

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE

31 October 2022

Investment Performance (%)

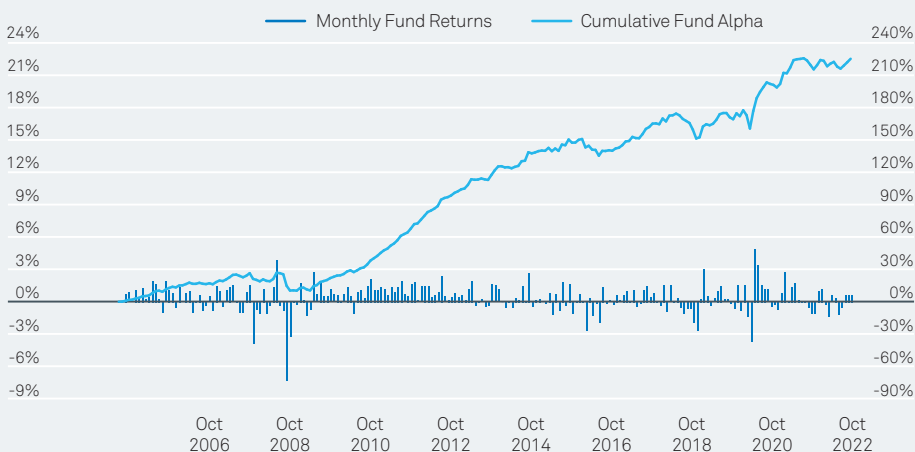
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	0.30	2.04	0.83	3.09	5.48	3.79	7.91
RBA Cash Rate Target	0.22	0.55	0.78	0.80	0.45	0.83	3.11
Outperformance (Gross of Fees)	0.09	1.48	0.05	2.29	5.02	2.96	4.80
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	0.19	1.71	-0.22	1.79	3.49	2.04	2.63
RBA Cash Rate Target	0.22	0.55	0.78	0.80	0.45	0.83	1.38
Outperformance (Net of Fees)	-0.02	1.15	-1.00	0.99	3.03	1.21	1.25

*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 2022



Performance Summary

Market Commentary

October saw a reprieve for risk assets, with the European energy crisis showing signs of easing and investors speculating there could soon be a potential dovish pivot by central banks. Global equities rallied over the month and the MSCI World Index rose by +7.8% in Australian dollar terms, with Developed Markets outperforming their Emerging Market counterparts. Fixed Income markets saw varied performance, with global bonds closing the month down -0.4% while Australian bonds posted positive returns of +0.9%. Riskier parts of the fixed income market also recorded positive performance given the improvement in risk appetite and tightening of credit spreads.

Multi Asset Team



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

PERFORMANCE STATEMENT

The BlackRock Multi Opportunity Absolute Return Fund delivered a positive return of +0.30% (gross) in October continuing the strong positive returns from the last quarter.

STRATEGY REVIEW

Positive performance was delivered by three of the five hedge fund components. The main drivers of the performance were the Systematic Equity Market Neutral component and Fundamental Equity Long/Short component. Underperformance was driven by Systematic Fixed Income component implemented through Fixed Income Global Alpha Fund. Style Premia and Global Macro components had a relatively muted contribution to the fund return over the month.

Systematic Equity Market Neutral Component

The Fund's systematic equity market-neutral component delivered slightly positive returns over the month. The underlying sub-strategies had mixed returns: Gains from Small Cap and Pan Asia Opportunities Fund were partially offset by the Large Cap and Mid-Horizon sub-strategies.

Top contributors: The largest contributor was the Pan Asia Opportunities Fund followed by the Small Cap and Emerging Markets sub-strategies which also had positive contribution to the fund return over the period.

Top detractors: 32 Cap strategy had a small detraction over the month. Within 32 Cap, Large Cap and Mid Horizon sub strategies dragged the performance over the period.

Systematic Fixed Income Component

The systematic fixed income component of the Fund, implemented by the Fixed Income Global Alpha Fund (FIGA) had a negative contribution to the Fund performance in October. Underperformance was mainly driven by Equity & Capital Structure, Mortgage & Securitized, and Macro strategies while Credit and Rates Relative Value supported the performance over the month.

