

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE

30 September 2022

Investment Performance (%)

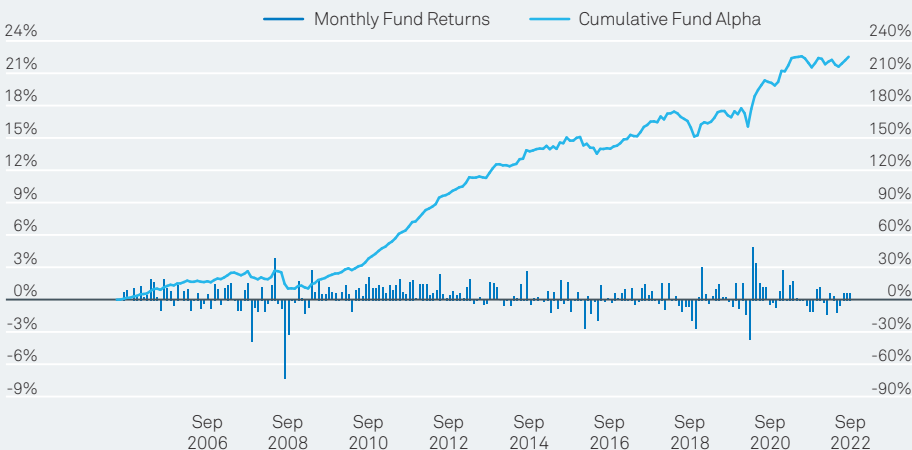
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	0.88	2.53	0.53	1.69	5.20	3.94	7.92
RBA Cash Rate Target	0.18	0.44	0.57	0.59	0.40	0.81	3.11
Outperformance (Gross of Fees)	0.69	2.09	-0.04	1.10	4.80	3.12	4.82
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	0.77	2.20	-0.41	0.67	3.22	2.15	2.64
RBA Cash Rate Target	0.18	0.44	0.57	0.59	0.40	0.81	1.37
Outperformance (Net of Fees)	0.59	1.76	-0.98	0.08	2.82	1.34	1.27

*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 September 2022



Performance Summary

Market Commentary

The third quarter of the year proved grim for investors. Following a short-lived bear market rally in July, global equities resumed their sell-off in August and September, leaving the MSCI World Index roughly flat at +0.3% over the quarter in Australian dollar terms. The depreciation in the Australian dollar provided some offset to the fall in global share prices, with unhedged equities outperforming their hedged counterparts. Meanwhile, Developed Markets held up better than Emerging Markets amidst heightened volatility. Historically aggressive rate hikes by several central banks around the world saw Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index, close the third quarter down -3.8% for the Australian dollar hedged investor.

Multi Asset Team



Michael McCorry
Chief Investment Officer,
BlackRock Australia



Karsten Kumpf
Head of Portfolio Management



Katie Petering
Head of Product Strategy

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- Fund Performance
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STRATEGY REVIEW

The Multi-Opportunity Absolute Return Fund delivered a positive return of +0.88% (gross) in September, bringing Q3 performance to +2.51% (gross). Five of the six hedge fund components contributed positively over the quarter. The Systematic Fixed Income component was the top contributor followed by the Systematic Equity Market Neutral component. Macro and Style Premia components also delivered positive returns over the period. The only detractor was the Fundamental Equity strategies which saw mixed performance from the sub-strategies over the period.

Systematic Equity Market Neutral Component

The Fund's Systematic Equity Market Neutral Component delivered positive performance in Q3. The global flagship strategy, the 32 Capital Fund, delivered strong returns led by the Small Cap sub-strategy, with three of the four sub-strategies delivering a positive contribution.

Top contributors: The Global Small Cap sub-strategy was the largest contributor to performance in the 3rd quarter. Early in the quarter, quality insights, notably signal implementations looking at persistence of cash flow detracted, driven by ensembled model constructs and custom signals designed to profit from beneficiaries of front-end driven curve flattening. However, by mid-quarter, strong positive contributions, most notably by the US sleeve, with stock selection signals across the Fundamental Quality and Sentiment categories became key drivers of return. For the Emerging Markets sub-strategy, the Small-Cap sleeve contributed positively in September continuing a multi-month run. A majority of the gains were attributable to security selection within South Africa, Korea, and Taiwan. The Mid Horizon sub-strategy delivered positive contribution overall in the third quarter, despite a small deduction in September as the market took a step wise increase in volatility driven by further hawkish action from central banks.

