Product Assessment

Report as at 28 Sep 2023

Zenith
RECOMMENDED

BlackRock Conservative Multi-Index Fund - Class D Units

Rating issued on 28 Sep 2023 | APIR: BLK6264AU

Investment objective

The Fund aims to provide investors with the performance of its composite SAA benchmark, before fees and the cost of hedging.

Manager	BlackRock Investment Management (Australia) Limited
Distributor	BlackRock Investment Management (Australia) Limited
Sector	Multi-Asset \ Conservative
Investment Style	Index - Other
RI Classification	Aware
Absolute Risk	Moderate
Relative Risk	Active - Strategic AA Focussed
Investment Timeframe	3-4 Years
Benchmark	Diversified Market Income Benchmark
Min Investment Amount	$50,000
Redemption Frequency	Daily
Income Distribution	Quarterly
Fund Size (31 Jul 2023)	$60.63M
Management Cost	0.19% p.a. Incl. GST
Performance Fee	N/A
Buy / Sell Spread	0.06 % / 0.06 %
Inception Date	09 Jun 2020

Fund facts

- A low-cost Multi-Asset strategy employing an SAA-only approach
- A neutral asset allocation weighted 15% to growth assets and 85% to defensive assets
- Implements asset class exposures through index-orientated strategies that apply ESG screens

Viewpoint

The Fund is one of five index-orientated Diversified strategies managed by BlackRock Investment Management Australia Limited (BlackRock). Employing a Strategic Asset Allocation (SAA) approach to portfolio construction, the Fund invests across a range of mainstream asset classes, with implementation gained through passive strategies, many of which employ Environmental, Social and Governance (ESG) screen. In Zenith's opinion, the Fund is well-placed to achieve its stated objectives, with BlackRock's broad suite of low-cost funds provides strong building blocks for the translation of its SAA process presenting investors with both a competitive and differentiated proposition.

BlackRock is a global asset manager that employs approximately 19,311 staff, located in 35 countries across the world, with approximately $US 9.4 trillion in funds under management (FUM) as at 30 June 2023. Of this amount, BlackRock managed $US 1.1 trillion in Multi-Asset strategies globally.

BlackRock's Sydney-based investment team is led by Chief Investment Officer (CIO), Mike McCorry. McCorry retains multiple business and investment related tasks, including oversight for the Multi-Asset Strategies & Solutions (MASS) Group, which is directly responsible for managing the Fund.

The MASS Group consists of 16 local members and nine global representatives, with Head of Portfolio Management, Karsten Kumpf, responsible for the day-to-day management of the Fund. Zenith considers Kumpf to be an experienced investment professional, who is strongly supported by a team comprising members with a complementary set of skills.

The Fund's investment process is centred around the development of an SAA using a proprietary mean-variance optimisation framework and is set with a five-year time horizon. The process is run annually using BlackRock's latest Capital Market Assumptions (CMAs) supplemented with a ‘robust optimiser’ and looks to identify any potentially diversifying SAA building blocks. Aiding with this process is the BlackRock Investment Institute (BII) which produces CMAs taking into consideration a range of fundamental variables for each asset class over various time horizons to produce risk, return and correlation forecasts.

The Fund's SAA comprises a range of mainstream asset classes, with exposures gained on an interfunding basis through a set of passive and low-cost BlackRock sector funds. Zenith notes that unlike other BlackRock diversified propositions, the Fund is not positioned to outperform its tailored benchmark through exposure to global tactical asset allocation or risk premia strategies. Rather, the Fund is focused on adding value through the establishment of a contemporary SAA and cost-efficient execution.

Notwithstanding its index orientation, the Fund has the potential to outperform its SAA on a gross of fees basis. This may be achieved through the Fund's cash allocations (which target a margin above the Bloomberg AusBond Bank Bill Index) and the harvesting of franking credits and withholding taxes. With access points also gained through a set of funds that have exclusions to sectors deemed to have a negative social impact (i.e. tobacco), the Fund presents as a differentiated and competitive proposition within the low-cost market segment.

