

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK[®]

FUND UPDATE

31 January 2022

Investment Performance (%)

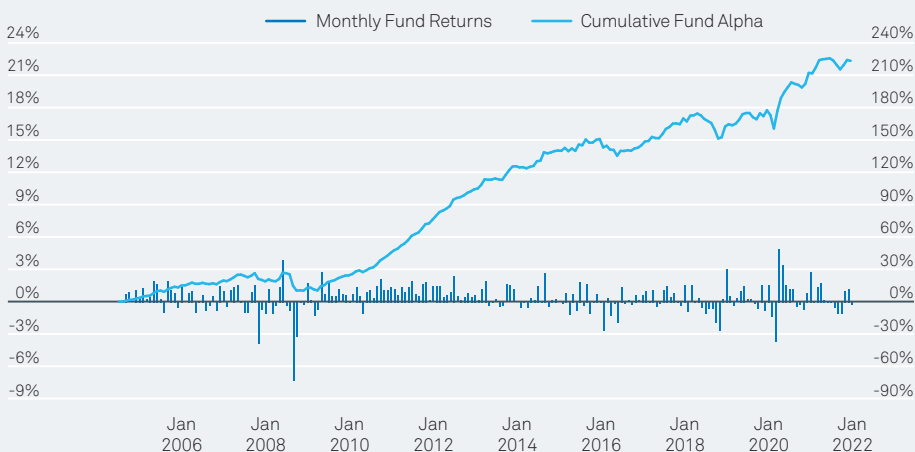
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund [^] (Gross of Fees)	-0.19	2.05	-0.19	2.95	5.99	4.99	8.19
RBA Cash Rate Target	0.01	0.03	0.01	0.10	0.50	0.90	3.20
Outperformance (Gross of Fees)	-0.20	2.02	-0.20	2.85	5.49	4.10	5.00
BlackRock Multi Opportunity Absolute Return Fund [*] (Net of Fees)	-0.29	1.71	-0.29	1.26	4.00	3.17	2.86
RBA Cash Rate Target	0.01	0.03	0.01	0.10	0.50	0.90	1.41
Outperformance (Net of Fees)	-0.30	1.68	-0.30	1.16	3.50	2.27	1.45

^{*}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 January 2022



Performance Summary

Market Commentary

January was a rough month for financial markets. Volatility spiked on the back of ongoing inflation concerns and central bank tightening, along with increasing political tensions in Europe (especially Ukraine). Markets priced in hawkish pivots by various central banks around the globe, including the US Federal Reserve (Fed) and the Reserve Bank of Australia (RBA). The ensuing higher bond yields contributed to sharp rotations across sectors and styles such as a strong rotation into value stocks and out of growth stocks (especially smaller, less profitable companies). Investors were also grappling with rallying commodity prices and turbulent inflationary readings. Nonetheless, many investors attempt to look through the noise and volatility and focus on the more positive

Multi Asset Team



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- Fund Performance
- Unit Prices

outlook, which points to healthy corporate earnings growth and growing economies as many countries recover from the effects of the Omicron wave.

Most global sharemarkets finished the month in the red (in local currency terms). Developed market equities and emerging market counterparts (to a lesser degree) declined as steeply valued stocks sold-off over the period. Developed market government bond indices also detracted, with strong upside pressure on bond yields as inflationary concerns triggered an end to the supportive rate environment.

Performance Statement

The BlackRock Multi Opportunity Absolute Return Fund fell -0.29% over the first month of 2022 (net of fees).

Strategy Review

Looking at performance drivers, the Fund's underlying hedge fund strategies recorded mixed performance. The fundamental equity long/short strategies led the underperformance with all three funds underperforming significantly. However, on the other hand, the systematic strategies delivered a strong positive performance which offset the fundamental component, bringing the overall performance at the Multi Opportunity Fund level to small negative on the month. Systematic active equities, led by the 32 Capital Fund, delivered a strong January return, while systematic fixed income, implemented via the Fixed Income Global Alpha Fund, also posted a positive result. Event driven strategies posted a small negative contribution, while global macro strategies were roughly flat. Style Premia strategies continued to show consistency, delivering a positive return for the month.