Top detractors: The Global Large Cap sub-strategy was the sole detractor over the quarter. In the context of Fundamentals and Macro, good performance through September helped offset losses arising in August. Earlier in the quarter, bottom-up Quality insights, combined with a relatively defensive stance driven by top-down Macro models, had proven overly conservative against the bear market rally, which played out through the middle of the quarter. At the same time valuation signals had struggled against a backdrop of falling real rates and expansion in multiples (particularly across the more speculative end of Growth). However, both composites provided a tailwind to performance through September as risk appetite deteriorated against a resumption in the march higher in rates.

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 to the Fund performance in the third quarter. All the underlying sub fund strategies contributed to the fund performance.

Top contributors: Equity & Capital Structure strategies were the main contributor over the third quarter. European credit-informed security selection strategies were especially additive. Gains were broad based across sectors with Energy, Industrials, and Consumer Discretionary names outperforming consistently during the quarter. Global Strategies benefitted primarily from country index futures models.

Mortgage & Securitised Credit strategies also contributed in Q3 driven by performance in the Securitised Credit book. Strategies were well positioned to capture gains driven by increased demand in the Credit Risk Transfer (CRT) market at the beginning of the quarter. Strong technicals in August supported performance as new issue supply is expected to be very limited with Fannie Mae and Freddie Mac retaining the subordinate risk from their deals. As rates markets began to sell off, technicals flattened out and CRT prices stabilized benefitting the Funds' strategies.

Relative Value strategies were also additive over the quarter. Gains were driven by Curve and Central Bank Timing strategies. As inflation surprised to the upside during the quarter short duration exposures across developed (DM) and emerging markets (EM) supported performance. Curve strategies also benefitted from Euro flatteners as yield curves bear flattened in response to central bank rate hikes. Central Bank Timing strategies were additive as net short positions captured gains given the on-going hiking cycles globally.

Macro strategies contributed during the third quarter. Strategies captured gains both in Emerging Market (EM) and Developed Markets (DM). EM rates followed the rally in core developed rates markets as investor focus shifted to a weakening growth outlook. The broad rally benefitted long duration positioning driven by the weakening global growth outlook and commodity price momentum. Short positions in Hungary and Chile were additive amid local currency weakness. On the DM side, strategies benefitted from short positions in European and UK rates versus longs in the US, with this spread widening materially. Long positions in the US were also additive amid moderating inflationary pressures, slowing growth, and attractive valuations.

Credit strategies also posted positive performance over the quarter. The European book drove gains as dispersion picked up and strategies were well positioned to capture alpha on the back of the inflation and recession theme. High yield outperformed investment grade in August, supporting European strategies. Defensive positioning in Europe was also additive. Short positions in Real Estate and Chemicals were especially beneficial amid rate hikes and the energy crisis in Europe at the end of the quarter.

Event Driven Component

The Event Driven strategy (BlackRock Global Merger Partners) posted a positive return over the third quarter.

Top contributors: 19 transactions the fund was invested in closed during the period. Positive performance was largely driven by the successful completion of deals as well as spread tightening among select, high-conviction investments. In Q3 2022, the top individual contributor to Fund performance was an investment in the NortonLifeLock/Avast merger, followed by positioning in the UnitedHealth Group/Change Healthcare and Ericsson/Vonage Holdings transactions.

Top detractors: The top individual detractor over the quarter was an investment in the DuPont/Rogers Corporation merger which detracted from performance as investors weighed the possibility that an extended regulatory review in China could delay the timeline to completion. The second largest detractor was a position in the Rogers Communications/Shaw Communications followed by Microsoft/Activision Blizzard transaction which is subject to a Phase 2 review in the United Kingdom, extending the timeline to completion.

Fundamental Equity Long/Short Component

The Fund invests in three fundamental long/short equity strategies – the Emerging Companies Hedge Fund (Cayman) and Global Equity Absolute Return Fund recorded a negative return in Q3 while the Emerging Companies Absolute Return Fund (UCITS) had a slightly positive return over the period.

Within the Emerging Companies strategies:

Top detractors: The top 10 detractors are made up of 8 long and 2 short positions. The top detractor was the long position in SigmaRoc a building products company which has been weak on fears of a slowdown in demand driven by slowing growth and macro concerns. This was despite the company delivering strong interim results in August, comfortably ahead of forecasts with no signs of the demand outlook slowing. The second largest 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. The third largest detractor was Auction Technology Group. There was no stock specific news flow in Q3 and no updates from the company since their strong H1 results in May. This is a share that has sold off along with other UK Mid cap growth shares due to exposure to the consumer, despite being a globally facing business with strong competitive advantages and ability to take share even if end markets decline.

