

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE

31 May 2021

Investment Performance (%)

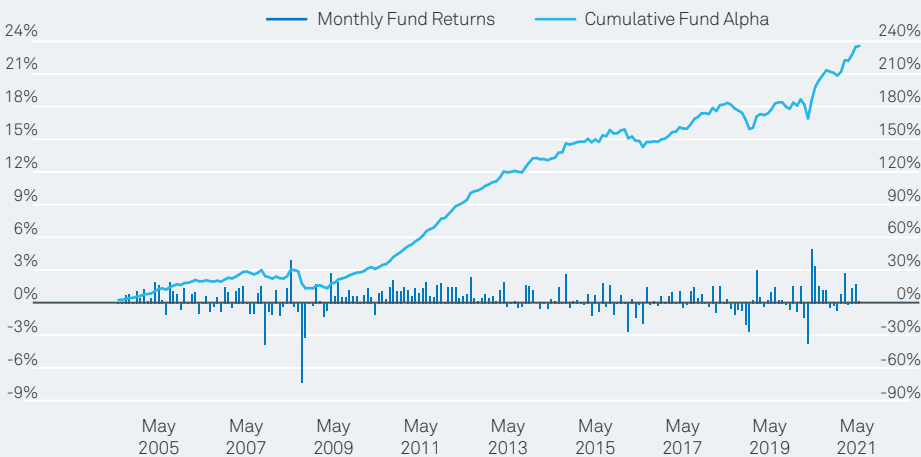
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	0.21	3.39	6.13	10.07	5.04	5.48	8.55
RBA Cash Rate Target	0.01	0.03	0.04	0.18	0.81	1.09	3.32
Outperformance (Gross of Fees)	0.20	3.37	6.08	9.90	4.23	4.39	5.23
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	0.05	2.38	4.40	6.75	3.02	3.61	3.23
RBA Cash Rate Target	0.01	0.03	0.04	0.18	0.81	1.09	1.52
Outperformance (Net of Fees)	0.04	2.35	4.36	6.57	2.21	2.51	1.70

*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 2021



Performance Summary

Market Commentary

In May, financial markets were broadly upbeat as the activity restart gathered momentum and the risk-on mood continued with cyclical exposures leading market returns once again. Despite volatility in recent macro data amid unusual supply and demand dynamics, interest rate and inflation expectations stabilized, providing a supportive backdrop for risk assets. While concerns around regional resurgences of COVID-19 cases lingered, investors focused on improving vaccination rates, which has allowed many economies to at least partially reopen. Alongside sizeable fiscal support, the accelerated vaccine programs have enabled a rebound in equity and commodity markets, particularly in Europe.

Multi Asset Team



Michael McCorry
Chief Investment Officer,
BlackRock Australia



Karsten Kumpf
Senior Portfolio Manager



David Griffith
Senior Investment
Strategist

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Emerging markets (EM) outperformed their developed counterparts amidst a backdrop of a global economic recovery and transition out of the pandemic, helped by a weaker US dollar. Within EM, China continues to see moderation in growth momentum after a strong restart last year. Developed sovereign debt markets were muted as most central banks remained dovish, with the exception of the Bank of Canada and the Bank of England which signalled a reduction in their purchasing programs.

Strategy Review

The BlackRock Multi Opportunity Absolute Return Fund recorded a small positive return in May gaining 0.05% (after fees). This brings the Fund's year-to-date return to +4.40%, including +4.36% of alpha (after fees). The Fund's underlying fixed income alpha strategies drove the small outperformance in May, along with positive contribution from the global macro hedge fund component. Systematic equity market-neutral strategies detracted, while the fundamental equity long/short strategies recorded flat performance in May.

Systematic Equity Market-Neutral Strategies

The Fund's systematic equity market-neutral strategies recorded mixed performance in May but the overall contribution was negative. Stock selection in global small caps and Australian equities was positive, while stock selection in Pan Asia and Emerging Markets detracted. In general, top down macro insights designed to capture themes associated with the economic re-opening and the resultant reflationary effects worked well and generated positive returns, especially across developed markets. Signals that measure stock level sensitivity to changing yield curve dynamics also performed well, along with signals derived from earnings call transcripts that aim to identify supply chain pressures. However, some of the more Fundamental signals and newer ESG signals underperformed in May. Cross country positioning in emerging market equities also detracted, driven by slower trending signals and contrarian insights which pushed the portfolio into a net long position in Taiwan – hurting overall performance.

Systematic Fixed Income Strategies

Fixed Income Global Alpha (FIGA) was the largest positive contributor in May and drove the Fund's overall return this month. Rates Relative Value strategies performed best within this component of the portfolio, while Macro Rates strategies were the lone detractor.

