

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK[®]

FUND UPDATE

28 February 2023

Investment Performance (%)

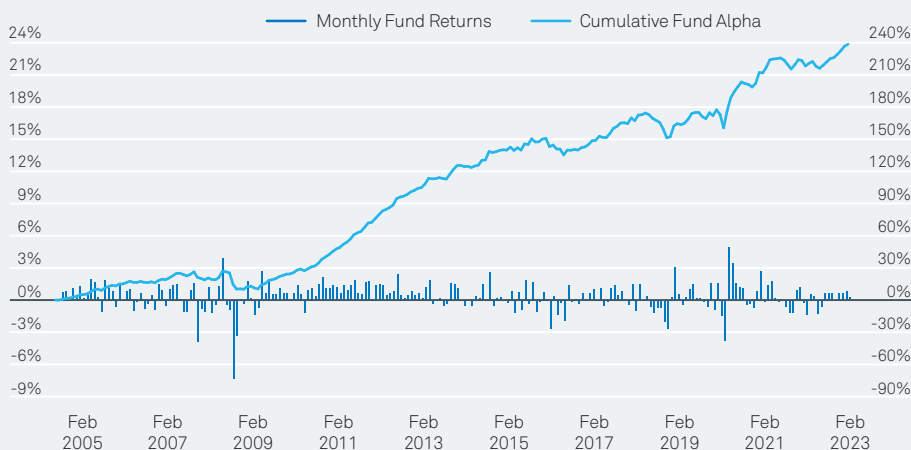
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	0.53	2.64	1.65	5.95	6.27	4.34	7.96
RBA Cash Rate Target	0.25	0.77	0.51	1.77	0.70	0.93	3.10
Outperformance (Gross of Fees)	0.28	1.88	1.15	4.17	5.57	3.41	4.86
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	0.37	1.96	1.21	4.24	4.15	2.55	2.83
RBA Cash Rate Target	0.25	0.77	0.51	1.77	0.70	0.93	1.44
Outperformance (Net of Fees)	0.13	1.20	0.70	2.47	3.45	1.62	1.39

*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 28 February 2023



Performance Summary

MARKET COMMENTARY

Following a strong start to the year, financial markets experienced more volatility in February as strong economic data drove a repricing higher in interest rates. Global equities, as measured by the MSCI World Index (hedged), declined by 1.6% over the month, while the unhedged index finished February up 2.1% as currency moves offset the decline in international share prices. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), recorded losses and closed the month down 1.8%.

PERFORMANCE STATEMENT

The Multi-Opportunity Absolute Return Fund delivered a positive return of +0.52% (gross) in February continuing the strong positive momentum from last quarter to this year as well.

Multi Asset Team



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

STRATEGY REVIEW

The main drivers of performance were Systematic Fixed Income component implemented by the Fixed Income Global Alpha strategy and Global Macro component. Positive contribution also came from Style Premia component. Systematic Equity Market Neutral and Fundamental Equity components weighed on the fund performance for the month and had a negative return over the period.

Systematic Equity Market-Neutral Component

The Fund's systematic equity market-neutral component delivered a negative performance in February driven by detraction from the global flagship strategy, the **32 Capital Fund**.

Within 32 Capital, Global Large cap sub strategy detracted in February. Losses over the month were primarily attributable to a combination of Macro and Fundamental Value signals. The weakest performing signals over the month included top-down insights that measure the sensitivity of share prices to changing inflation expectations and measures of fundamental value focused on short term mean reversion, as well as insights designed to capture the most deeply discounted parts of the market.

The Mid Horizon sub strategy gave back a small fraction of its January gains in February. From a high level, the signals within the flow and statistical categories that had made the largest contributions year-to-date led the underperformance in February. Performance from each of the regional sub-strategies was essentially flat, with the cross-border sleeve accounting for the bulk of the negative returns. Within the US, the return of inflation concerns and expectations that rates might remain higher for longer, resulted in a return to many of the themes that drove markets over 2022 and contributed to a rebound for Sentiment signals overall.

Small Cap sub strategy delivered a positive performance contribution over February. All the underlying sleeves within the component were positive with the lead contributors being dedicated US and Global universes. Global implementations of Small Cap continued to navigate the choppy markets well, posting a positive return contribution for the month.

The Emerging Markets(EM) sub strategy delivered a positive contribution. Performance at the underlying sleeve level was universally positive and led by Large Cap. Within Large Cap EM performance was varied, but positive over the period, with early gains being given back at the end of the period mainly on the back of weaker Korea stock specific bets. In a break from trend, signal attribution showed underperformance from faster reversal signals. However, this was offset by the family of flow signals which saw strong outperformance.

Systematic Fixed Income Component

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 February. Macro, Mortgage & Securitized Credit, Relative Value, Credit and Equity & Capital Structure strategies all contributed.