Systematic Equity Market-Neutral Strategies

The Fund's systematic equity market-neutral strategies had a strong start to 2022, led by the 32 Capital Fund, which delivered a very strong return for January. Performance at the underlying component level of this Fund was almost universally positive with three of the four components adding value. In terms of contributors, the dominant component was Large Cap followed by Emerging Markets, and Small Cap. Mid Horizon marginally detracted.

Top contributors: within the Large Cap component, top-down macro exposures combined with bottom-up Value hedges insulated the portfolio from the aggressive factor rotation playing out under the surface of the market. This helped to offset weakness from more pro-growth exposures arising from Quality and ESG related signals within the Fundamental composite. Sentiment signals then proved adept at differentiating between winners and loser as earnings season got under way. Within the Emerging Markets (EM) component, the EM Small Cap sleeve delivered a strong start to the year with widespread gains across the Asia, EMEA and LatAm. Offshore China, Mexico and Korea were notable contributors at the country level, while security selection within Brazil struggled. Earnings were also diversified across sectors as every sector except utilities ended the month positive. The strong sleeve outcome was supported by positive performance across all the model signal composites. The set of Value views benefitted from the strong rally of the Generic Value factor across global equities. Within the Global Small Cap component: performance had a good run coming into month end due to a preference for Value in the US which allowed the strategy to deliver a modest positive return. Overall the standout signal performers had a distinct Value/Reversal flavour.

Top Detractors: the Large Cap EM sleeve underperformed as stock selection struggled, particularly towards the end of the month. Losses were felt in Asia, mainly in Taiwan Semiconductors, with some small offset from gains in Korean Healthcare and Chemical industries. EM Macro views implemented through the derivative sleeve had a flat start to the year. Trending and Flow based signals gave back some of

December's outperformance, while contrarian Sentiment and Value signals outperformed. Signals looking at more top-down economic views were also slightly down. The short in Brazilian equities underperformed as commodities rallied, while short Poland on the back of hawkish policy expectations outperformed. The Mid Horizon component of the fund delivered a moderate under-performance contribution for January against a market backdrop dominated by extremely large, trending moves in factors and thematic baskets. This backdrop produced a tug of war effect across the component's regional models; benefitting trending Style and Industry factor bets generating losses in stock specific, contrarian positions within Europe foremost, and Cross-Border to a lesser extent. The US and APAC Mid-Horizon models navigated the trending factor and macro volatility well, generating positive alpha on factor bets and stock specific positions alike; while the Europe and Global Cross-Border Mid-Horizon models struggled with the trending factor and macro volatility and the Europe model endured a particularly challenging month with only one third of underlying signals generating positive alpha across the period. Contrarian flow, slower price-based reversal and Core Machine Learned signals were particularly weak.

Systematic Fixed Income Strategies

Fixed Income Global Alpha (FIGA) was a positive contributor to the Fund performance in January. Macro strategies were the main contributors. Equity & Capital Structure, Mortgage & Securitized Credit, Relative Value, strategies were also additive. Credit strategies were the sole detractor. Within Macro, Gains were primarily driven by developed market (DM) cross market strategies. The strategies benefitted from long positions on European rates versus shorts in Canada, US, and UK. Positions in emerging markets (EM) also contributed. The People's Bank of China cut interest rates by 10 bps surprising the market in terms of the timing and the size of the rate cut, benefitting our positions. Short positions in Poland were also additive as policy makers alluded to upcoming rate hikes. Within Credit, losses were driven by UK positions. Hawkish central bank messaging, rate hikes, the increasing tension between Russia and Ukraine and supply chain issues in Europe has affected credit markets adversely, leading to low liquidity and decreased dispersion. This has been a challenging environment for our credit strategies. Strategies trading physical bonds were hurt driven by positioning in high yield issuers and cyclicals. European strategies also detracted as a long position in a German real estate company delayed full year reporting as financial audits has not been finalized causing bonds to sell-off.

