BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE **31 May 2023**

Investment Performance (%)

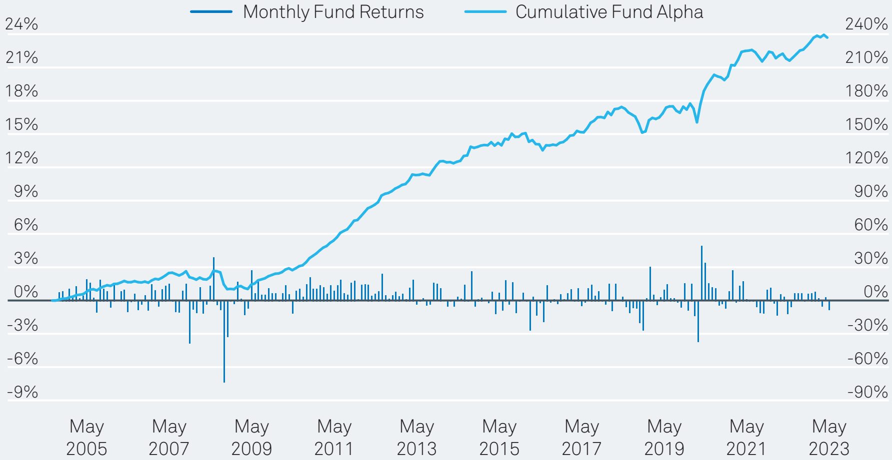
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	-0.46	-0.01	1.65	6.02	4.69	3.85	7.85
RBA Cash Rate Target	0.32	0.91	1.42	2.65	0.98	1.04	3.11
Outperformance (Gross of Fees)	-0.78	-0.92	0.22	3.37	3.71	2.81	4.74
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	-0.56	-0.32	0.89	4.32	2.73	2.12	2.72
RBA Cash Rate Target	0.32	0.91	1.42	2.65	0.98	1.04	1.49
Outperformance (Net of Fees)	-0.88	-1.23	-0.53	1.67	1.76	1.08	1.23

*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 May 2023



Performance Summary

MARKET COMMENTARY

Most major asset classes declined in May as US debt ceiling negotiations dominated headlines. Global equities, as measured by the MSCI World Index (hedged), were down 0.3%, while the unhedged index finished the month up 1.1% as currency moves offset the decline in international share prices. Technology stocks were a positive outlier in May buoyed by upbeat sentiment around generative artificial intelligence, which prevented the broader equity index from falling further. Developed Markets outperformed their Emerging Market counterparts, with divergences observed across geographies and sectors. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), also closed the month down 0.5%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

PERFOMANCE STATEMENT

The Multi-Opportunity Absolute Return Fund delivered a negative return of -0.56% (net of fees) in May. This brings the Fund's year-to-date net performance to +0.89% and 1-year return to +4.32% (net of fees).

STRATEGY REVIEW

The small underperformance in May was driven by the Systematic Fixed Income component implemented by the Fixed Income Global Alpha strategy followed by the Systematic Equity Market Neutral component. The Fund's Event Driven Strategy and Style Premia component also detracted, but this was offset by positive contributions from the Fundamental Equity Long/Short strategies and the Fund's Global Macro component.

Systematic Equity Market-Neutral Component

The Fund's systematic equity market-neutral component delivered a small negative return over the month driven by the global flagship strategy implemented by the **32 Capital Fund** which had negative performance over the period. The negative performance was driven by the Small Cap sub strategy followed by Mid Horizon and Large Cap sub strategies. The Emerging Markets sub strategy was the sole contributor to fund performance over the month.

Top detractors: Within Small Cap, detractions were driven by US names, both in Global and Regional sleeves. Overall, the strategy was wrongfooted by the speculative growth rally that played out over the month, with the portfolio's defensive positioning and a preference for profitability overgrowth detracting heavily. Mid Horizon sub strategy also weighed on the fund performance. The sub strategy underperformed over May with flat to negative contributions from the underlying regional sleeves and the majority of the losses coming from cross-border implementations. Within the US sleeve, Insurance and Diversified Financials proved to be the tougher area; with negative performance experienced, driven by relatively stable firms being forsaken in favour of the more speculative, growth-oriented environment, despite the rebound in bond yields. Selected Flow, Sentiment and Fundamental signals were responsible for the positioning here.

