

The BlackRock Multi Opportunity Absolute Return Fund had a slightly positive return of 0.84% over the month of August (gross).

STRATEGY REVIEW

Positive performance was posted by two of the five hedge fund components. The Systematic Fixed Income component implemented by the Fixed Income Global Alpha Fund led with a strong monthly performance, followed by the Global Macro component implemented by the Global Market Strategies and Absolute Macro funds which also had strong performance. The other three components (Style Premia, Systematic Equities and Fundamental Equities) were roughly flat over the period.

Systematic Equity Market Neutral Component

The Fund's systematic equity market-neutral component, led by the 32 Capital Fund, delivered a relatively muted return over the month. The underlying sub-strategies were mixed: Small Cap led the detractors, and was partially offset by the Large Cap and Mid-Horizon sub-strategies.

Top contributors: The largest contributor was the Large Cap sub-strategy. Performance was concentrated over the second half of the month. Macro positioning in aggregate proved overly conservative, strong performance from a relatively new macro insight focused on the theme of "the return to the office" helped to offset losses. The Mid Horizon sub-strategy also delivered a positive monthly performance reflecting the continued positive environment for liquidity provision as market volatility continued. At a regional level, Europe and APAC were the standouts, recouping some of the ground they had lost to North America and Cross Border year-to-date by way of benefitting from a reduction in the macro and geopolitical uncertainty seen earlier in the year. From a signal perspective, there was a broad based contribution with the standout signal being views around the faster moving insights which have navigated the recent market environment very well. Flow and Sentiment insights have also performed strongly. The Emerging Market sub-strategy had a muted performance over the period.

Top detractors: The only detractor for the month was the Small Cap sub-strategy with under-performance being driven by broad-based model weakness. Quality insights in overall detracted heavily early in the month, most notably signal implementations looking at persistence of cash flow. This was also aided by generally good contributions from Value and Fast signals.

Systematic Fixed Income Component

The systematic fixed income component of the Fund, implemented by the Fixed Income Global Alpha Fund (FIGA), posted a strong positive contribution in August. All the underlying sub fund strategies contributed to the fund performance over the month.

Top contributors: Credit Strategies were the main contributor over the month with positive contribution from both European and US strategies. August saw the return of the inflation theme with high CPI prints, especially in Europe and hawkish central bank statements especially in the US. High Yield (HY) outperformed Investment Grade (IG) supporting the European strategies. Defensive positioning in Europe was also additive. In the US, short positions in several investment grade names also added to performance. In other sub-strategies, Securitized Credit added with both long positions and hedges contributing. Technicals remained strong in August, as new issue supply is expected to be very limited with Fannie Mae and Freddie Mac retaining the subordinate risk off their deals. During the month, Credit Risk Transfer (CRT) outperformed in comparison to HY.

Event Driven

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

Top contributors: The fund was invested in 7 mergers that closed over the month. An investment in the NortonLifeLock/Avast merger contributed to performance, as the United Kingdom Competition and Markets Authority provisionally approved the transaction following its Phase 2 review, causing the merger spread to tighten significantly. Positioning in the CSL Limited/Vifor Pharma merger was also additive to returns following the receipt of final regulatory approvals and successful completion of the transaction. An investment in the Broadcom/VMware transaction further contributed to performance as the merger spread tightened over the period.

Top detractors: An investment in the DuPont/Rogers Corporation merger detracted from performance as investors weighed the possibility that an extended regulatory review in China could delay the timeline to completion. Positioning in the Rogers Communications/Shaw Communications transaction also hindered performance, as the market ascribed a lower probability to a negotiated settlement and a higher probability that the merger hearings would move forward in front of Canada's Competition Tribunal this fall. An investment in the Microsoft/Activision Blizzard merger further detracted from returns due to the increased likelihood the transaction will be subject to a Phase 2 review in the United Kingdom.

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 negative return in August.

Within the Emerging Companies strategies:

Top detractors: The top 10 detractors were all long positions: 5 UK listed and 5 global. The largest detractor was the holding in Watches of Switzerland, whose shares were sold on worries about economic malaise affecting demand although this has not been reflected in their sales data. The second largest detractor was the holding in SigmaRoc which is a building products company also weak on demand fears. The third largest detractor was the big holding in Thermo Fisher, which just reversed some of last month's strength and detracted over the month.

Top contributors: The top 10 contributors were 3 long and 7 short positions, with 9 of them listed in UK. There was a broad mix, with the largest contributor being the long in RS Group whose shares had been supported by good results in July and then made a small acquisition in early August with attractive characteristics. The second largest contributor was a short in a UK building products group that is exposed to consumer spending but also recently made what the team thinks is an odd acquisition away from their core competence. The short therefore works on two levels. The third largest contributor was the long position in 4Imprint which had extremely strong results and uplifted profit expectations as their marketing is stimulating demand growth.

