

# BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

**BLACKROCK**<sup>®</sup>

FUND UPDATE

31 March 2022

## Investment Performance (%)

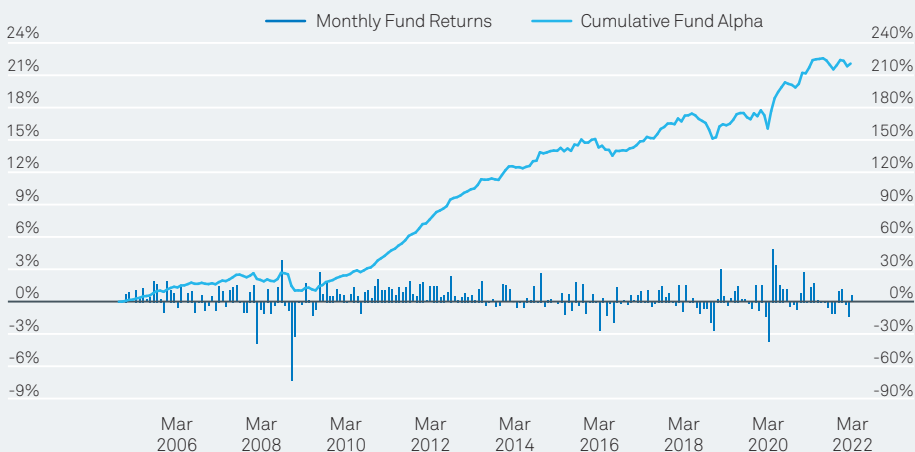
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund <sup>^</sup> (Gross of Fees)	0.63	-0.83	-0.83	0.99	5.59	4.57	8.07
RBA Cash Rate Target	0.01	0.02	0.02	0.10	0.42	0.85	3.17
Outperformance (Gross of Fees)	0.62	-0.85	-0.85	0.89	5.17	3.72	4.91
BlackRock Multi Opportunity Absolute Return Fund <sup>*</sup> (Net of Fees)	0.51	-1.14	-1.14	-0.42	3.61	2.75	2.70
RBA Cash Rate Target	0.01	0.02	0.02	0.10	0.42	0.85	1.39
Outperformance (Net of Fees)	0.50	-1.16	-1.16	-0.52	3.19	1.90	1.32

<sup>\*</sup>Fund inception: 31/07/2013. <sup>^</sup>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 March 2022



## Performance Summary

### Market Commentary

The first quarter of the year was a volatile one for financial markets. Russia's invasion of Ukraine, accelerating inflation, exacerbated global energy shock and rate hikes across global central banks added significantly to investor uncertainty over the period. Supply-driven inflation and commodity prices surged following the sanctioning of Russia, with risk assets extending their sharp rebound off the year's lows. Emerging markets were also weighed down by a new round of Omicron cases and broader geopolitical tensions. The U.S yield curve briefly inverted during the period, prompting recessionary concerns as central banks rhetoric turned more hawkish.

## Multi Asset Team



**Michael McCorry**  
Chief Investment Officer,  
BlackRock Australia



**Karsten Kumpf**  
Senior Portfolio Manager



**David Griffith**  
Senior Investment  
Strategist

Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Most global sharemarkets finished the month in the red (in local currency terms). Developed market equities and emerging market counterparts (to a greater degree) declined steeply in a classic risk off move over the period. Developed market government bond indices were volatile, with strong upside pressure on both short-end and long-end yields driven respectively by expectations for faster monetary tightening and inflationary concerns. Most global bond indices experienced a volatile period and finished the quarter down as rates continued to advance amidst upward trending inflation.

## Strategy Review

The BlackRock Multi Opportunity Fund had a positive month of March, up +0.5% (net), however the fund detracted -1.1% (net) for the first quarter of 2022 as a whole. Quarterly performance was mixed across the underlying funds. The fundamental equity strategies were the major detractor for the quarter. The systematic fixed income component (implemented by the Fixed Income Global Alpha Fund) and the style premia strategy (implemented by Style Advantage Fund) also underperformed through the quarter. The systematic active equities strategies delivered mixed returns yet overall the component delivered a positive contribution, led by the 32 Capital Fund. Finally, Macro strategies remained relatively muted over the period.

## Systematic Equity Market-Neutral Strategies

The Fund's systematic equity market-neutral strategies had mixed returns for the quarter. Within the 32 Capital Fund, the Large Cap sub-strategy was the strongest contributor to performance for the quarter (Q1), followed by Emerging Markets which ended the quarter positive despite a slightly negative return in March.

Looking at the top contributor, the Large Cap sub-strategy, tactical positions were the main driver of outperformance over the quarter. Investors were pricing around five rate increases this year, but a variety of inflationary macro prints drove a repricing to six and a half -- this trend was ultimately supportive for the underweight in the fund in speculative, low quality tech - the area of the market most exposed to sustained rate increases. In mid-Q1, the team significantly repositioned the sleeve in an attempt to exploit alpha opportunities emanating from the change in market regime.