Top detractors: Macro strategies were the major detractors for the month. The main weakness came from the funds' long US rates versus short Euro rates positioning. On the US side, the fund held long positions expecting that the inflationary impulse is waning, and valuations looked attractive. Within Europe, the overall market appeared to be rich considering the backdrop of strong inflationary pressures. However, the US market was bear steepening in October while the European complex has been well supported, hurting our positions.

Top contributors: Credit strategies were the main contributor in October, with both UK and US strategies driving returns. Single name security selection strategies were the most additive as dispersion has increased significantly over the month particularly around earnings releases. UK strategies benefitted from procyclical positioning over the month. US strategies were driven by quality oriented HY positions and gains in long energy producers.

Event Driven Component

The Event Driven strategy (BlackRock Global Merger Partners) had a positive return over the month.

Top contributors: The Fund was invested in 11 mergers that closed during the month. A hard catalyst position in TD Bank/First Horizon contributed to performance as the merger spread tightened over the period. A position in Elon Musk/Twitter contributed to performance as the parties successfully completed the transaction at the original terms. Rogers Communications/Shaw Communications was also additive to performance following a government minister in Canada clarifying the regulatory condition on the transaction.

Top detractors: The top detractor for the performance was DuPont/Rogers Corp as the transaction approached a termination date with the regulatory approval from China still pending. An investment in Microsoft/Activision Blizzard detracted from performance as the merger spread moved wider during the period. Intel/Tower Semiconductor also detracted from performance as the merger spread widened in the period.

Fundamental Equity Long/Short Component

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

Within the **Emerging Companies** strategies:

Top contributors: The top contributors were 9 long and 1 short with the majority listed in the UK. The largest contributor was Watches of Switzerland which rallied due to industry data and trading updates from luxury peers that suggests luxury products continue to trade well. The second largest contributor was the holding in SigmaRoc whose shares bounced after recent weakness and a solid update. The third largest contributor was Mastercard where the rebound in travel and cross border transactions supported a good revenue and profit rebound.

Top detractors: The largest detractors were 8 short and 2 long positions. The largest detractor was a short position in a US listed pest control business whose shares continue to trade at an extremely high multiple and which the team expects to contract as competition increases. The second largest detractor was a short in a US software company which gave a reasonable update and the shares bounced. The third largest detractor was a short in a tour operator which also bounced along with markets.

The other fundamental equity long/short strategy, the Global **Equity Absolute Return Fund**, also posted a positive return over month. From a sector perspective, Health Care and Energy contributed to performance while Communication Services and Real Estate detracted from returns. From a regional perspective, the fund's European positioning contributed the most during the month.

Top contributors: The top contributor was a long holding in Baker Hughes. Shares of the oil equipment and services company rebounded following September lows. The share price rally was supported by the positive market reaction to the new CFO appointment as well as strong Q3 earnings. The company reported a 13% YoY order growth and 5% YoY revenue growth. Suncor shares also rebounded following September lows. In addition, investors also favoured the company's decision to consolidate interest in its Fort Hills oilsands project. With Teck Resources agreeing to sell their 21.3% stake, Suncor can raise its market share and rebalance their asset portfolio with low carbon metals. The third contributor for the month was Chart Industries. The global manufacturer of highly engineered equipment reported another good quarter with record sales, orders, and margins. Demand remains strong and confidence in 2023-25 outlook was reiterated.

Top detractors: The top detractor was Tencent, Shares of the Chinese tech giant were plunging as markets reacted to the consolidation of power by President Xi Jinping, after he was confirmed to a historic third term as leader of the world's second-largest economy. The team continues to hold this position as the company fundamentals remained unchanged and the team believes there is a significant valuation upside. The second largest detractor was a short position in an American marketing communications firm. The advertising agency reported better than expected results during October. The third detractor was an American consumer packed goods company. Despite the company's shrinking margin, the stock price held up well during the month.

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. Overall, the Global Macro component had a muted contribution to the fund return in October.

The **Tactical Opportunities Fund** delivered a strong positive return over October. Gains came from positioning in bonds, both directional and relative value, while directional positioning in equities detracted.