Within Large Cap, model performance was generally weak over the period. Heaviest losses were centred around Fundamental Value and Quality insights. These proved overly conservative for the increasingly speculative rally playing out across the growthier end of the US market.

Top contributors: Positioning in Emerging Markets (EM) was the sole positive contributor within the Systematic Equity Market-Neutral component. Performance at the underlying sleeve level was mixed with strength in Small Cap EM being somewhat offset by weaker results from Large Cap EM. Within Large Cap EM, industry positioning worked well, while stock selection detracted. On the positive side, stock selection in China and South Africa worked well in May and contributed positively.

Systematic Fixed Income Component

The systematic fixed income component of the Fund, implemented by the **Fixed Income Global Alpha Fund (FIGA)** was the largest detractor to overall portfolio performance in May. Equity & Capital Structure, Macro, and Credit strategies detracted from the fund performance over the month. Relative Value and Mortgage & Securitized Credit Strategies contributed to the fund performance.

Top detractors: Equity & Capital Structure strategies were the main detractor in May. US equity selection drove losses, with European equity strategies also down over the month. The US equity strategies were net short several semiconductor names, which hurt performance due to an AI news-induced rally in the sector. Despite the overall more risk-on mood in the markets, both the US and European equity strategies were hurt by net long positions in more pro-cyclically exposed sectors like Industrials and Materials.

Top contributors: Mortgage & Securitized Credit strategies were the main contributor in May. The themes from April continued into May with demand returning for mortgage credit and very strong supply/demand technicals in Credit Risk Transfer (CRT). On the heels of the Fannie Mae tender in April, Freddie Mac had their second CRT tender of the year in early May. This put more positive pressure on spreads as the team saw reinvestment demand move out the curve. The fund benefited directly from the tender offer as demand moved into 2021 and early 2022 paper where the team have rotated to in the past few months.

Event Driven Component

The Event Driven strategy **(BlackRock Global Merger Partners)** delivered somewhat negative returns over the month.

Top detractors: Positioning in TD Bank/First Horizon detracted from performance in the period after the companies mutually agreed to terminate their merger agreement. Amgen/Horizon Therapeutics weighed on performance as the Federal Trade Commission (FTC) filed suit to block the merger, driving the merger spread wider. UnitedHealth/EMIS Group detracted from performance due to concerns associated with the extended regulatory review in the UK.

Top contributors: Six mergers closed during the month. Positioning in Merck/Prometheus Biosciences contributed to performance after clearing HSR without extension of the review period. Mars, Incorporated/Heska also benefited performance after clearing HSR and receiving regulatory approvals from Turkey and Germany. Japan Industrial Partners/Toshiba contributed to returns because of spread tightening during the period.

Fundamental Equity Long/Short Component

The Multi Opportunity Fund invests in three fundamental long/short equity strategies, with all three strategies delivering positive returns in May. The positive contribution was led by **Emerging Companies Hedge Fund (Cayman)** followed by **Emerging Companies Absolute Return Fund (UCITS**) and **Global Equity Absolute Return Fund**.

Within the Emerging Companies strategies:

Top contributors: Nine of the top 10 positive contributors were long positions (5 from US and 4 from UK) with only one UK short positioning. Nvidia was the top contributor to the month and is now the top YTD contributor. The team had been reducing the holding through the month as the team was worried the results may not live up to the hype. The Q1 results and Q2 guidance was the single biggest beat ever seen in the semis industry. Q2 sales guidance was upgraded by 53% to $11bn while operating profit guidance almost doubled for the quarter. This guidance reflects capacity shortages at TSMC (also owned in the fund) which will ease in Q3 and Q4, implying an even bigger run rate of revenue into next year. Google was the second biggest contributor to the month as it rallied following its annual product day which highlighted its continued investment in Generative AI and its efforts to bring its capabilities into products. The shares also performed well (along with other hyperscale cloud vendors) on the perception that AI use cases would drive an inflection in growth in google cloud. The third largest contributor was Yougov, which rallied strongly after an investor day which confirmed a strong growth outlook and laid out a plan to double revenues over the medium term. The fund had positioning in the company for many years and continue to think the size and duration of the growth opportunity offered by their unique platform of consumers and data remains under appreciated by the market even after their run this month.