Top contributors: The top 10 contributors were made up of three longs and seven shorts. The top contributor was a long position 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 thinks RS Group is well positioned both strategically and financially to continue to win market share in the US and the team believes those share gains can accelerate so that has the potential to create significant shareholder value in the coming quarters and years. The long position in Ashtead was the second largest contributor after delivering strong results in July demonstrating the strength of the business with US rental growth. The third largest contributor was NASDAQ which was strong after good results in July. It is worth noting that despite its name, this is not a business 100% exposed to trading shares. It has only 25% of revenues from trading with 75% from data and software solutions for clients.

The other fundamental equity long/short strategy, the Global Equity Absolute Return Fund, also posted a negative return over the third quarter. From a sector perspective Information Technology and Energy were the largest detractors while Consumer Staples and Real Estate holdings contributed over the period. From a regional perspective, long positioning in the US and Emerging Markets detracted from returns. In contrast, stock selection in Asia was the only positive contributor during the quarter.

Top detractors: The top detractor was Sony. Shares of the entertainment company detracted given lower demand and significant impact of currency movements on Q2 2022 earnings. Tencent was the second largest detractor in Q3 2022. Shares of the tech giant continued lag due to market sentiment around China, coupled with shrinking company margins amid slowing growth and higher borrowing costs. The third detractor was Baker Hughes. The oil field services company reported weak results missing revenue targets by 6% with equipment revenue lacking the most.

Top contributors: The top contributor was a short position in a Spanish multinational telecommunications company. The company faces shrinking margins due to its significant energy market exposure and highly leveraged financial profile. Elsewhere, a short position in an American multinational telecommunication holding company added given high leverage and weak pricing power. The third contributor for the month was a short position in a US based multinational technology company which reported a downgrade to its Q3 revenue guidance.

Global Macro Component

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 over the third quarter. Gains came from positioning in bonds, both directional and relative value, while directional positioning in equities detracted.

Top contributors: Discretionary shorts in US 5- and 30-year bonds and German 5-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) continued to hike policy rates. Systematic relative value bond positions contributed to the performance led by longs in China, Brazil, and South Africa vs shorts in Korea and Poland. Relative value equity positions also contributed as US equities sold off more than peers, benefiting a short US versus Spain, Germany, and the UK.

Top detractors: The Fund maintained a net long equity exposure over the quarter, which detracted as financial conditions tightened and equities across markets experienced multiple compression. The long is motivated by both Discretionary views ("global growth remains positive nominally even if flat to slightly negative in real terms") and Systematic views ("positive corporate profit outlook over the quarter, improving IPO sentiment"). While relative value bond positioning was additive overall, longs in UK Gilts late in the period detracted as UK bonds were hit hard by budgetary concerns.

The other macro component, implemented by the Absolute Macro Fund delivered a small positive contribution for the quarter mostly driven by Discretionary, Macro-Aware Security Selection and FX. However, DM Rate Country Selection, Global Equity Country Selection and Inflation Timing detracted from performance.

While the quarter started on a negative note, the fund recovered with a strong performance during August with every strategy category up other than Inflation Timing and Macro Aware Security selection. However, September gave up some of August gains as inflation fears resurfaced in the US, and energy concerns deepened across Europe.

The Fund also launched a new Commodities Selection model which it believes will be additive to the overall strategy. In terms of positioning, the portfolio remains neutral equity notional and continues to have negative duration exposure of around -3 years.

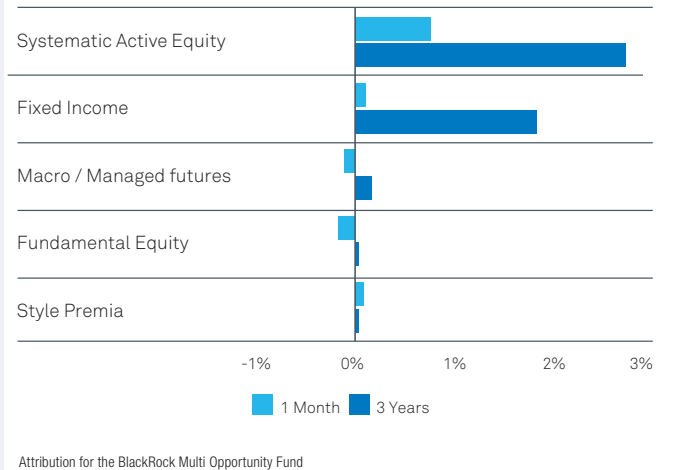
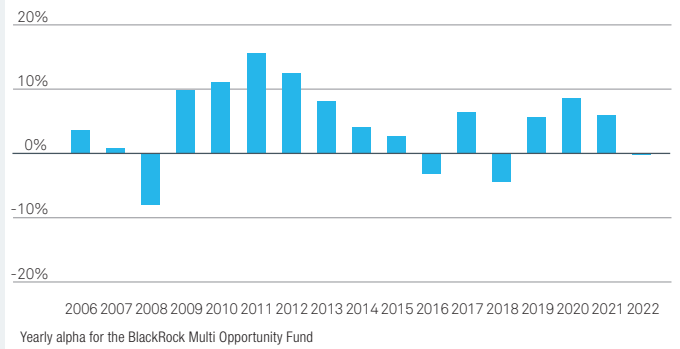
Style Premia Component