Event Driven

The Event Driven strategy (BlackRock Global Merger Partners) recorded a negative return in January amidst a volatile market environment.

Fundamental Equity Long/Short

The Fund invests in three fundamental long/short equity strategies – the Emerging Companies Hedge Fund (Cayman), the Emerging Companies Hedge Fund (UCITS) and the Global Equity Absolute Return Fund – each of which recorded a significantly negative return in January.

Within the Emerging Companies strategies, positioning in mid cap names in the UK drove the underperformance. The team believe the sell-off in those stocks was more about 'high market volatility' than 'fundamental lost value'. Company reporting so far has also been strong. The top 10 detractors were all UK mid-caps except for Nasdaq Inc (US) and Lonza (Swiss). For the avoidance of doubt, none of the falls can be linked to any negative stock specific news-flow. The biggest three detractors were ATG Technology, Baltic Classified Group and Dechra Pharmaceuticals, and the Fund has added to all three names. The top contributors comprised 4x longs and 6x shorts, an even mix of UK and US listed equities. Unfortunately, this was a period where the Fund delivered some strong stock specific alpha from the short book, but

this was overwhelmed by the wider factor rotation. The team believe the portfolio is comprised of many compelling and differentiated investments with a large and importantly underappreciated runway for growth trading on attractive valuations.

Within the Global Equity Absolute Return Fund, January was a challenging month, whereby the Fund delivered a significantly negative return. From a sector perspective, underperformance was concentrated in Consumer Services and Industrials. From a stock perspective, the top detractor was a long position in Cellnex, whose share price fell after the UK Watchdog raised concerns around its proposed deal to buy CK Hutchison Holdings' towers. M&A rumours circling the European Telecom operators also led to concerns on future capacity requirements for Cellnex customers. The team continue to find the company well poised to grow both organically and in-organically. Recruit Holdings also underperformed alongside other growth businesses. The company announced in late January that it would undertake a buyback – offering some support to the shares. The team continue to see tightness in the global jobs market, and with domestic Japanese growth improving thanks to vaccination efforts helping the leisure industry, they continue to see strong growth potential. The third detractor was Netflix following disappointing subscriber growth and margin guidance. The team continue to view the long-term growth trajectory of the company as attractive, yet acknowledge the difficulty in forecasting the pace of demand normalisation post pandemic. Now back to pre-COVID valuation levels they continue to see a positive outlook for shareholders.

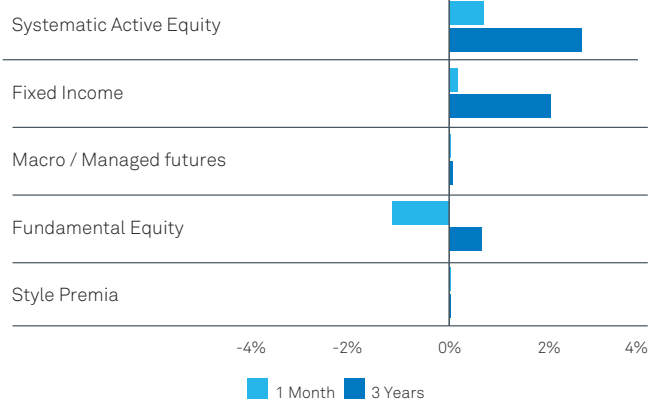
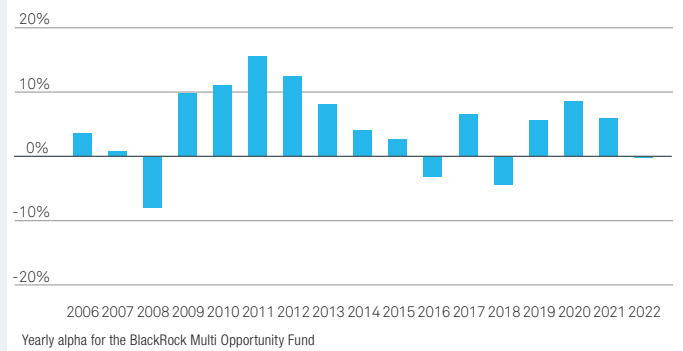
Global Macro

The global macro/managed futures strategy (implemented through the Tactical Opportunities Fund) recorded a roughly flat performance in January. Discretionary views slightly contributed while Systematic strategies slightly detracted in aggregate – relative value (RV) interest rate strategies did contribute, though less than directional interest rate and equity industry strategies detracted.