Top contributors: Macro strategies were the main contributor in February. Short rates exposure benefitted as EM rates sold off, driven by higher-than-expected EM and US inflation releases, strong global growth data and a few hawkish surprises from EM central banks. Short positions in USD-linked assets were also additive, while long positions in Brazil and lower-beta assets such as Chinese yuan, Thai baht, and Taiwan dollar outperformed in the global duration sell-off, with all three benefitting from low absolute inflation too. Mortgage and Securitized Credit strategies contributed in February as securitized credit markets maintained strong technicals. There was particularly strong demand for seasoned mezzanine securities to start the month, which accelerated when Freddie Mac announced a tender offer that included four of their 2017 vintage B1 securities, on which the team realized gains. In addition, the team saw aggressive buying in semi-seasoned bonds on the heels of the tender as market participants were looking to put tender proceeds back to work in the sector, which dynamic supported the fund's positions as well.

Event Driven Component

The Event Driven strategy (**BlackRock Global Merger Partners**) delivered a slightly negative return over the month.

Top detractors: An investment in Broadcom/VMware detracted from performance as the market weighed a longer than expected timeline to receive still outstanding regulatory approvals. An investment in NRG Energy/Vivint Smart Home detracted from performance amidst reports a pending court ruling could result in revised terms for the deal. Intel/Tower Semiconductors also modestly detracted from performance.

Top contributors: 6 mergers closed during the month. An investment in UnitedHealth/LHC Group contributed to performance after receiving final regulatory approval and successfully completing in the month. Positioning in Amazon/One Medical benefited performance as the deal was finalized during the period without a regulatory challenge. An investment in CVS/Signify also contributed to performance as the market became more optimistic that the parties would be able to receive regulatory approval in a timely manner.

Fundamental Equity Long/Short Component

The Multi Opportunity Fund invests in three fundamental long/short equity strategies. All three **funds Global Equity Absolute Return Fund, Emerging Companies Hedge Fund (Cayman) and Emerging Companies Absolute Return Fund (UCITS)** detracted over the period.

Within the Emerging Companies strategies:

Top contributors: The top 10 contributors included 8 long and 2 short positions, and spanned a broad spectrum of market capitalisations and geographies. Nvidia was the largest contributor in the month, a share the team purchased in early January attracted to the differentiated product set in GPUs, the resilience of data centre demand, the possibility that gaming was close to trough and the emerging opportunity in AI. On the product set, the team is by no means experts but the team has engaged with many people far more knowledgeable both internally and externally, including BlackRock's very own tech team, who believe strongly Nvidia are well ahead of the competition, and the reported results seem to corroborate that assessment. Nvidia had Q4 results in the month which were good, but to some extent a distraction. Data Centre are still growing 11% y-o-y and seeing good traction from new products. Gaming, which has been the primary source of downgrades in 2022, saw revenue fall by 46% y-o-y but is near the trough, with the CEO describing the long inventory correction as "largely behind us" on the call. This was better than feared, seeing upgrades to the core business forecasts of about 10% at EPS level. Much of the excitement centres around AI. The release of Chat GPT has focused corporates and the markets attention on the potential for the many uses of generative AI.

Top detractors: The top 10 detractors also included 8 long and 2 short positions. The biggest detractor was Watches of Switzerland, which fell on the back of their Q3 results. While the sales growth slowed down in Q3 vs H1, this was expected and predominantly driven by jewellery, which fell by 2% mainly on the back of the company's own decision not to discount and to hold its price premium vs competition. Luxury watch sales continued to grow at 22% and the company continued to grow market share in this category with waitlists for core models continuing to extend. The team had a useful call with management following the statement and they are as confident in the growth outlook as ever. Following the fall, the shares now trade on a mid-teens multiple of current year profits, with a net cash balance sheet, and a long runway of growth, so it remains a core holding.

The second biggest detractor was S&P Global which despite delivering a beat and raise when they reported their Q4 results in early February, fell as part of wider growth reversal. The team have continued to add to the position and waits for the cyclical recovery in debt issuance volumes and ratings revenues. The third biggest detractor was Amazon which fell in part due to wider growth reversal and also specifically some weakness in their AWS business when they reported at the start of the month. The team have used the weakness to increase the position more meaningfully as the team thinks AMZN has turned a significant corner in retail (where they beat in the US and Internationally) and are making good progress in recovering margin.

The other fundamental equity long/short strategy, the **Global Equity Absolute Return Fund**, detracted over the month. At a sector level, Health Care contributed the most to performance while Industrials detracted the most from returns. From a regional perspective, apart from the UK all regions delivered negative returns with the US detracting the most.