Top detractors: The top detractors comprised of 9 longs and 1 short positions. From a regional perspective, 7 positions were from UK and 3 from US. The biggest detractor was Watches of Switzerland who issued a trading statement which was ahead of expectations but highlighted margin pressure in the coming financial year, principally from the rising cost of interest free credit products in a higher interest rate environment. This is certainly disappointing, but the team does not consider it investment case threatening. The company is still growing strongly and is the best-in-class route to market for watch brands globally. Recent feedback from industry conferences suggests demand for the category remains strong. Valuation, at 12x p/e for this current financial year with a net cash balance sheet, looks extremely attractive to the team given the long runway to take market share in both the US and Europe, and stated desire to do value accretive acquisitions. Future, the media company, was the second largest detractor over the month. The team invested in this company back into very recently (having sold some years back) thinking the sell-off had gone too far, and a challenging outlook has already been priced into the shares which were around <7x current year's earnings. Since investment, the company downgraded guidance at its recent H1 results by 7% as several of its key websites in the US are seeing lower than anticipated traffic.

The other fundamental equity long/short strategy, the **Global Equity Absolute Return Fund**, posted a positive return over the month.

Top contributors: The top contributor was a long holding in Recruit. Shares of the Japanese human resources company rallied in May as the company announced a buyback program alongside better than expected results. A long position in Amazon was the second largest contributor as the company benefited from the $4 trillion tech surge fuelled by the rush of interest in AI. The third contributor for the month was a short position in a Nordics' focused property management company which is in need to raise equity. May was an eventful month with the dividend halted, rating agency downgrades, covenant breaches and the CEO leaving.

Top detractors: The top detractor was a long holding in DSM-Firmenich with the share price dropping on the back of management changes. The board announced its decision to collapse the current co-CEO structure raising some investor concerns as they are embarking on a major deal. The second largest detractor for the month was a long position in PayPal. Even though the payments company reported earnings beat and raise, the stock price dropped as the upside included a modestly weaker margin assumption based on higher growth coming from the lower profitability unbranded checkout.

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 delivered positive returns over the month.

The positive return of the **Tactical Opportunities Fund** was driven by relative value positions, especially within fixed income, along with a discretionary long US equity position.

Top contributors: A long position in US equities worked well in May. The portfolio has been increasing its long in US equities over recent months on contrarian pricing insights. Short positioning in UK bonds versus long in Treasuries supported the fund performance. UK continues to experience upside surprises in inflation and elevated price indexation, while the US and other Eurozone countries have seen signs of moderation. Long positioning in Japanese equities also contributed over the month. The fund entered the month with a directional long in Japan, which contributed given strong performance over the month.

Top detractors: Long positioning in Australian and South African equites vs. short in Korea weighed on the fund performance. Long positions were challenged by worsening economic outlook, along with increasing geopolitical tensions in South Africa. Korean equities continued to gain year to date. Short Japanese Government Bonds (JGBs) detracted from the fund performance. Directional short position detracted modestly as yield curve control policy remained unchanged on indications of weakening wages in Japan.

Within **BlackRock Absolute Macro Fund**, the main detractors which weighed on the fund performance were Macro-Aware Security Selection and Global Rate Country Selection while the main contributors which supported the fund performance were FX, Developed Markets (DM) Rates Country Selection and Commodity Selection

Top detractors: Macro-Aware Security Selection gave up some of its April recovery in May as most subcomponents (US and Global industry timing, and style timing) underperformed. Tactical stemmed the losses driven by its increased exposure to the AI theme. Conviction and Augmented Investment Management (AIM) buckets were flat. Global Rates Country Selection sub strategy was down in May, with longs in UK and in US driving the underperformance, as an unexpectedly high inflation print severely challenged the Bank of England's ability to pause its tightening cycle. The Emerging Markets (EM) directional arm spent most of the month in a modest long position, driven by an overhang of positive momentum from previous months, and continued growth concerns, which led to negative performance in a month when EM rates rose on average during the month, as fears about the US financial sector abated and more hawkish Fed speakers come to the fore.

