

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK[®]

FUND UPDATE

31 August 2021

Investment Performance (%)

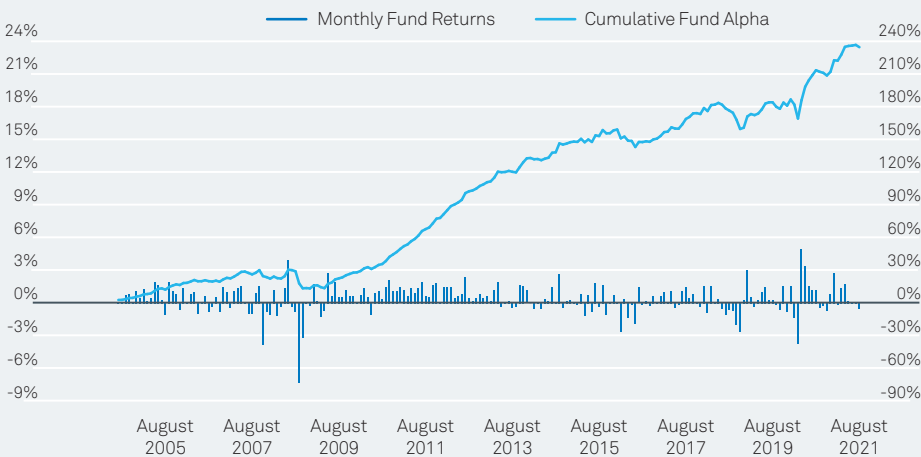
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund [^] (Gross of Fees)	-0.51	-0.38	5.84	5.47	5.58	5.45	8.41
RBA Cash Rate Target	0.01	0.03	0.07	0.14	0.69	1.01	3.27
Outperformance (Gross of Fees)	-0.52	-0.41	5.77	5.33	4.89	4.44	5.13
BlackRock Multi Opportunity Absolute Return Fund [*] (Net of Fees)	-0.60	-0.68	3.79	3.10	3.53	3.57	3.05
RBA Cash Rate Target	0.01	0.03	0.07	0.14	0.69	1.01	1.48
Outperformance (Net of Fees)	-0.61	-0.71	3.73	2.96	2.83	2.55	1.57

^{*}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 August 2021



Performance Summary

Market Commentary

August was another positive month for most financial markets. Risk sentiment stayed steady on reinforcements around accommodative fiscal and monetary support in the near term, strong economic data, and widespread global immunisations. Concerns around the more transmittable COVID-19 delta strain and plateauing economic growth did not materially deter risk appetite. Key risk-on assets such as equities and high yield credit experienced a strong rally in August. Defensive asset classes such as global fixed income were mostly flat, while commodities including energy declined over the month.

Multi Asset Team



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Global equities (hedged in AUD) gained over 2.5% in August, which brings year-to-date performance to almost 20%. Regionally, developed market equities continued to outperform their emerging market counterparts, led by the US. Corporate earnings results were encouraging, with several large US and European companies reporting strong profits and announcing large dividend pay-outs. Japanese equities bounced back strongly in August, following declines in the previous months. Emerging market equities initially stalled amidst virus concerns and a tougher stance from Chinese regulators but rebounded to finish the month slightly higher.

Performance Statement

The BlackRock Multi Opportunity Absolute Return Fund recorded a small negative return in August of -0.6% (after fees). This brings the Fund's year-to-date return to +3.79%, including +3.73% of alpha (after fees).

Strategy Review

The Fund's systematic equity market neutral component led the underperformance in August, in particular the global and Australian sub-strategies. Positive contributions came from the fixed income alpha and global macro hedge fund components. Our fundamental equity long/short strategies recorded mixed performance in August.

Systematic Equity Market-Neutral Strategies

In aggregate, the Fund's systematic equity market-neutral component recorded a disappointing negative return in August driven by the global strategy where all four components detracted, driven by Large Cap, followed by Small Cap, Emerging Markets and finally Mid Horizon. Performance was against a backdrop of strong equity markets continuing their upward trajectory however persistency on leadership trends under the surface of the market remained elusive, as investors continued to switch between value and growth. Initially value outperformed growth as investors warmed to strong economic data in the US, despite the delta variant risk. Markets hit an air pocket due to China's common prosperity income regulation and distribution policies which sent shares in luxury goods tumbling. This meant tech and growth resumed leadership and sent value styles and financials tumbling towards month end. Despite this, a broader pro-risk tone prevailed to the end of the month with beta, high volatility and small caps all outperforming.

The Large Cap model struggled from continued veracity within which investors were prepared to rotate between competing equity styles. Cyclical value prevailed in the first half the month, and then whipsawed mid-month. Quality and ESG signals proved overly conservative for the pro risk stance towards month end. Adverse exposure to the fresh fall out from Chinese policy added to losses (themes on supply chain disruption) and insights linked to China exposure also detracted (e.g. high margin luxury goods). The EM model detracted driven by EM stock selection in macro, and partly offset by a contribution from the EM small cap strategy. EM large cap sentiment signals caused underperformance and sell side analyst insights did not offer respite. From a country perspective, China was the largest underperformer, followed by Korea. Within EM small cap, there was positive contribution broadly across all the signals.