Top detractors: The top detractor was Recruit Holdings which detracted despite decent Q3 Result but on the back of qualitative guidance on weakening in the US labour market potentially leading to shrinking revenue in the company's main HR Tech segment disappointed. Coupled with a technical overhang (2% shareholder DaiNippon Printing receiving activist pressures to sell down their stake), the shares were weak. The team continues to see significant long-term potential in the shares, so retain a positive stance. The second largest detractor for the month was a long position in Match Group. The American internet business with a collection of online dating properties saw profit taking in February, reversing its strong move in January. The share price correlated heavily with the tech sector, performing poorly as rates volatility returned in February. The third largest detractor was a short position in an American auto retailing company.

Top contributors: The top contributor was a long holding in Align Holding. The global leader in clear aligner braces provided a welcome update for investors with revenue and EPS exceeding low estimates, while guidance for Q1 talked to 'continued stability and an improving operating environment'. Alongside a \$1bn buyback announcement, the results led to a strong share price rebound. A long position in Renesas Electronics was the second largest contributor. Renesas delivered strong results with sales rising 25% y/y and strong gross margin improvements, with the company noting an ongoing favourable outlook across its major end markets of Auto, and broad Industrial segments. The stock trades at an unwarranted discount to a variety of global peers in the team's view and was part of the recent work identifying more tactical opportunities in Japan. The third contributor for the month was a long position in Standard Chartered. Strong results accompanied by guidance pointing to higher than expected Return on Tangible Equity, coupled with a \$1bn buyback and recurring rumours of M&A interest from First Abu Dhabi Bank PJSC saw the shares perform well.

Global Macro Component

The Fund's global macro/managed futures component is implemented by two strategies, the **Tactical Opportunities Fund** and the **BlackRock Absolute Macro Fund**. Both the funds contributed to the performance over the month.

The **Tactical Opportunity Fund** delivered a positive return over February. The Fund's directional duration shorts were the main contributors to return.

Top contributors: Long positioning in Chinese vs. Mexican & South African bonds contributed to the performance. This position was additive as China continued to experience weak inflation and supportive policy, while Mexico and South Africa have high inflation and hawkish central banks. Short global duration positioning also contributed to the fund performance. Bonds sold off in February as markets unwound their January gains on realization of likely continued rate hikes through the summer.

Top detractors: Long positioning in Japanese and UK vs. German equities weighed on the fund performance over the month. German equities continued to show resilience, driven by tailwinds from fiscal stimulus and an abatement of the energy crisis. By contrast, UK and Japanese equities struggled on policy uncertainty and relatively high inflation for the UK.

Within **BlackRock Absolute Macro Fund**, the main contributors to positive performance were the Global Rates, Thematic and Global Equity Country Selection strategies.

Top contributors: Global Rate Country Selection contributed positively both from its directional arm and its cross-sectional arm. The directional arm had an overall strong conviction short duration exposure, which benefitted from the global duration sell-off. In the cross-sectional book, notable outperformers were shorts in Sweden, Mexico, and Eurozone, which more than offset longs in USA, Australia, and UK. Thematic generated performance from both its short positions in US and European rates, but gave up some performance from its long

position in US value equities. Cross-Sectional Global Equity Country Selection was positive in February. Shorts in Singapore, Sweden and long UK equities drove the majority of the positive performance, while longs in Canadian and HK indices detracted, along with short DAX index. Thematically trending flavored sentiment signals led the way, though value, economic momentum and reversal also contributed positively.

Top detractors: Macro-Aware Security Selection, which combines insights around industry timing, style timing, and macro insights implemented through single securities, detracted from performance in February. Losses were concentrated in the US industry selection and tactical buckets, but were offset by gains in global industry and trained (security selection) components. From an insight perspective, macro-driven signals (labor costs, inventories) underperformed, while sentiment and flows insights contributed. Developed Markets (DM) Rate Country Selection was down driven mostly by losses in the pair long US – short European rates, as US data rebounded strongly, which led to the market pricing further 2-3 hikes in 2023 and removing expectations for rate cuts in 2023. Longs UK versus shorts in Australia also detracted with economic data printing strong in UK and weakly in Australia. Directional futures detracted, primarily at the start of the month, as it held onto negative views on equity beta driven by value and hawkish policy.

Style Premia Component

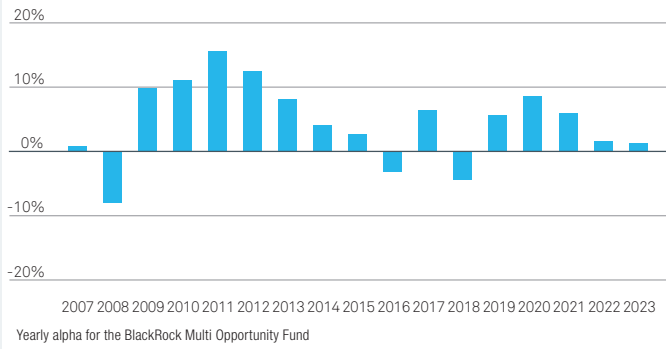
The Style Premia component implemented through the **Style Advantage Fund** was well positioned as broad market sentiment soured throughout February and managed to deliver positive returns for the month.