The Style Premia Strategies implemented through the Style Advantage Fund had a strong performance over the third quarter. The portfolio's gains in Q3 2022 were driven by three asset classes – currencies, fixed income, and single name equities – which delivered strong security selection through a challenging period marked by monetary policy-induced volatility.

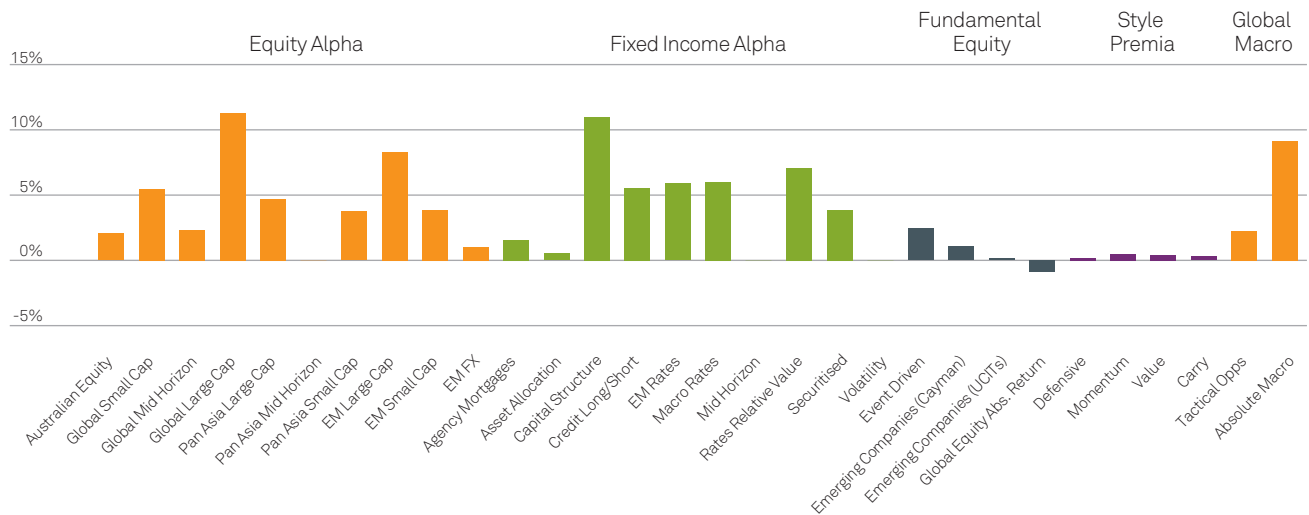
Top contributors: Fixed income was the top contributing asset classes in September, pushing the asset class positive for both the quarter and year to date. Developed market rates saw cross-sectional positioning on both sides of the book add value over an exceptionally volatile period for global fixed income, while emerging market rates finished flat despite remaining a top contributor YTD at the portfolio level. FX was the standout contributor over the quarter driven by a combination of Carry and Momentum insights. The asset class experienced a run-up alongside the fixed income book in September, where strong return contribution pushed the asset class firmly positive for the year. Single name equities continued to steadily add throughout the quarter, extending the asset class's portfolio-leading gains for the year. A shift in factor drivers saw Momentum lead all factors with complementary gains from Quality and Low Volatility, while Timing ended flat and only Value strategies declined.

Top detractors: The equity markets allocation finished the quarter a marginal detractor, as a strong run from Momentum strategies was negated by a reversal in Carry, while Value ended modestly below flat. Across sectors, the developed markets model continued to outpace its emerging markets counterpart, largely due to performance in high conviction shorts.

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	1140 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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