Fund analysis

Fund characteristics

Constraint	Value
Defensive Exposures	
Cash	SAA = 23.5%
Australian Fixed Interest	SAA = 13%
Australian Inflation-Linked Bonds	SAA = 15%
Australian Investment Grade Credit	SAA = 8%
Global Fixed Interest	SAA = 11%
US Inflation-Linked Bonds	SAA = 10%
Global High Yield	SAA = 3%
Alternatives (Defensives)	SAA = 1.5%
Total Defensive Exposure	SAA = 85%
Growth Exposures	
Australian Equities	SAA = 6%
International Equities (Hedged)	SAA = 2.5%
International Equities (Unhedged)	SAA = 2.5%
Emerging Market Equities (Unhedged)	SAA = 2.5%
Alternatives (Growth)	SAA = 1.5%
Total Growth Exposure	SAA = 15%

Investment objective and philosophy

The Fund is positioned to perform in line with its composite SAA benchmark over rolling five-year periods, before costs and the cost of hedging. The benchmark is a weighted composite of indices based on the Fund's SAA.

BlackRock believes that an optimal investment outcome can best be achieved through Total Performance Management – understanding, measuring, forecasting and managing the three dimensions of investment performance: return, risk and cost. BlackRock seeks to systematically exploit market inefficiencies that have been validated by their research, to ensure that risks relative to the benchmark are adequately compensated, and integrate forecasts of transaction costs into the portfolio construction process.

In simple terms, the investment process can be divided into the development of a SAA and security selection (or implementation) process, where the investment team identifies how best to express its asset allocation. The following section provides an overview of the SAA setting process.

SAA Setting Process

The SAA setting process uses a traditional mean-variance optimisation framework and is set with a five to ten-year time horizon. The process is run annually using BlackRock's latest capital market assumptions (CMAs) supplemented with a ‘robust optimiser’ and looks to identify any potentially diversifying SAA building blocks. Aiding with this process is the BlackRock Investment Institute (BII) which produces CMAs taking into consideration a range of fundamental variables for each asset class over various time horizons to produce risk, return and correlation forecasts.

As part of the process, BlackRock will re-evaluate its CMAs, including an analysis of current risk premia and correlations of asset classes. The optimisation process is run with a number of constraints including a limit on growth versus defensive asset classes, hedge ratios, and the split between domestic and global assets.

The BII produces assumptions across a range of asset classes, geographies and investment time frames. Zenith notes the BII's ongoing research into cross asset class correlations (to adjust for the impost of unconventional monetary policy), and the impact of Environmental, Social and Governance (ESG) matters on CMAs. Regarding the latter, this is an area where BlackRock has demonstrated a competitive advantage, being one of few managers to attempt to adjust risk premia for ESG factors, through a broad set of macro and fundamental models.

Zenith notes that BlackRock's SAA process is applied in a disciplined and consistent manner. While the process has a systematic bias, a number of the underlying assumptions have sensible qualitative adjustments. Zenith is supportive of the approach, noting the effective utilisation of historical and forward-looking analysis.

Portfolio applications

The Fund provides investors with cost-efficient exposure to a diversified portfolio that comprises mainstream asset classes. The Fund's SAA comprises 15% growth assets and 85% defensive assets, with the Fund deemed suitable as a standalone investment, or as a complement to a broader portfolio that seeks to produce outcomes consistent with an investor's risk/return preferences.

The Fund is suitable for investors with a moderate risk tolerance, who are seeking investment returns comprising a mix of income and capital growth. Given the risks inherent in a number of asset classes that the Fund targets, Zenith considers an appropriate investment horizon to be five or more years.

The Fund is one of five low-cost diversified strategies managed by BlackRock. Each strategy offers a different risk/return profile based on a discrete targeted asset mix.