Within Rates Relative Value, performance was broad-based across inflation, cross-currency, curve and risk premium strategies which each added positively. Inflation was the largest contributor with long positions in the US and UK benefitting as central banks continued to look through inflation data spikes, and commodities continued to rally. Positioning in US inflation-linked bonds (TIPS) as well as cross-country positioning also added to returns in May.

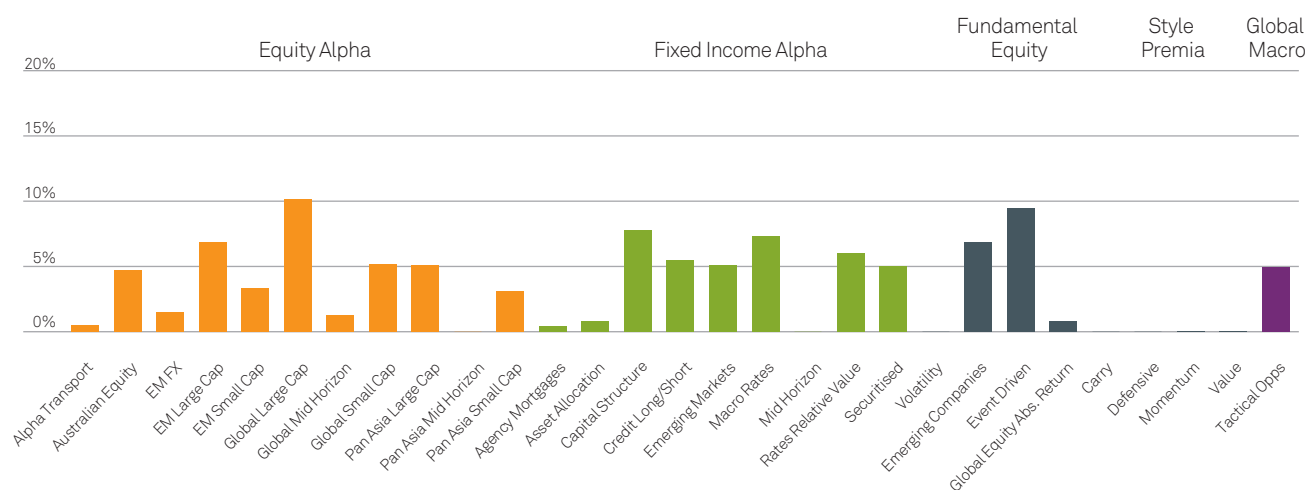
Macro strategies were the lone detractor primarily due to cross-sectional Emerging markets (EM) security selection. A long position in Poland underperformed due to high inflation and hawkish comments from policymakers, while shorts in Hong Kong and Taiwan detracted due to rising COVID cases in Asia.

Event Driven

The Event Driven strategy (BlackRock Global Merger Partners) recorded a positive return in May. Three mergers the Fund was invested in closed during the month. In addition, an investment in Salesforce/Slack Technologies received Australian regulatory approval continuing to progress towards successful completion. Positioning in the Advanced Micro Devices (AMD)/Xilinx merger benefited as AMD filed for review with the European Commission remaining on track to close later this year; and UnitedHealth Group/Change Healthcare merger spread moved tighter during the month.

The main detractor was a position in Canadian Pacific Railway (CPR)/ Kansas City Southern (KSU) after CPR declined to increase its bid for KSU, prompting KSU to enter into a merger with Canadian National Railway (CNR). The merger spread widened due to diminished prospects for a continued bidding war and the increased regulatory hurdles associated with the CNR transaction.

Sub-Strategy Risk Allocation



Emerging Companies (Fundamental Equity Long/Short)

The Fund's other fundamental long/short equity strategy, Emerging Companies Hedge Fund recorded a negative return over the month. Investors strongly favoured Value over Growth in May, which acted as a headwind for the strategy (which tends to lean more into companies with 'Growth' characteristics). In particular, the short side of the book moved against the fund on the back of a continued recovery trade, despite strong updates from companies held on the long side.

The largest contributor was Gamma Communications which rose to new highs due to another forecast upgrade, reflecting strength of demand and operating momentum as customers embrace the cloud. Ashtead also continued to rise given ongoing positive updates from peers and strength of end-market leading indicators, while Auction Technologies Group (digital auction marketplaces) delivered very strong results and has now doubled since IPO earlier this year.

The largest detractor was Electrocomponents which fell back in absence of a material upgrade despite strong corporate results. Etsy and Chegg both beneficiaries of Covid, reported strong updates but fell back after strong 1-year share price performance. While May was a period of consolidation, the reporting season continues to validate the fund's long positions, and the team's conviction in the ongoing industrial change to create meaningful opportunities for alpha capture.