Top contributors: FX posted another positive month. Overall economic growth was the main contributor for the month. Economic growth insights continue to climb, especially exports, terms of trade signals. Within sentiment, GDP revision, credit risk and domestically tilted equity momentum signals contributed most positively. On the top of a weak domestic economic story, South African Rand is under pressure after the country's non-aligned stance on Russia was questioned as US Ambassador accused South Africa of supplying weapons to Russia and market accounting for a low threat of sanctions. DM Rates Country Selection was up in the month driven by cross-sectional rates views, with short positioning in UK driving performance. Shorts in Canada also contributed positively during the month. Growth insights and most inflation insights were positive.

Style Premia Component

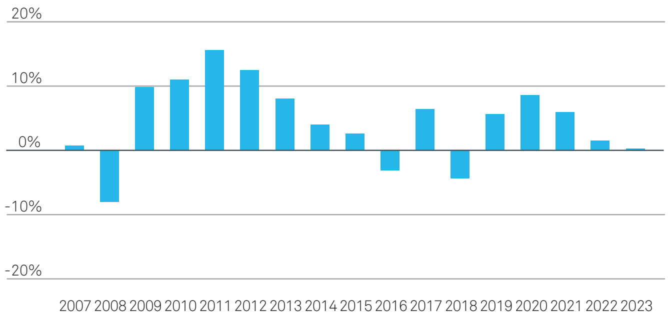
The Style Premia Strategies implemented through the Style Advantage Fund delivered small negative return over the month.

Fixed income was the leading detractor as a combination of Value and Carry strategies weighed on the allocation, while Momentum was able to generate a slight positive counterweight. Developed Markets (DM) rates accounted for the majority of losses, with the DM models wrongfooted in the cross-section. At the tails, the highest conviction positions in long U.K. duration and short Canadian rates resulted in net detraction. U.K. yields rose the most among peers following the Bank of England's ("BoE") twelfth consecutive rise in base rates, an upward revision in inflation and growth expectations, and an inflation print coming in half a percentage point above consensus. While a Value and Momentum-led long duration position in the U.S. detracted following mixed messaging after the Federal Reserve's ("Fed") expected quarter point hike in the face of persistently resilient labor market and macro data, the sector found little offsetting help in short Eurozone debt.

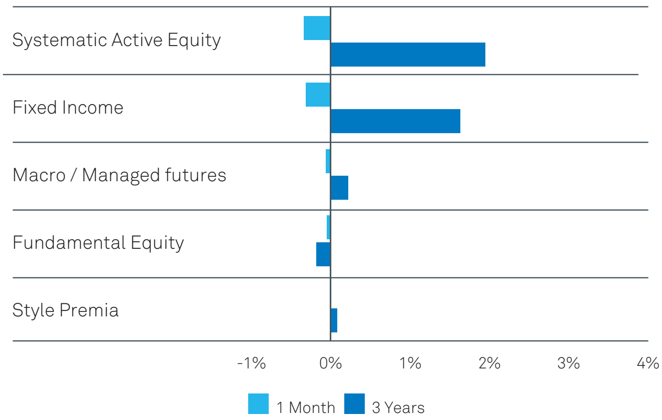
FX strategies finished the month roughly flat as Value's underperformance was offset by Carry and Momentum insights. On the DM front, which accounted for most of the asset class's contribution for the month, modest net detraction from intra-regional pairs trades was the leading driver in the cross-section. In Europe, continued gains from a short position in the plummeting Norwegian krone were outweighed by a pullback in long Euro exposure, where investors booked gains and weighed the European Central Bank's ("ECB") hawkish rhetoric against moderating inflation. Across APAC, the models saw contribution in short Australian dollar positioning, yet stronger downward pressure on long New Zealand dollar exposure negated gains, which sold off as the central bank surprised markets with its decision to end its hiking cycle. Emerging Markets (EM) models ended May flat as high conviction positions largely offset one another, and the currencies experiencing the sharpest swings were close to flat in terms of positioning.