Zenith notes that unlike other BlackRock Diversified propositions, the Fund is not positioned to outperform its SAA through its exposure to global tactical asset allocation or risk premia strategies. Rather, it is focused on adding value through cost efficient execution and exposure to ESG centric vehicles that have the potential to produce a more unique set of risk/return outcomes.

The Fund has a Standard Risk Measure (SRM) which estimates 1 to less than 2 years of negative annual returns over any 20-year period. This SRM is published in the Fund's current Product Disclosure Statement (PDS) and was last calculated in April 2023 by BlackRock based on the FSC/ASFA recommended methodology.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Aware
Has Responsible Investment Policy	Yes
PRI Status	
PRI Signatory	Yes

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

Absolute performance

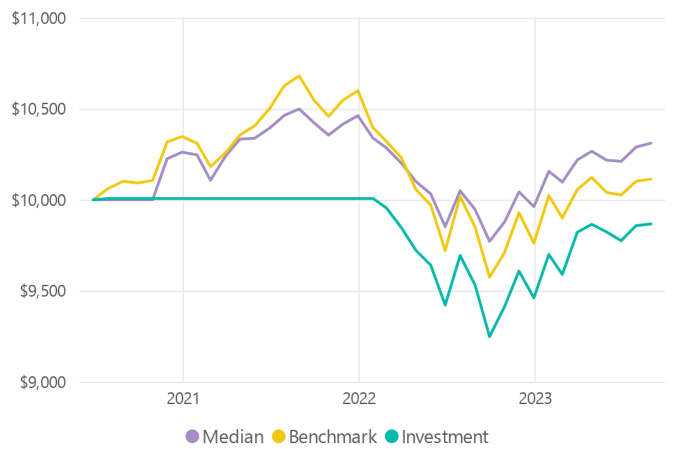
Performance as at 31 Aug 2023

Monthly performance history (%, net of fees)

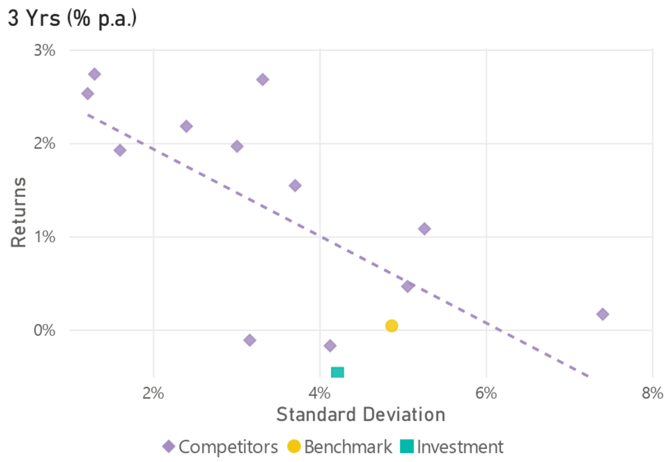
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*
2023	2.51%	-1.12%	2.41%	0.45%	-0.42%	-0.49%	0.84%	0.09%					4.29%	3.60%
2022	0.00%	-0.52%	-1.09%	-1.26%	-0.84%	-2.27%	2.89%	-1.67%	-2.97%	1.77%	2.08%	-1.53%	-5.46%	-7.90%
2021	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.43%
2020							0.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	3.47%