A key signal contributor to performance was an insight that positioned the strategy long the stagflation narrative, with the conflict in Ukraine continuing to apply additional upward pressure on commodity prices. This drove the outperformance of Oil and Gas industries, with notable positive contributors coming from portfolio longs in Occidental Petroleum and Exxon Mobil.

Within the Emerging Markets (EM) sub-strategy, despite the Ukraine crisis, the overall sub-strategy generated positive returns; largely due to the China Absolute return component; stock selection insights led, while themes were also additive in Q1. Within the other sub-strategy, Mid Horizon, the Cross border sub-strategy delivered a positive contribution as it was most exposed to the change in market regime, and successful provider of liquidity.

The sole detractor for Q1 within the 32 Capital Fund was the Small Cap (SC) sub-strategy. There was difficulty navigating the monetary policy-driven market which saw the strategy post a loss overall. Small Cap detracted through March putting the component in to a loss-making position for the first quarter.

As markets continued to struggle to digest the unfolding of Russia's invasion of Ukraine the additional volatility observed across markets played on the modest pro-growth footprint of the core machine learned ensembled models within the sleeve. The portfolio took on additional losses over February before bottoming and recovering into month end. Losses were concentrated in the US and UK, with Sweden a notable bright spot. At the industry level, losses were less concentrated; Consumer Services was a weak point, but there was strength in Retail and Health. US Small Cap detracted towards the end of the quarter. Drivers of underperformance were the broad set of Fundamental insights from the underlying fundamental model components including Quality, Value and ESG metrics which all delivered negative returns. Amongst the worst performers were quality and ESG metrics that look to identify and justify trends in company fundamentals, such as earnings or sales growth.

## Systematic Fixed Income Strategies

Fixed Income Global Alpha (FIGA) posted a positive contribution in March yet remained in negative territory over the quarter. Rates Relative Value and Emerging Market strategies were the major contributors while Macro Rates, Securitized Credit, and Credit strategies detracted.

Top detractors: Mortgage & Securitized Credit strategies were the main detractor during the quarter driven by January performance. The non-agency security selection sub-strategy drove losses as March was characterized by negative technicals. Hawkish central bank messaging, rate hikes, the Russia-Ukraine conflict, and supply chain issues in Europe has affected credit markets adversely, leading to low liquidity and decreased dispersion that created a challenging environment. Fund outflows and heavy new issue supply weighed on non-agency mortgage markets, particularly in the beginning of March. Deals came with large concessions to clear and secondary markets repriced wider on relative value to new issue. Fund flows stabilized mid-month and the wider levels brought new participants to the credit-risk transfer (CRT) market. However, the CRT market did not participate in the mid-month recovery in high yield and other risk markets.

Top contributors: Relative Value strategies were the main contributors for the quarter. Performance was primarily driven by inflation strategies due to increasing concerns over supply chain disruptions of oil, natural gas, and commodities led to higher breakeven inflation rates across global market as a result of Russian invasion in Ukraine. Central Bank Timing strategies benefitted from the front end-sell off in most markets, especially the US. Curve strategies also contributed, driven by a sharp flattening in the 5-30-year part of the US curve. The curve flattened as the market priced in a more aggressive hiking path and a move to more restrictive monetary policy from the Fed.

## Event Driven

The Event Driven strategy (implemented by the BlackRock Global Merger Partners fund) recorded a slightly positive return for the quarter amidst a volatile market environment.

Top contributors: The fund was invested in quite a few mergers that closed during the quarter. An investment in the Take-Two Interactive / Zynga merger contributed to performance, as the transaction received several regulatory approvals during the period and continued to progress towards completion. An investment in Pfizer / Arena Pharmaceuticals was also additive to returns, driven by the receipt of regulatory approval from the United States and subsequent completion of the transaction. Positioning in the Microsoft / Nuance Communications merger further contributed to performance, as the transaction received regulatory approval from the United Kingdom and subsequently completed. An investment in the Oracle / Cerner merger was additive to returns as the HSR waiting period expired, completing the regulatory review in the United States.

Top detractors: An investment in the Norton LifeLock / Avast merger hindered returns as the transaction will be subject to a Phase 2 review in the United Kingdom, extending the timeline to completion. An investment in the Microsoft / Activision Blizzard transaction detracted modestly from performance as the companies received a request for additional information from the FTC, extending the timeline to completion. Positioning in Vista, Evergreen / Citrix Systems also detracted modestly from returns, as the merger spread widened over the period.