The other fundamental equity long/short strategy, the Global Equity Absolute Return Fund, also posted a negative return in August. From a sector perspective Industrials and Information Technology exposures detracted from performance while Communication Services and Consumer Staples contributed.

Top detractors: The top detractor was DSM. The stock has been under pressure given the long lead time for DSM to close the Firmenich deal. ASML was the second largest detractor as the US moved to ban certain high end NVidia chips for sale in the US, with a read-across around geopolitical concerns on supply. The third detractor was Recruit as the Fed's tone on tightening is expected to continue weighing on the current US labour market tightness.

Top contributors: The top contributor was Daiichi Sankyo, which recently won a patent battle against Seagen to retain all patent rights to its antibody-drug conjugate (ADC) technology. This prevents Seagen from collecting royalties on the sale of Enhertu – a breast cancer drug developed using ADC technology by Daiichi Sankyo in collaboration with AstraZeneca which got approved in the US for treatment earlier in the month. A short position in an American multinational beverage company was the second largest contributor on the back of weak second-quarter 2022 results announced in August. The third contributor for the month was a short position in a US based multinational technology company which significantly rebased its FY22 guidance following a weaker outlook for PCs and printers.

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 delivered a strong positive return in August.

Top contributors: The Interest Rate Swap Relative Value (RV) strategy was the largest positive contributor in August. Shorts in UK rates were a key driver on stronger than expected inflation data; shorts in Mexican, Korean, and Polish rates against Chinese, Brazilian, and South African rates further boosted performance. Divergence in inflation data and policy responses continues to provide a rich opportunity set for the strategy. Discretionary views further contributed, with shorts in US 5yr and 30yr, and German 5yr bonds, benefiting from hawkish rhetoric and policy action from central banks. The fund's Systematic Equity RV strategy continued its run of positive performance from July, with shorts in the US, Sweden, and Netherlands performing well versus longs in the UK, Spain, and Germany. Some positive performance came from newly added insights, but a veteran growth signal focused on shipping data was also well positioned for underperformance of European equities.

Top detractors: The Systematic Sovereign Bond RV strategy (which trades DM 10yr bonds long/short) detracted as longs in the US and, most notably, Germany, underperformed the shorts in Canada, the UK, and Australia. Net longs in Developed Market equities from the Systematic Equity Timing strategy – a change from last month when the strategy held a slight net short position – detracted slightly over the month. The change in exposures was motivated by an improvement in corporate profits and return to positive IPO sentiment

The other macro component, implemented by the Absolute Macro Fund, also recorded a strong positive return over the month.

Top contributors: Discretionary strategy generated performance across all exposures, including its short duration positioning in Europe, the US and Japan, as well as its modest long position in Japanese equities as global yields rose, and equities in Japan modestly outperformed. Global Rates Country Selection was up over the month, benefitting from its Emerging markets positioning (short Poland, Mexico, Korea against South Africa and China), as well as from short positioning in the UK on the back of growth and inflation insights, which paid off as the curve re-rated over the month. FX had three core bets on that all worked: short European growth (proxied predominantly via Swedish Kroona, SEK) that saw gains from the continued focus on energy price pressures and the associated economic impact; long USD (largely via JPY); short GBP – associated to the European growth picture, but with more idiosyncrasies.

Top detractors: Macro-Aware Security Selection gave back some of July's gains primarily due to industry models. Some contrarian insights that had been leading positive performance until August underperformed and generic trend insights outperformed more proprietary ones. Inflation Timing gave up some of its strong performance from earlier in the year as it flipped short break-evens after the decline in June and July into a significant recovery in break-evens in August. The strategy reduced its risk over the month, stemming potential losses.