**Diversified Market Income Benchmark*

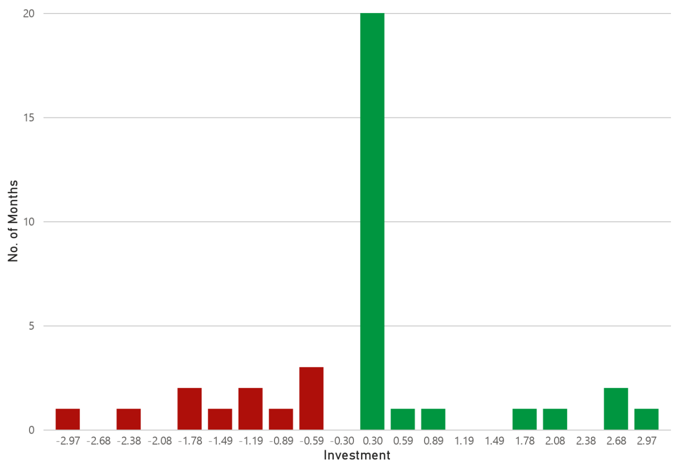
Growth of $10,000



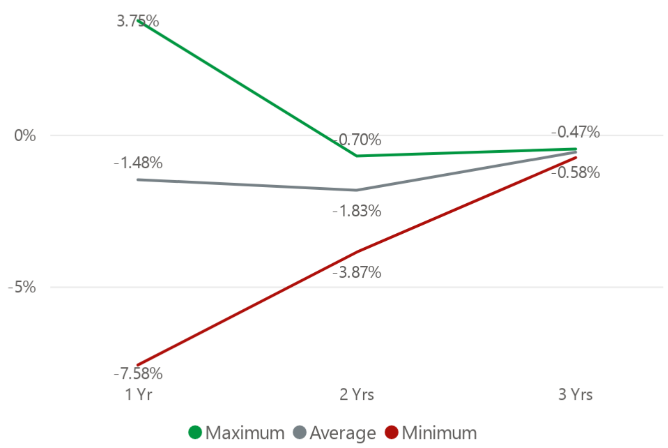
Risk / return



Monthly histogram



Minimum and maximum returns (% p.a.)



Absolute performance analysis

Instrument	6 Mths	1 Yr	2 Yrs	3 Yrs	Inception
Investment	**2.89%**	**3.52%**	**-0.70%**	**-0.47%**	**-0.42%**
Income	0.00%	0.00%	0.87%	0.58%	0.55%
Growth	2.89%	3.52%	-1.57%	-1.05%	-0.97%
Benchmark	**2.16%**	**2.68%**	**-2.69%**	**0.04%**	**0.36%**
Median	**2.12%**	**3.66%**	**-0.90%**		
Cash	**1.94%**	**3.37%**	**1.86%**	**1.25%**	**1.19%**

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	3 Yrs	Inception
Fund Ranking	10 / 13	13 / 13	13 / 13
Quartile	3rd	4th	4th

Absolute risk

Instrument	1 Yr	2 Yrs	3 Yrs	Inception
Standard Deviation (% p.a.)				
Investment	5.68%	5.17%	4.22%	4.11%
Benchmark	5.47%	5.46%	4.87%	4.76%
Median	3.65%	3.73%		3.67%
Downside Deviation (% p.a.)				
Investment	3.58%	3.51%	2.86%	2.79%
Benchmark	3.58%	4.05%	3.39%	3.30%
Median	2.08%	2.58%		2.31%

Absolute risk/return ratios

Instrument	1 Yr	2 Yrs	3 Yrs	Inception
Sharpe Ratio (p.a.)				
Investment	0.03	-0.50	-0.41	-0.39
Benchmark	-0.13	-0.83	-0.25	-0.17
Median	0.08	-0.74		-0.06
Sortino Ratio (p.a.)				
Investment	0.04	-0.73	-0.60	-0.58
Benchmark	-0.19	-1.12	-0.36	-0.25
Median	0.14	-1.07		-0.10

Zenith benchmarks funds in the Multi-Asset Income peer group against the Zenith Composite Balanced Benchmark. While this benchmark may not be consistent with the one adhered to by all rated participants, it has been adopted to provide investors with a common reference point against which similarly structured strategies may be assessed.

The Fund aims to perform in line with its composite SAA benchmark (before fees and the cost of hedging), over rolling three-year periods.

The commentary below is effective 31 August 2023.