On the Discretionary side, the Fund profited from European Resilience while Global Reflation weighed on returns. RV equity longs in Italy, Spain and the UK vs US and Japanese equities outperformed as European risk assets somewhat recovered from earlier Omicron-driven underperformance. The ending of lockdowns in the UK and steps to relax COVID precautions in Continental Europe boosted sentiment in the region and led to relative outperformance in a challenging month for global equities. Shorts in German 30-year bond futures also contributed as yields moved higher on the month. Similarly, shorts in US 30-year bond futures in our Global Reflation theme boosted returns while longs in Japanese equities weighed on returns. A long position in the euro vs a non-USD basket of developed market currencies slightly detracted.

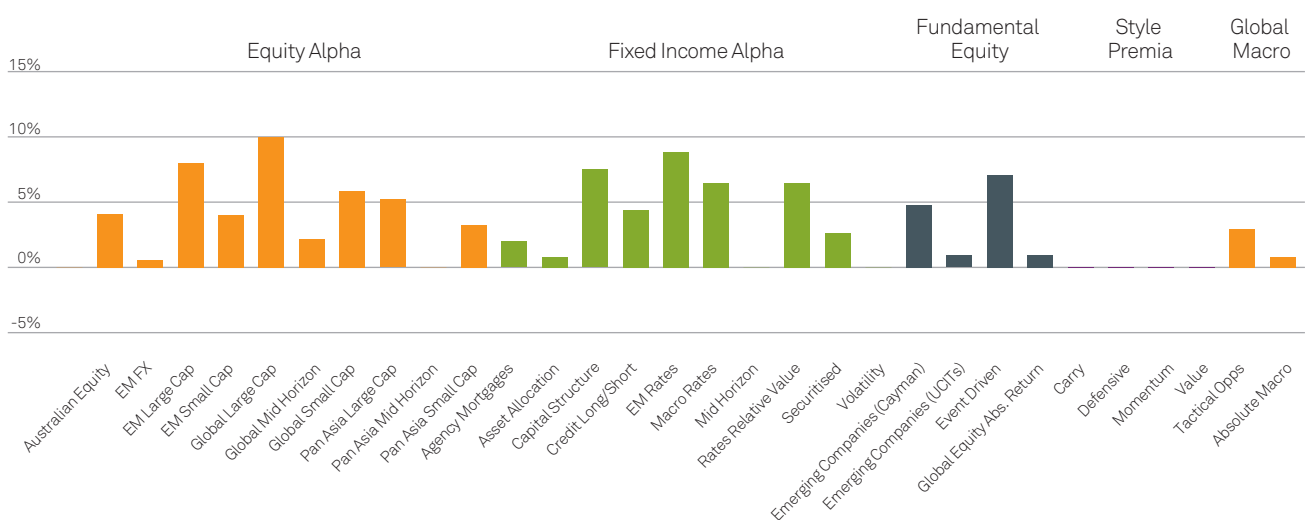
On the Systematic side, relative value fixed income positions were the main contributors. Gains were generated in both developed and emerging markets – shorts in Poland and Korea on policy insights that these countries' yield curves as not being priced for the aggressive monetary tightening needed to curtail accelerating inflationary pressure, and shorts in UK and US bonds on stronger growth and inflation relative to Canada and Europe, both generated positive returns. Systematic directional rates exposures were the key detractor over the month, as long positions in DM 10-year bonds predicated on slowing global growth data underperformed in the face of continued inflation strength and rising real yields. In equities, directional longs and RV positions were each roughly flat. Equity industry views modestly detracted as input cost and inventory-driven insights (which were positioned overweight autos, home building, and apparel versus underweights in consumer staples) underperformed amidst January equity rotations.

Yearly Alpha, Gross of Fees (%)



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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