## 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 negative return for the quarter.

Within the Emerging Companies strategies:

Top detractors: The top 10 detractors included nine long and one short, with all nine of the longs being UK mid cap names reflecting the market dynamics of the month (and year) to date. The top detractor in March was Oxford Instruments, although this is not quite what it initially seems as this simply reflects the price falling back from its bid premium at the end of last month after Spectris decided it was unable to progress with its offer. The team does not see this as reflecting the ongoing investment case and retains the holding. The second largest detractor was Gamma Communications which reported strong results but whose share price was weak along with many other UK mid cap names. The team has increased its holding of the stock given the potential for both share price rebound and long-term growth. The third largest was Baltic Classified Group, a company whose share price has suffered disproportionately as it is a recent IPO and therefore has a short track record as public company as concerns over the ripple effect on neighbouring economies to Ukraine intensified.

Top contributors: The top contributor was UK listed Electrocomponents which had another reassuring update, with strong revenue and profit growth. This is all despite the general fears of recession, so the team bought this with a strong outlook and a low starting P/E rating. Another top contributor was London Stock Exchange. The team had earlier mentioned about the confusion caused by the cost guidance around the Refinitiv integration which had held back the share price in the last year. However, the company has now provided a clear update that shows costs are under control and revenue growth is accelerating which gave investors renewed confidence. Thermo Fisher Scientific, the healthcare products company, contributed strongly after another solid update and has suffered less from recession fears.

Within the Global Equity Absolute Return Fund, the fund posted negative returns for the first quarter of the year. From a sector perspective, Information Technology and Consumer Staples contributed to performance, while Financials and Consumer Services continue to detract through March as well.

The top detractor was a long position in Natera, a clinical genetic testing company, after Hindenburg Research released a report that claimed the company's marketing materials were deceptive, implying client tests would only cost hundreds of dollars when this would actually be much higher. GXO Logistics was the second detractor after announcing a cash and stock acquisition of Clipper Logistics. Given the synergy opportunities available, the fund continues to hold and have added to the position. The third detractor in March was Volkswagen, whose shares sold off at the start of the month driven by concerns related to its supply chain complex, investor disappointment in the proposed structure of the Porsche IPO and its industrial cyclical characteristics being a key headwind in light of recessionary fears. Another 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 continues to find the company well poised to grow both organically and in-organically.

The top contributor was Novo Nordisk which has seen its share price strengthen after the company held a Capital Markets Day at the beginning of the month. The group has focused its attention on rare diseases and has reported continued success in diabetes and obesity drug sales, with an increased growth in sales expected in 2022. A long position in Baker Hughes was the second contributor after the company agreed to acquire Altus Intervention, which will help to enhance the life-of-well capabilities while operators aim to improve efficiencies of mature oil and gas fields.

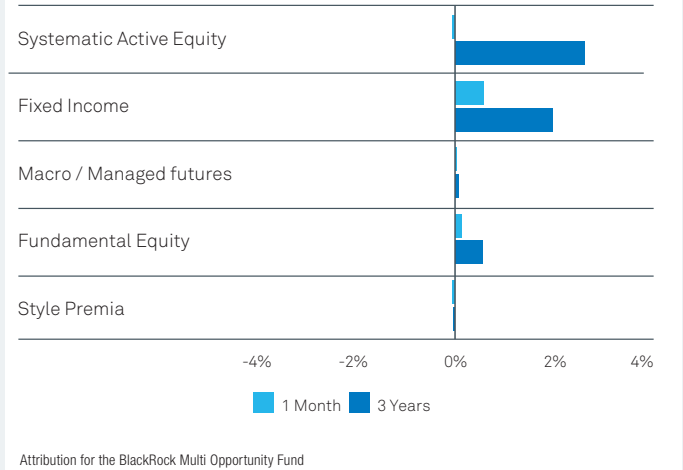
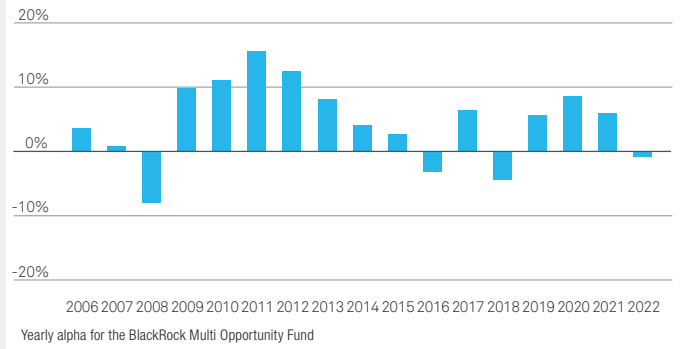
## Global Macro

The global macro/managed futures strategy (implemented through the Tactical Opportunities Fund) was slightly negative over the quarter. The Fund was in positive territory until the final days of the quarter when some relative value rates positioning underperformed. Diversification of macro strategies and emphasis on relative value positioning helped protect capital in Q1 while both stocks and bonds were challenged. The Fund's discretionary views were the largest contributor while Relative value interest rate positioning detracted.