The Fund has delivered returns in line with its internal investment objectives. However, the Fund has under performed relative to the Zenith assigned benchmark and median manager since inception and over the medium term. This has placed the Fund in the lower quartiles of the peer group over these time periods.

The Fund's volatility (as measured by Standard Deviation) has been higher than the peer group median in the period since inception as well as over the shorter term.

Relative performance

Excess returns

Statistic	6 Mths	1 Yr	2 Yrs	3 Yrs	Inception
Excess Return	0.73%	0.84%	1.98%	-0.51%	-0.78%
Monthly Excess (All Mkts)	50.00%	50.00%	58.33%	47.22%	44.74%
Monthly Excess (Up Mkts)	50.00%	42.86%	30.00%	15.79%	14.29%
Monthly Excess (Down Mkts)	50.00%	60.00%	78.57%	82.35%	82.35%

Capture ratios (% p.a.)

Statistic	6 Mths	1 Yr	2 Yrs	3 Yrs	Inception
Downside Capture	95.47%	98.24%	74.85%	68.75%	68.75%
Upside Capture	121.71%	107.46%	94.07%	61.37%	58.87%

Tracking error (% p.a.)

Instrument	1 Yr	2 Yrs	3 Yrs	Inception
Investment	1.12%	1.99%	2.51%	2.46%
Median	1.86%	1.81%		1.67%

Information ratio

Instrument	1 Yr	2 Yrs	3 Yrs	Inception
Investment	0.75	1.00	-0.20	-0.32
Median	0.53	0.99		0.63

Beta statistics

Statistic	1 Yr	2 Yrs	3 Yrs	Inception
Beta	1.02	0.88	0.74	0.74
R-Squared	0.96	0.87	0.73	0.73
Correlation	0.98	0.93	0.86	0.86

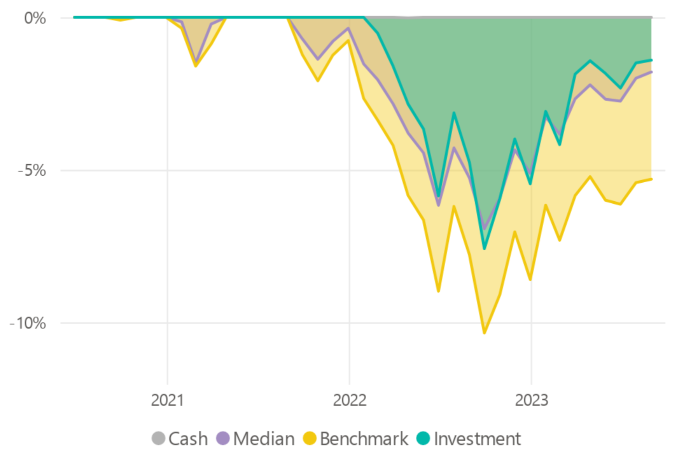
The commentary below is effective 31 August 2023.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill.

The Fund has demonstrated mixed success in generating positive excess returns in greater than 50% of months since inception. Notwithstanding this, the Fund has demonstrated stronger performance in 'down' markets.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



The commentary below is effective 31 August 2023.

Consistent with the Fund's profile, the drawdown profile of the Fund has generally been constrained relative to the Zenith assigned benchmark and also broadly consistent with that of the peer group median.

Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

Key person risk: Zenith believes a level of key person risk exists with respect to Kumpf and his departure would be viewed negatively by Zenith.

Rigidity of investment constraints risk: In managing the Fund, BlackRock applies an SAA-only approach to portfolio construction. By consequence, there is a risk the Fund's performance lags that of peers who apply active asset allocation strategies to adjust sector exposures in response to changing market conditions.

Portfolio efficiency risk: Given its relatively narrow SAA, there is a risk the Fund's return lags that of competitors who incorporate a broader set of discrete betas within their targeted asset mix.

