

# BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

**BLACKROCK®**

FUND UPDATE

31 December 2021

## Investment Performance (%)

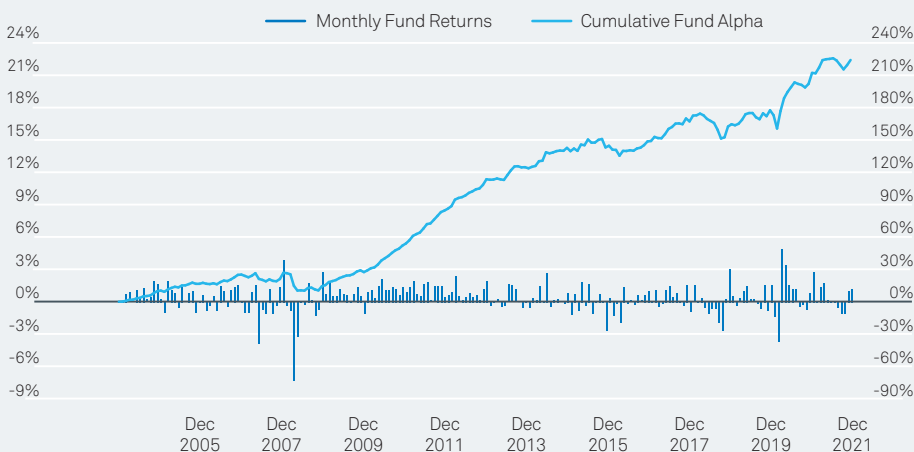
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	1.22	1.15	5.96	5.96	7.16	5.21	8.25
RBA Cash Rate Target	0.01	0.03	0.10	0.10	0.54	0.92	3.21
Outperformance (Gross of Fees)	1.21	1.13	5.86	5.86	6.62	4.29	5.04
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	1.10	1.08	3.75	3.75	5.14	3.38	2.92
RBA Cash Rate Target	0.01	0.03	0.10	0.10	0.54	0.92	1.42
Outperformance (Net of Fees)	1.09	1.06	3.65	3.65	4.61	2.46	1.50

\*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 December 2021



## Performance Summary

### Market Commentary

The last quarter of the year was a volatile one for financial markets. The emergence of the Omicron variant of COVID-19 pushed global case numbers to new highs, adding significantly to investor uncertainty over the period. Despite the tightening of restrictions in some regions, central banks pushed ahead with their normalization plans and took on a more hawkish tilt. Recent data supported the notion that the Omicron variant has a milder effect on the population and hospitalization rates appeared manageable. Investors looked through the noise and volatility in markets and pushed broad based equity indices higher over the period. Yet, there were some significant rotations and sectoral swings underneath the surface. For example, growth stocks (in

## Multi Asset Team



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particular non-profitable, smaller companies) sold off sharply towards year-end and into 2022.

Fixed Income markets also experienced heightened volatility over the quarter, as several central banks pivoted towards a more hawkish policy stance. Global bond yields continued to rise and most developed market government bond indices ended the year in negative territory. Riskier parts of the fixed income markets, such as emerging markets debt and high yield indices recorded mixed performance over the quarter.

## Strategy Review

The BlackRock Multi Opportunity Absolute Return Fund gained 1.1% over the fourth quarter of 2021 (after fees) and finished the year up 3.8%. The Fund has stayed true-to-label over the year and provided investors with positive returns that were broadly market neutral. The Fund delivered material portfolio diversification, especially during the volatile episodes in financial markets. Over a three-year horizon, the Fund's realised volatility is well within its target range of 4-6% p.a. and the Fund has generated positive alpha of +4.6% (annualised, net).

Looking at performance drivers over the fourth quarter of 2021, the Fund's underlying hedge fund strategies recorded mixed performance. Systematic active fixed income (implemented via Fixed Income Global Alpha) and event driven strategies generated positive returns, while global macro strategies detracted somewhat. The Fund's systematic equity market-neutral strategies recorded mixed performance and the overall contribution from this component was relatively flat. A similar dynamic played out within the Fund's fundamental equity long/short component, with mixed performance across sub-strategies and a flat overall contribution. Style Premia strategies continued to show signs of recovery, but the overall contribution was small due to the component's small weight in the portfolio.