Equity markets (country futures) were the leading contributors over the month, as the model saw strong gains from Momentum and Value, while Carry insights hovered near flat. Equity markets were the only asset class where the Value factor finished firmly positive in May. Sector performance diverged as DM models drove the entirely of outperformance, with a handful of large-scale contributors responsible for gains in the cross-section. A consensus long in Japanese equities was rewarded as local stocks continued to surge following sustained strength in share buybacks and strong macro data prints, including an acceleration in inflation that energized investors with hope around the potential exit of deflationary stagnation for the country. The sector further saw additivity from shorts in the U.K., Hong Kong, and Canada. Hong Kong was the poorest performing market in Asia ex-Japan in May as investor optimism around Chinese reopening faded following weaker-than-expected demand and macro data. Single name equities were the second-best performing asset class, as recent factor trends continued to hold steady. The defensive allocation—Quality and Low Volatility—generated further gains, and both Momentum and Timing strategies contributing meaningfully; Value was the lone detracting factor. With AI-related companies seeing enormous backing following stronger-than-expected earnings reports in the face of an economic slowdown, the Quality factor emerged as the leading beneficiary. The majority of Quality's contribution was driven by insights focusing on firms' research and development spending. Momentum was similarly performative from a headline perspective, as supply chain and analyst-focused insights led the factor higher.

Yearly Alpha, Gross of Fees (%)

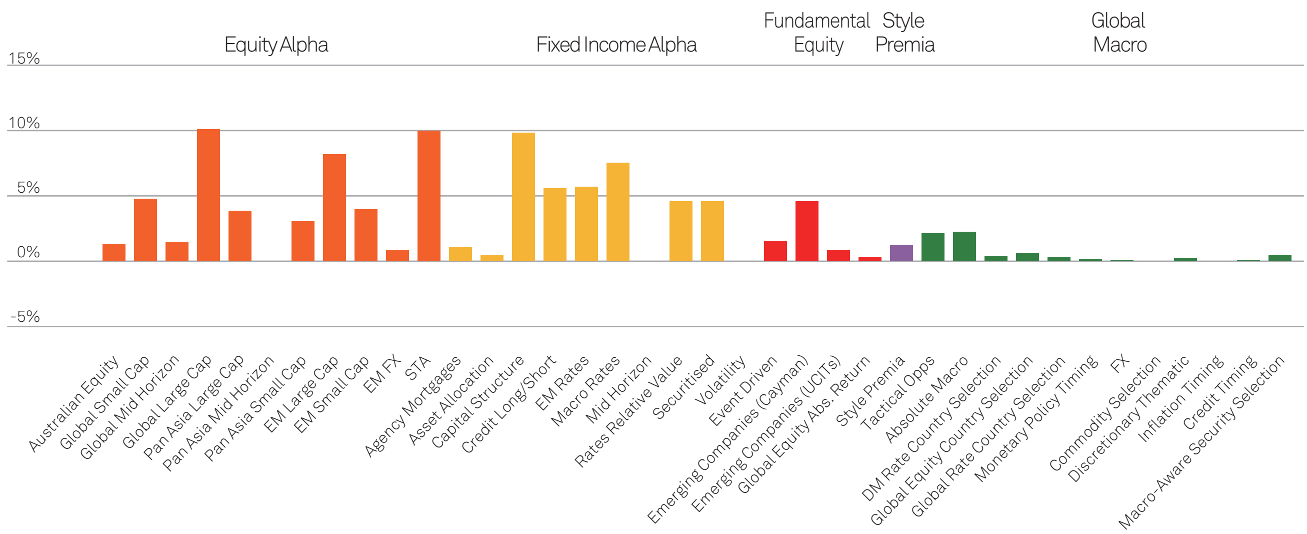


Yearly alpha for the BlackRock Multi Opportunity Fund



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	1174 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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