Security/asset selection

As a low-cost Multi-Asset solution, BlackRock implements the Fund's SAA through passive in-house investment vehicles. These span a relatively narrow set of mainstream asset classes including Equities, Fixed Income and Listed Property, with most implementing exclusionary ESG screens.

When structuring asset class solutions, the MASS Group conducts detailed analysis on both incumbent and prospective strategies. This involves regular interaction with investment teams on a formal and informal basis, with the goal of identifying teams that have a demonstrated capability to deliver upon targeted objectives. With respect to passive solutions (which remains the focus of the Fund), this is measured in terms of a team's ability to deliver benchmark like returns with low Tracking Error on a net of fees basis.

Regarding the Fund's sector exposures, the MASS Group works in consultation with mandate managers on all tailored solutions, with the goal of building sectoral strategies that deliver risk/return outcomes broadly consistent with mainstream asset class benchmarks (e.g. the S&P/ASX 300 Accumulation index for Australian Equities), whilst also incorporating BlackRock's ESG aspirations.

However in relation to ESG, we note that although the Fund holds positions in underlying funds which may have ESG screens implemented in them, at the Fund level, BlackRock does not impose any ESG screens as a selection criteria.

Responsible investment approach

BlackRock has been a signatory to the United Nations Principles of Responsible Investment (PRI) since 2008.

BlackRock has an established Responsible Investment Policy (RIP) that was last updated in March 2023. Compliance with the RIP is monitored by BlackRock's Sustainable Investment Team alongside the Risk & Quantitative Analysis (RQA) team within BlackRock's Internal Risk Team. BlackRock has advised that for the 12 months to 30 June 2023, there have been no material breaches of its RIP globally.

BlackRock has a firm-wide mandate requiring all investment divisions and teams to incorporate ESG considerations into global investment and portfolio construction processes. To achieve this, BlackRock has worked to introduce a consistent framework designed to aid in firm-wide integration, while establishing formal committees tasked with ensuring adherence with ESG policies.

BlackRock leverages market-leading proprietary technology to support their sophisticated approach to measuring and assessing sustainability-related risk and opportunities. For example, BlackRock has integrated issuer level ESG data into their internal risk management system, Aladdin, allowing portfolio managers to efficiently assess ESG information as part of their analysis.

Overall, Zenith believes BlackRock applies a well-structured approach to ESG incorporation while also providing sufficient flexibility, recognising the nuances of individual asset classes, client needs and investment processes. Furthermore, Zenith notes that BlackRock’s scale has been to the benefit of ESG incorporation, effectively permitting a level of consistency that would otherwise be challenging to achieve for peers with more constrained internal capabilities.

Portfolio construction

The Fund's neutral asset mix comprises a relatively narrow set of mainstream asset classes, with exposure gained through internally managed wholesale pooled vehicles. Importantly, the Fund interfunds into passive strategies that have sufficient scale to produce returns consistent with their stated benchmarks.

The following is a summary of vehicles through which the Fund gains its asset class exposures:

Cash: exposure gained through the BlackRock Cash Fund, a long-standing AAA-rated strategy that is benchmarked to the Bloomberg AusBond Bank Bill Index. This Fund seeks to produce a margin above its stated benchmark.

Australian Fixed Interest (AFI): exposure gained through the iShares ESG Australian Bond Index Fund. This Fund is managed to a custom benchmark, the Bloomberg Barclays MSCI Australia $100 million ESG Index, and seeks to produce a gross margin above its stated benchmark, over rolling three-year investment terms with typical Tracking Error of 0.10% - 0.15% p.a. Australian Inflation Linked Bonds are accessed through the iShares Government Inflation ETF, which tracks the Bloomberg AusBond Infl Govt 0+ Year Index. Australian Investment Grade Credit exposures are accessed through the iShares Core Corporate Bond ETF , which is managed to the Bloomberg AusBond Credit 0+ Year Index.