Global Equity Absolute Return (Fundamental Equity Long/Short)

We recently added a new fundamental long/short equity strategy to the portfolio called the Global Equity Absolute Return Fund. This strategy follows a bottom-up fundamental approach and acts as another diversifying alpha source in the portfolio. The fund recorded a flat return in May. Key detractors from a sector perspective were Information Technology and Communication Services while Consumer Discretionary and Industrials contributed. From a positioning perspective, the short book detracted due largely to index derivatives positions, while the long book drove positive absolute returns.

Within single stocks, the top contributor was Recruit Holdings with strong results driven by HR Tech (Indeed.com/Glassdoor.com) far exceeding estimates and benefiting from the job market recovery in the US and acute shortages of labour in certain markets. L'Oreal also contributed as the market better appreciates the company's digital investments in online distribution and marketing; while Volkswagen beat estimated of profits and revenues raised guidance for the remainder of 2021. The key detractor was Kuaishou Technology, due to increasing costs of user acquisition and overseas business establishment as management target market share in the near term.

The team continue to see breadth of interesting potential ideas across sectors and geographies, and structural changes and trends driving significant dispersion between winners and losers within, and also between, industries.

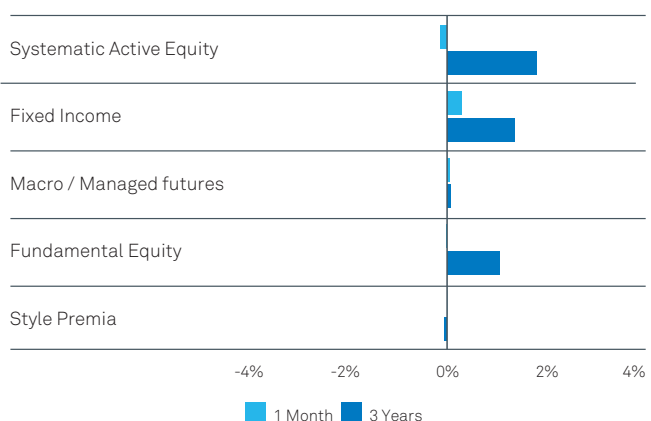
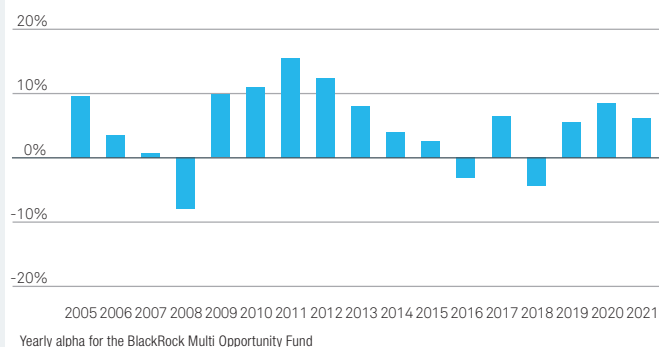
Global Macro

The global macro/managed futures strategy (implemented through the Tactical Opportunities Fund) recorded a positive return over the month, driven mainly by the Discretionary strategy, where short US dollar and equity strategies (relative value and directional) added. Systematic relative value equity country views also contributed, yet Systematic fixed income was flat to down on the month.

In Discretionary, a preference for core European equities versus US and Japanese counterparts boosted returns as continued improvement in vaccine distribution and gradual economic reopening boosted European equities more than peers. European outperformance also benefited our relative value long positions in Spanish and Italian equities. Directional equity longs contributed positively in a month of generally positive developments for developed equity markets. Finally, the Fund's underweight to the US dollar against a basket of DM currencies (primarily the Euro) performed positively as the greenback underperformed.

On the Systematic side, positive performance came from equity relative value exposures, including longs in India and Italy and shorts in Sweden and the Netherlands. In fixed income, the directional strategy was roughly flat. Notably, it reduced risk over the month to near-zero as its signals viewed the opportunity set as unattractive. Relative value exposures were mixed, with developed market views flat while select emerging markets views modestly detracted.

Yearly Alpha, Gross of Fees (%)



Attribution for the BlackRock Multi Opportunity Fund

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	0.45%/0.45%
Management Fee	1.25% p.a.
Performance Fee	20%
Strategy AUM	\$1027 mil
Hurdle Rate	RBA Cash Rate
Liquidity	Monthly
Private placements (% of NAV)	1.0%
Minimum Initial Investment	\$50K
Notification	12 business days
Lock-up Period	None
Domicile	Australian Unit Trust
Custodian	J.P.Morgan Chase Bank

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