The Australia component also detracted on broad based measures. Consumer Discretionary struggled due to large shorts in diversified consumer services and hotels, restaurants and leisure while Real Estate added due to a longs REITS position. From a signal perspective, most signal insights detracted especially Earnings Quality and Timing while Earnings Direction was the only contributor.

Systematic Fixed Income Strategies

The Fixed Income Global Alpha Fund delivered a small positive return in August. Macro, Relative Value, Credit and Mortgages & Securitized contributed positively. The sole detractor in August was Capital Structure strategies.

Macro strategies were the largest contributors in August. The EM cross-sectional strategy was the primary driver of performance, benefitting from the underperformance of Brazil, Chile and the Czech Republic as well as the outperformance of China and India. The EM short-end model benefited from similar themes, in particular the outperformance of China versus Chile.

Equity Capital Structure strategies were the lone detractors in August. European models underperformed, driven by unprofitable positioning in Luxury Retail, Banks, and Grocery sectors. In Luxury Retail, our models were long the convertibles and equities of two French luxury names, which sharply underperformed mid-month as China signalled it would curb spending among its rich. Within Banks, the fund was short an Irish bank and a Dutch bank on valuation grounds. Both banks rallied more than 20% over the month after reporting stronger than expected results. Finally, the fund was unprofitably short UK grocers, primarily driven by sentiment signals. UK grocers rallied on stronger margin expectations and M&A chatter.

Event Driven

The Event Driven strategy, implemented by BlackRock Global Merger Partners posted a small negative return in August. Seven mergers the Fund was invested in closed during the month, which supported performance. An investment in the Analog Devices/Maxim Integrated merger contributed positively, driven by the receipt of regulatory approval from China and subsequent completion of the transaction. An investment in Parker Hannifin/Meggitt further bolstered returns, as Meggitt received a preliminary competing proposal from TransDigm at a higher offer price. Positioning in Canadian National/Kansas City Southern also contributed to results, as Kansas City Southern received a competing proposal from Canadian Pacific Railway during the period.

Top detractors included an investment in the Advanced Micro Devices/Xilinx merger which was impacted by technical factors continuing to drive the merger spread wider. Despite this, the transaction has made significant progress towards completion. Positioning in the S&P Global/IHS Markit merger also hindered results, as the merger spread drifted wider during the period. An investment in Lockheed Martin/Aerojet Rocketdyne detracted from returns after FTC Chair Lina Khan expressed concern regarding consolidation in the defence industry.

Fundamental Active Equity Long/Short

There was mixed performance in this component of the Fund. The Global Equity Absolute Return Fund posted a small negative return, while the Emerging Companies fund posted a solid positive return.

Within the Global Equity Absolute Return Fund, the top contributor was Recruit Holdings, after the company's revised annual profit forecast beat analysts' consensus. The Tokyo-based global staffing firm cited strong growth in its "HR technology" segment, which includes Indeed and Glassdoor as the company reported a broad surge in demand for sponsored job advertising. Ascendis Pharma was the second largest contributor in August. The company received FDA approval for its new weekly growth hormone which is the first childhood GHD therapy that can be taken once a week vs daily. The third contributor for the month was Beyond Spring which partnered with Jiangsu Hengrui for further developments and commercialisation of plinabulin in China. They have a significant presence in oncology, so this deal is nicely supporting of the recent positive lung cancer results.

The top detractor was a long position in Fidelity National Information Services, which saw its share price de-rated after fears of the Delta variant picked up in the US. In addition, legacy fintech companies such as Fidelity face further competition pressures from new entrants such as Paypal and Square, however the team remain constructive on the investment case given the structural cash to card transition, a number of synergies will be derived from their recent acquisitions and it continues to trade at attractive multiples. Mastercard was the second largest detractor on similar reasons to that of Fidelity National Information Services. The company also announced it would face the UK's biggest class action trial over its payment fees. The third detractor in August was Farfetch. The company announced strong quarterly results, however, concerns around China Technology regulation and a declining China growth story have weighed on performance.

The other fundamental equity long/short strategy is the Emerging Companies Hedge Fund, which recorded a strong positive return in August and acted as a valuable diversifier. The largest positive contributor within this component was SigmaRoc, which was a new purchase emanating from the backing of a large equity raise for a transformational deal to acquire Nordalk, a privately owned Scandinavian based limestone business. This strategic and highly accretive acquisition transforms SigmaRoc by significantly increasing their European footprint whilst diversifying their end market exposure away from construction. The second largest contributor was from Gamma Communications, which continued to rise post their positive update in July. The third largest contributor was from Auction Technology Group, which also continued to appreciate post the strategic acquisition of Live Auctioneers announced in July which we discussed in last month's update. Additional contributors to performance were JD Sports and Microsoft.