Top contributors: Discretionary shorts in the US 30-year bond and an overweight to US equities were the primary drivers of performance over the period. On the systematic side, Interest Rate RV positioning added to the fund performance over the month as policy and inflation signals were the primary drivers of returns. Notable contributors to the strategy over the month were long/short positioning in UK and South African rates. Long positions in South Africa and China vs South Korea and Poland, and UK vs Germany delivered as the long markets outperformed on fiscal relief and the Chinese Party Congress, while shorts experienced elevated inflation. Increased equity beta at the start of the month contributed on a relief rally catalysed by strong US earnings.

Top detractors: Shorts in the S&P500 vs a basket of Developed Markets (DM) equities dragged on performance as resilient US earnings and a blip of USD weakness catalysed outperformance of US stocks. Country Relative Value (RV) positioning detracted as pricing and flow signals drove long positioning to the UK, Spain, and Taiwan, while flow signals drove shorts in the US and Italy. Underweights to Utilities and Insurers weighted on performance as the equity rally in October was led by defensives.

The other macro component, implemented by the **Absolute Macro Fund**, recorded a negative return over the month.

Top detractors: Global Equity Country Selection strategies were the top detractor in October. Short positions in the US and India in the cross-section were particularly painful as markets rebounded, along with long positions in China A shares and Hong Kong, which underperformed after the party congress in the end of the month. Policy and reversal insights underperformed, while flows and value signals outperformed. Directionally, the model was positioned for weaker economic conditions and was caught off-guard as equity beta outperformed. The Inflation Timing model grew its long breakeven view throughout the month, particularly from the UK and US, and suffered as the market priced in a softer landing, particularly from the US

Top contributors: Global Rate Country Selection strategies were the top contributor for the month and added value through both Developed Markets (DM) and Emerging Markets (EM) rate positioning. Long UK rates at the 5-year point added value as they recovered post-the UK budget drama, and a short in US rates on the other side added value as inflation continued to look outsized relative to expectations. Within EM, long South Africa and China against Poland and Korea added value on inflation and curve valuation signals. Discretionary added value through its short positions in US rates as yield curves continued to back up on the back of stronger inflation data, and in its long positions in Japanese, and then US equities as markets bounced over the month on the back of broadly better than expected earnings. Monetary Policy Timing added value through its short positioning at the front end of EM curves, notably in Hungary, Hong Kong, and Poland.

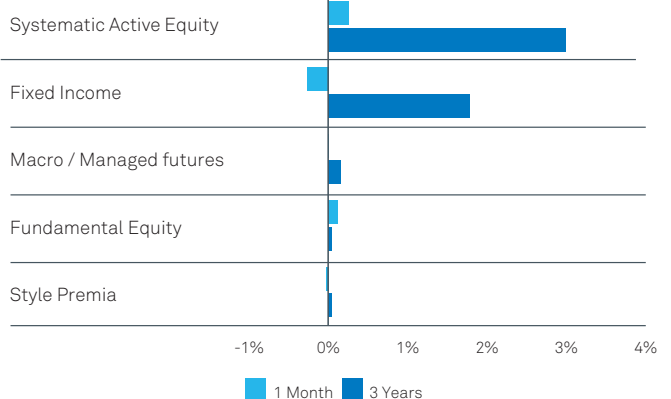
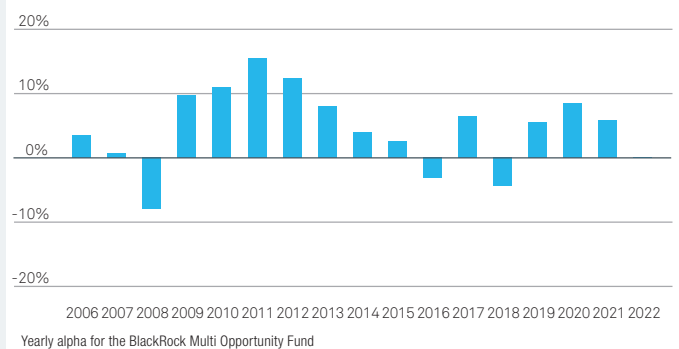
Style Premia Component