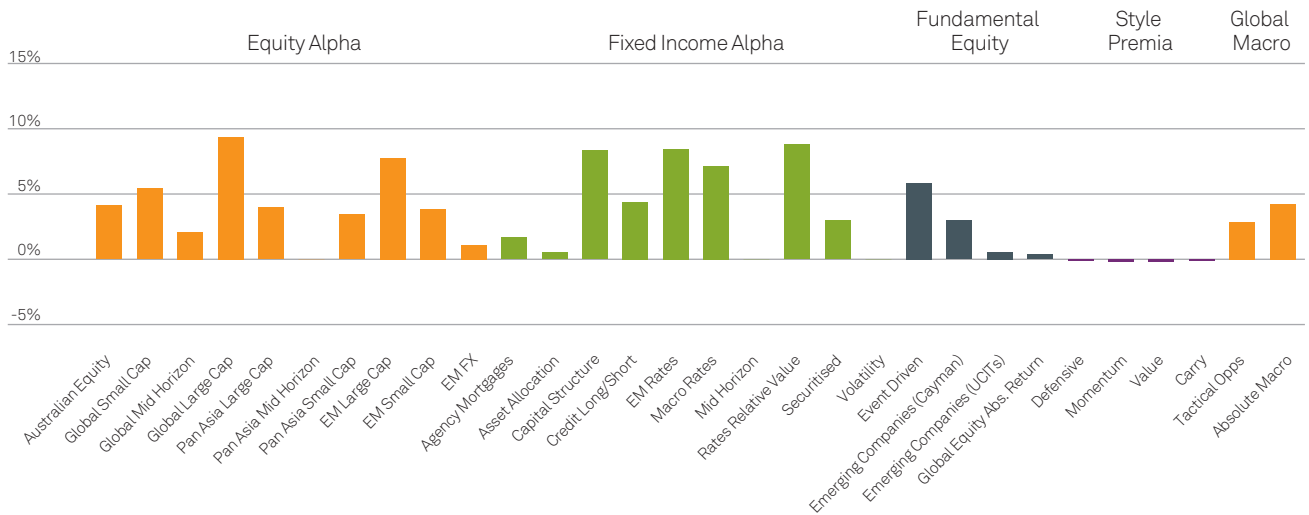
In the systematic process, directional longs in equities and an intra-month short in nominal bonds boosted returns. The fund was long Germany, Sweden, France, Italy, and Poland, with paired shorts in Spain, the US, Korea, the Netherlands, and Thailand. The signals have focused on a mix of attractive pricing and relatively growth data over recent weeks which led them to position overweight Europe. Given the uncertain economic situation in Europe today, this was unfortunately a pain point for performance. The directional systematic insights were quite dynamic year-to-date reflecting highly variable macro impulses. In directional equities, signals have been to trim long exposure over recent weeks as monetary policy has turned hawkish and the outlook for corporate earnings has weakened. In directional bonds, signals flipped from long to short on commodity price dynamics and then reverted to long by month end. In terms of relative value positioning, longs in Chinese interest rates versus a basket of other emerging markets – primarily Poland, Mexico, Korea, and Brazil – continued to add value as easing in Chinese monetary policy contrasted tightening elsewhere. Systematic losses were concentrated in developed market relative value positioning, where longs in European duration underperformed in the final days of the month.

In terms of top contributors, gains in the discretionary process were primarily driven by equity longs and duration shorts. With strong nominal growth despite rising energy prices and less supportive monetary policy, the fund was positioned for Global Reflation with a long position in Japanese equities and a short position in US 30-year bond futures, both of which contributed to returns. Meanwhile, as inflationary pressures have remained at multi-decade highs, the Fed began hiking rates and signalling quantitative tightening. Early in the month the team had added risk to the fund's Fed Normalization theme as markets were pricing a more dovish policy path than the team believed was likely to transpire; a short position in US 5yr bond futures contributed meaningfully to performance. In Europe the team expected that fiscal policy would increasingly be the primary policy lever as spending on defence and energy projects was likely to provide a boost to activity in both the near and long term. This will enable monetary policymakers to withdraw emergency stimulus measures. The team continues to remain relatively overweight European equities and directional underweights to 30-year German bond futures. The team closed an overweight position to the euro as higher commodity prices represent a negative terms of trade shock for Europe.

### 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	\$1159 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

**IMPORTANT INFORMATION:** Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**). This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material. Any potential investor should consider the latest product disclosure statement, prospectus or other offer document (**Offer Documents**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. Offer Documents can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances Offer Documents are also available on the BIMAL website at [www.blackrock.com.au](http://www.blackrock.com.au). BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL. © 2022 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.