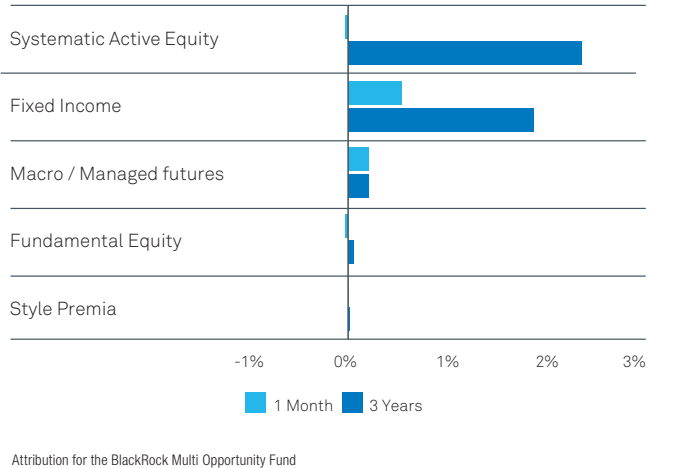
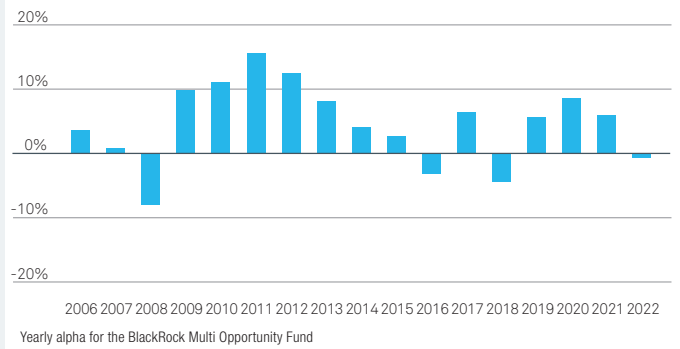
Style Premia

The Style Premia strategies implemented through Style Advantage Fund had a muted performance over the month. From a factor perspective, Value and Momentum had a strong month while Carry, Low Volatility and Quality exhibited some weakness to counteract them. Currencies were the leading asset class followed by equity markets with losses stemming from single name equities and fixed income.

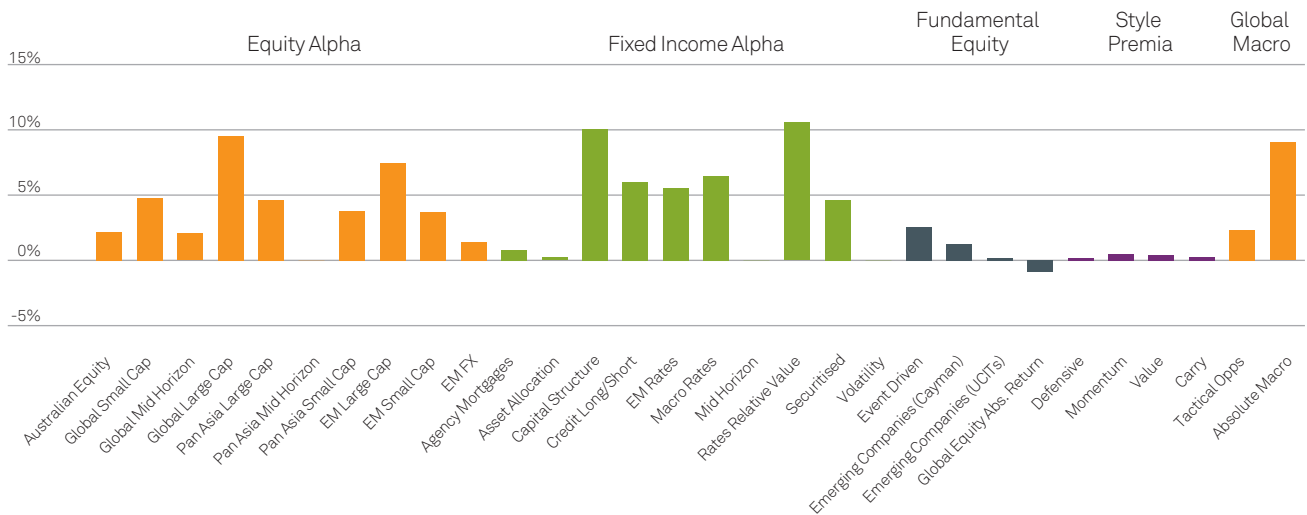
Top contributors: Currencies were the clear standout over the course of August, led by a strong showing from Carry and Momentum insights, while Value finished flat. The EM side realised the majority of returns with strong security selection across Asia – most notably high conviction shorts in the Chinese Yuan, which fell to two-year lows, as well as the Korean Won and Taiwanese Dollar, all under pressure from a hawkish Fed pushing up relative strength in USD. Equity markets delivered a mildly positive month as contribution from Momentum insights outweighed Value underperformance, while Carry finished flat. Sector performance saw nearly inverse contributions across developed (DM) and emerging markets (EM) as the former was able to slightly outpace its latter's detraction. Within DM countries, outperformance was driven in large part by three positions – long Japan and short both Sweden and U.S. equities.

Top detractors: Single name equities were modestly down over the month as positive performance from Momentum and Value was negated by a pull back in Low Volatility and Quality. Fixed income saw stronger moves across factors with substantial gains in Value negated by losses from Momentum and Carry. Performance continued to be split across sectors as EM gains were pitted against DM detraction, consistent with the broader trend that has been in place for much of the year.

Yearly Alpha, Gross of Fees (%)



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	1131 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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