The Style Premia component implemented through Style Advantage Fund had a negative performance over the month. The fund experienced a volatile bout of performance in October, pulling back after a strong run-up in Q3. At the portfolio level, both asset class and factor performance were mixed as monetary policy continued to drive significant asset price swings. Across style factors, although the strategy had positive contribution from Carry and Value but was outweighed by deduction in Momentum and Quality, while Low Volatility added on the margin. From an asset class lens, gains in single name equities, and currencies were offset by underperformance within fixed income and equity markets

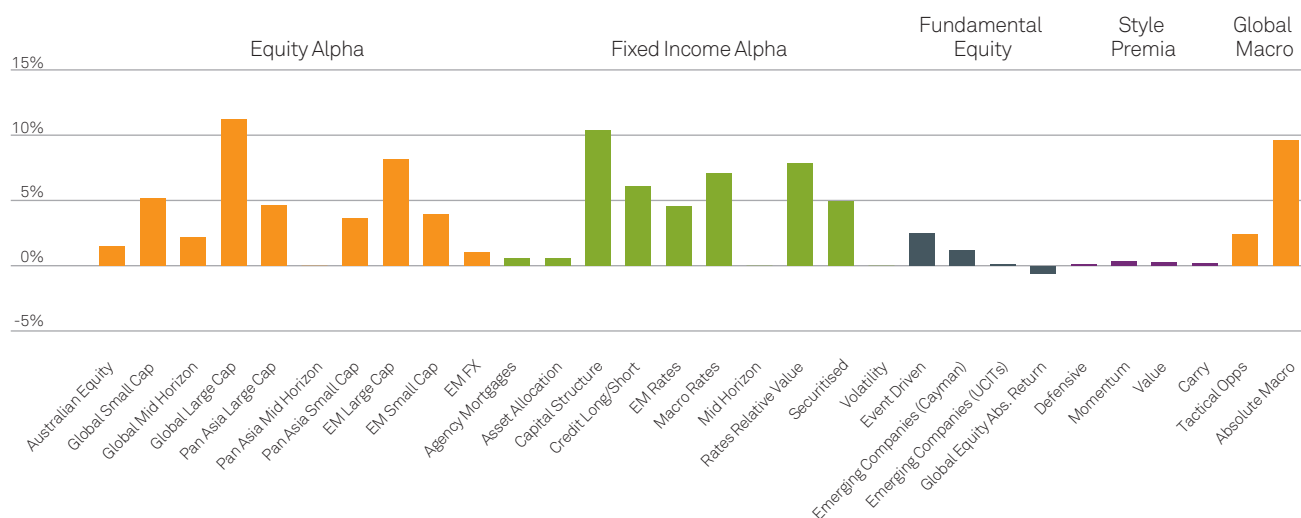
Top detractors: Emerging factor strategies posted losses as emerging market equities significantly underperformed developed markets, largely dominated by developments in China. Elsewhere, emerging market credit spreads tightened, but those gains were not enough to offset the factor's equity underperformance. Meanwhile, the Inflation factor posted small losses as investors' expectations of future inflation increased. Breakeven yields widened following upside surprises in CPI figures from the US and Euro area. However, despite the widening in breakeven yields elsewhere, the UK bucked the trend and helped soften the losses for the factor overall.

Top contributors: Economic factor was the top contributor over the month as developed large cap equities and listed real estate rebounded strongly from a challenging September. US equities were boosted by a resilient corporate earnings season, with more than two-thirds of companies that have reported results delivering above expectations for Q3. The magnitude of positive earnings surprise was notably below 5-year and 10-year averages – suggesting slowing demand across the economy. Energy and Industrials sectors outperformed, while several mega-cap tech names, including Meta and Amazon, disappointed. Elsewhere, European equity markets strongly rallied as the European Central Bank took a dovish tone following its 75bps rate hike in October, signalling a slower pace of rate hikes ahead. British financial markets stabilized as well after a significant turnaround in UK fiscal policy and change in political leadership. The Real Rates factor was strongly rewarded in October on speculation that central banks might start pivoting away from increasingly higher interest rate hikes to combat inflation. Real yields rallied with less-than-expected hikes from the Bank of Canada (50bps vs 75bps expected) and the Reserve Bank of Australia (25bps vs 50bps) as well as dovish comments from the European Central Bank, which enabled all inflation-linked bonds in the portfolio to post positive returns overall.

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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