Currencies were among the top contributors following a banner run from Carry, the strongest performing sub-strategy in the portfolio in February. FX Momentum was incrementally additive while Value weighed. Emerging markets were responsible for effectively all performance for the asset class, as the models delivered significant cross-sectional gains relative to developed markets, which finished just below flat

Equity markets were modestly additive in February as Value accounted for the majority of gains, while Carry and Momentum hovered near flat. From a sector standpoint, emerging markets ("EM") models outpaced their developed market ("DM") counterparts to bring return contribution for the asset class to an effective split year-to-date. On the EM side of the book, the model continued to generate cross-sectional gains predominantly through positioning across the APAC region. A modest long in Taiwanese equities bucked the broader trend and delivered a second consecutive month of net inflows to start the year, while shorts across Korea, India, and China delivered on the funding leg as a lack of positive catalysts prompted many investors to opportunistically shift money across the region.

The fixed income book was a notable contributor in February, as a combination of Carry and Momentum strategies were sufficient in offsetting marginal detraction from Value-oriented insights. The sector split across the asset class saw a strong run for DM rates push positive for the year, while modest underperformance within the EM model offset a portion of gains. The DM rates allocation delivered cross-sectional gains by way of security selection with positioning both across and within regions driving P&L. Specifically, short duration exposure across both Canadian and EU rates were accretive; the former saw substantial curve inversion provide little reward for duration risk as markets adjusted to a higher-for-longer regime, while the latter attempted to reconcile a sustained disconnect between remarks from the European Central Bank ("ECB") governor and market pricing. Additionally, a long in Australian duration provided relative insulation in the cross-section as global fixed income was broadly routed, with mixed macro data prints allowing investors to take the central bank's hawkish remarks in stride and maintain forecasts for upcoming central bank hiking schedules. Rounding out DM positioning, both Japanese and U.S. exposure was muted as offsetting signals found little conviction over the month. Within EM rates, the model pared back as cross-sectional positioning was a net marginal detractor; gains across short Polish and Indian duration were outweighed by losses attributable to a combination of long Hong Kong and Singaporean rates.

Yearly Alpha, Gross of Fees (%)



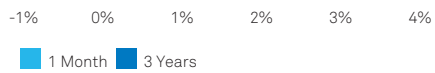
Systematic Active Equity

Fixed Income

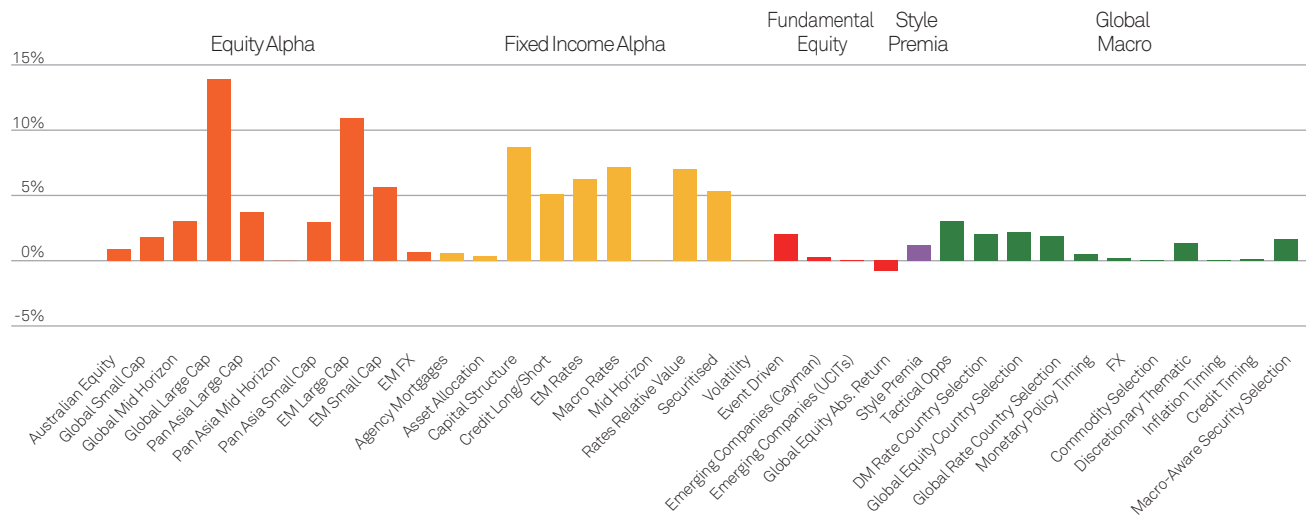
Macro / Managed futures

Fundamental Equity

Style Premia



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	1170 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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