## Systematic Equity Market-Neutral Strategies

The Fund's systematic equity market-neutral strategies recorded mixed performance over the quarter and the overall contribution was roughly flat. Stock selection in global large caps and small caps was positive and added to returns, but stock selection in Pan Asia and Emerging Markets offset performance.

On the positive side, Sentiment signals were very effective over the quarter and drove the outperformance within global large caps and small caps. Within this group of signals, insights designed to capture forward looking momentum in fundamentals performed best. These include traditional 'Earnings Revisions' signals and newer proprietary insights that deploy natural language processing to capture Sentiment of company management. Measures incorporating alternative data (e.g. internet search and mobile app usage) provided the model with an additional forward-looking edge in this respect. Measures of Quality focused on profitability and distribution of capital via dividend growth and buy-backs also generated strong alpha, along with more technical measures aimed at tilting into the lowest-risk securities. The combined emphasis on earnings strength and company quality resulted in strong gains from stock selection across Materials and Consumer Staples. Proprietary signals with a 'Value' orientation also worked well over the quarter (especially on the short side of the book) and generated positive alpha.

On the flipside, stock selection in Pan Asia and Emerging Markets was the largest detractor over the quarter and largely offset the aforementioned gains. Insights aimed to capture investor sentiment in the region struggled, alongside signals based on other investors' trading behaviour. Cross-country positioning based on macro insights also weighed on performance. In addition, ESG related signals had another challenging quarter (especially in Asian markets), after performing strongly in 2020. Regionally, positioning in South Korea and Hong Kong detracted most.

## Systematic Fixed Income Strategies

Fixed Income Global Alpha (FIGA) was the largest positive contributor to the Fund's overall performance over the quarter. Capital Structure, Macro Rates and Securities Credit strategies drove the positive contribution in this part of the portfolio, with Capital Structure the standout performer over the period. Within Capital Structure strategies, long and short positions across the US and Europe were successful and contributed meaningfully to overall returns. In the US, long positioning benefitted from the strong consumer demand ahead of the year-end shopping and travel season. The US earnings season also provided a great opportunity set for the convertible and security selection models. Short positions on COVID-affected sectors such as Airlines, Cruise Lines, and Gaming/Lodging were additive as these companies posted more muted earnings and continued to show highly leveraged balance sheets. In Europe, gains were driven by long positions in luxury and semiconductor names and short positions in biotech and travel. The global equity index futures model (based on credit insights) was also positive with gains from long positions in France, Canada, and the US technology sector against shorts in India and Australia.

## Event Driven

The Event Driven strategy (BlackRock Global Merger Partners) recorded a positive quarter and bounced back after a challenging Q3. 18 mergers the Fund was invested in closed during the quarter, which helped performance. In addition, an investment in the UnitedHealth Group/Change Healthcare merger contributed positively, as the transaction continued to progress towards completion and the merger spread tightened over the period. An investment in Rogers Communications/Shaw Communications also contributed to returns, as the merger spread compressed due to increased investor confidence that the Shaw transaction would successfully complete. The Fund holds a position in the Sydney Aviation Alliance/Sydney Airport merger which added to performance, as the transaction received approvals from certain Australian regulatory bodies and continued to progress towards completion.

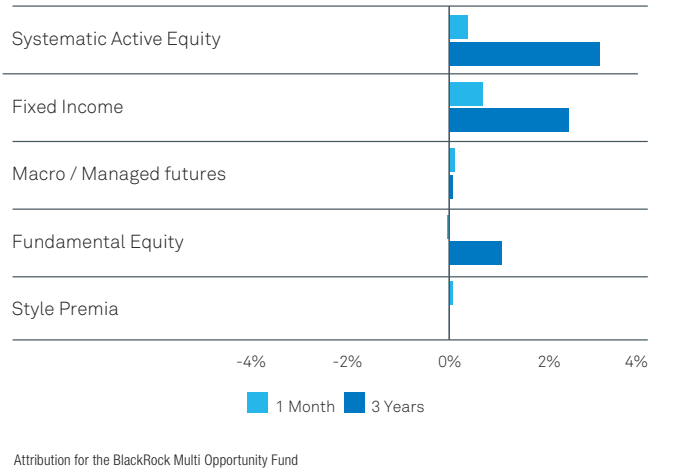
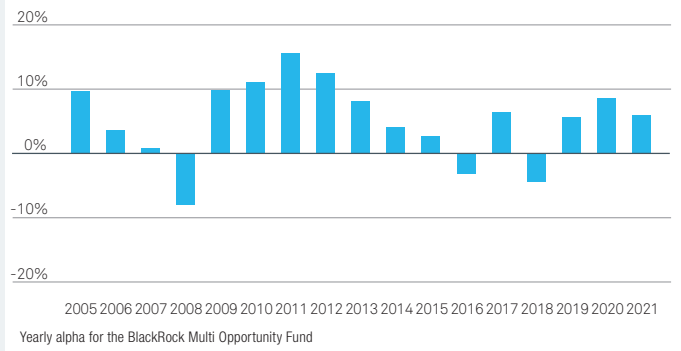
## Fundamental Active Equity Long/Short