Global Macro

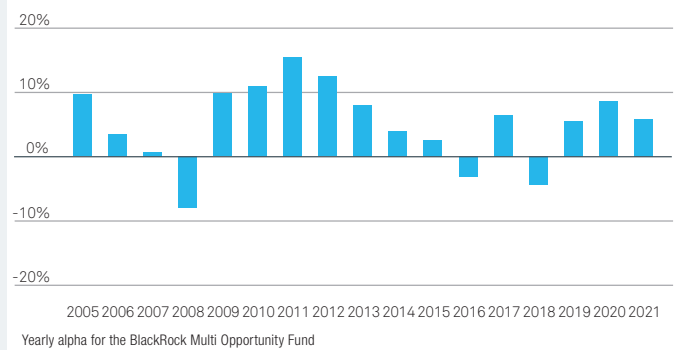
The global macro component of the fund, implemented by the Tactical Opportunities Fund delivered a positive performance in August, led by the portfolio's Systematic model taking Relative Value views across country bonds and equity industries. Meanwhile, the Relative Value equity country positioning detracted; and directional views were flat. The other model, Discretionary, contributed modestly on the month.

In the Systematic model, a short position in Brazil versus India and South Africa contributed as the Central Bank of Brazil hiked rates 1% during the month on rising inflation pressures. Long positions Chinese and German bonds versus Canada and Australia on medium-term commodity strength also boosted returns. In equity industries, positive performance came from fading price over-reactions in the consumer staples (the Fund was underweight) and consumer discretionary (the

Fund was overweight). A directional long position in a basket of DM equities also contributed, while a long DM bonds position detracted late in the month. Relative Value equity country views were the largest detractor, where longs in East Asia versus Europe underperformed. Here, the Fund is positioned for a reversal in recent country equity performance – Asian economies have faced headwinds from both the spread of delta variant and slowing Chinese activity, however the team believe price reactions have overshot earnings impacts.

On the Discretionary side, a directional short position German bonds and a directional long position in global equities contributed positively. Strong Eurozone inflation data and hawkish rhetoric from key ECB governors led to a sell-off in German bonds, while global equities continued to grind higher. Relative Value equity exposures (overweight Europe vs peers) detracted slightly, as did short US bond and overweight euro exposures.

Yearly Alpha, Gross of Fees (%)



Systematic Active Equity

Fixed Income

Macro / Managed futures

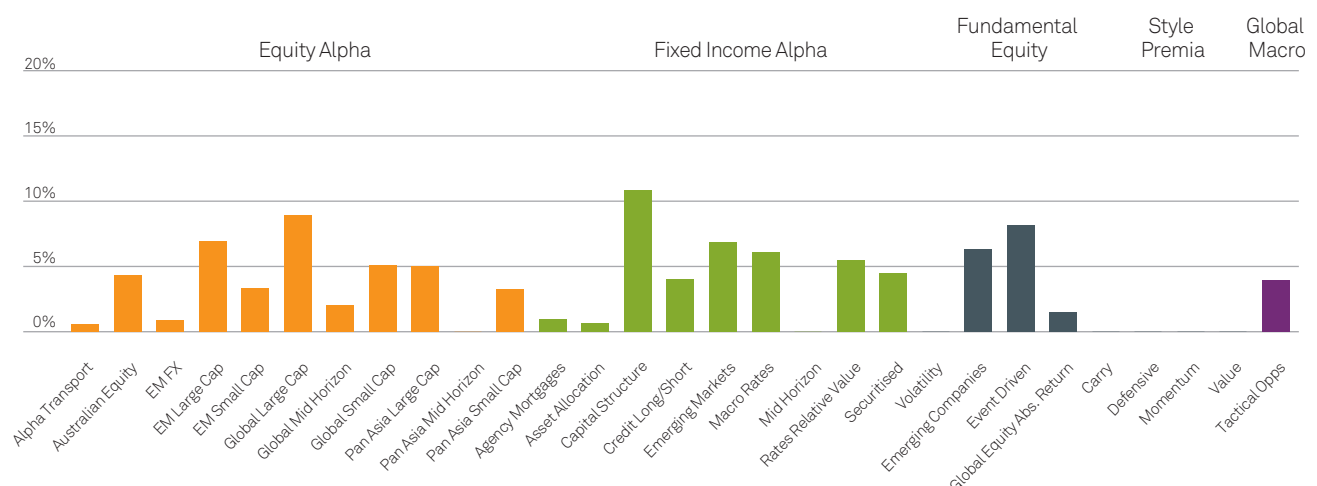
Fundamental Equity

Style Premia



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	0.45%/0.45%
Management Fee	1.25% p.a.
Performance Fee	20%
Strategy AUM	\$1165 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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