The Fund invests in three fundamental long/short equity strategies – the Emerging Companies Hedge Fund (Cayman), Emerging Companies Absolute Return Fund (UCITS) and the Global Equity Absolute Return Fund. The two Emerging Companies strategies recorded positive performance over the quarter, while the Global Equity Absolute Return Fund detracted resulting in a flat overall contribution from this component. Within Emerging Companies, positioning in small cap names in the UK drove the positive performance. Within the Global Equity Absolute Return strategy, losses came from the long and short side of the book. Positioning in the Healthcare and Information Technology (IT) sectors was a particular drag on performance over the quarter.

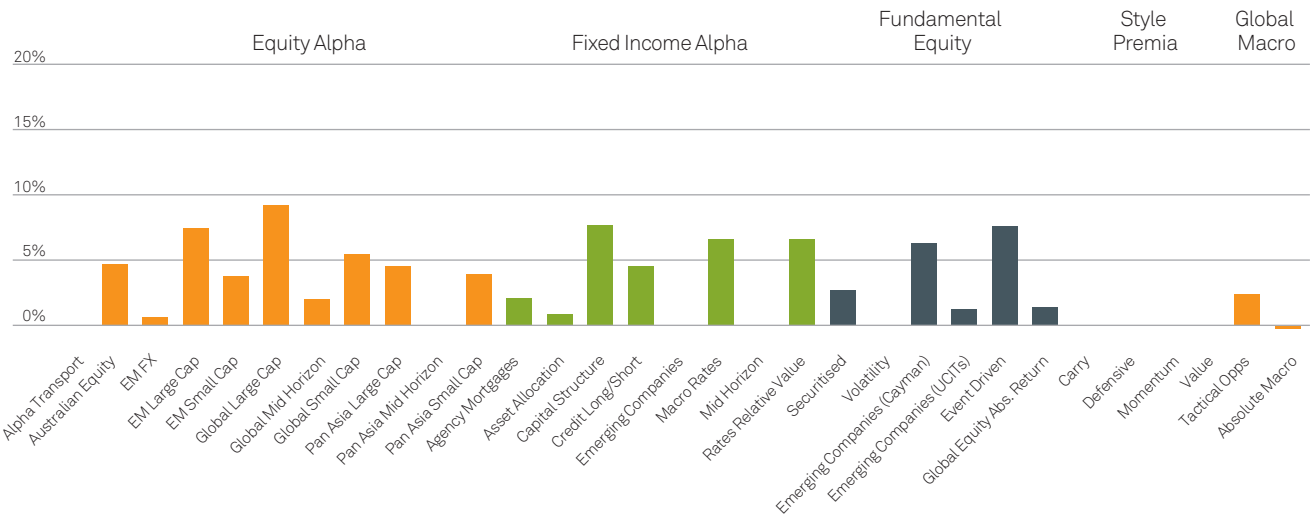
## Global Macro

The global macro/managed futures strategy (implemented through the Tactical Opportunities Fund) recorded a small negative return over the quarter. Most of the underperformance came in October when relative value (RV) strategies across global fixed income and equity markets struggled. Within fixed income, long positioning in Australian bonds (versus short positions in other developed market bonds) detracted, following a higher-than-expected inflation report and the RBA's unexpected termination of its yield curve control policy. Short positions in UK bonds also detracted early in the quarter, after inflation concerns in the UK abated and 2022 borrowing forecasts were revised lower. Long/short positioning across global equity markets also detracted – namely long Asian equities versus short US and Europe – gave back returns as US equities outperformed global peers.

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	0.45%/0.45%
Management Fee	1.25% p.a.
Performance Fee	20%
Strategy AUM	\$1168 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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