Global Fixed Interest (GFI): exposure gained through the iShares ESG Global Bond Index Fund. This Fund is managed to a custom benchmark, the Bloomberg Barclays MSCI Global Aggregate SRI Select ex-Fossil Fuels Index (A$ Hedged), and seeks to produce a gross margin above its stated benchmark, over rolling three-year investment terms with typical Tracking Error of 0.10% - 0.20% p.a US Inflation Linked Bonds are accessed through the iShares TIPS Bond ETF, which is managed to the Bloomberg Barclays US Govt Inflation Linked Index (hedged in AUD).

Global High Yield: gained through the BlackRock Global High Yield ESG and Credit Screened Fund that is benchmarked to the ICE BofA Developed Markets HY Constrained 100% AUD Hedged Index.

Australian Equities: exposure gained through the iShares Wholesale Australian Equity Index Fund. This Fund is managed to the S&P/ASX 300 Accumulation Index.

International Equities: Developed Market exposures are gained through the iShares Wholesale Screened International Equity Index Fund. These allocations are managed to a custom benchmark, the MSCI World ESG Screened (Net) Index, and split between hedged and unhedged exposures. The Emerging Market allocation is gained through the iShares Emerging Markets IMI Equity Index Fund which is managed to a custom benchmark, the MSCI Emerging Market IMI ex Tobacco ex Controversial Weapons ex Nuclear Weapons (Net) Index.

International Property: exposure gained through the iShares Developed Real Estate Index Fund. This fund is benchmarked to the FTSE APRA NAREIT Developed Index Net TRI (AUD).

Gold: exposure gained through the iShares Physical Gold ETC. This Fund seeks to reflect the performance of gold.

BlackRock implements a re-balancing approach that seeks to strike an appropriate balance between maintaining the purity of the Fund's SAA and that of transactional costs. In first instance, the MASS Group will use daily cash flows to adjust sector exposures that drift away from their neutral weights. More formally, the Fund will be re-balanced back to its SAA on a monthly basis, albeit the MASS Group will seek to neutralise exposures on a more frequent basis where they move toward the outlier limit of permitted SAA ranges.

In sum, Zenith considers BlackRock's portfolio construction process to be sound and 'fit for purpose'. In particular we view favourably the interfunding approach used to gain asset class exposure, an approach we deem to be both scalable and cost efficient.

Risk management

BlackRock's risk management framework is multi-faceted and comprises of advanced portfolio and risk management systems, a dedicated quantitative team, independent risk/oversight functions and mandate constraints.

BlackRock Solutions (BRS) is the central package through which the portfolio management team co-ordinates its risk management efforts. It incorporates the Aladdin platform which provides real-time portfolio analytics and includes the Green Package (the firm's daily risk management reporting system) and Aladdin Research, BlackRock's global research database.

The MASSG maintains a close working dialogue with BlackRock's RQA team who provides independent portfolio analytics for the purposes of portfolio management. RQA is supported by personnel from BRS to develop and enhance risk models, investment tools and to generate a broad range of reports, a summary of which is provided below:

- *Factor Risk Reports:* providing real time portfolio level risk updates across a variety of metrics (e.g. spread duration)
- *Stress Testing Reports:* analysing the impact of actual and hypothetical ("what if") scenarios, with flexibility to use historical market prices as well as specific custom shocks
- *Correlation Analysis Reports:* both ex-ante and ex-post correlations can be tested amongst trades, strategies and factors using various time horizons and weighting schemes. There is also functionality that permits investment personnel to limit correlations, thereby maximising the prospect of portfolio diversification (across risk and alpha) which can aid with the Fund delivering outperformance regardless of market conditions
- *Daily Attribution Reports*: provided at both a factor level and security level, permitting investment personnel to attribute risk at a granular level.

The Fund's performance is also subject to a monthly review by an Investment Review Committee (IRC). This committee comprises of senior management, portfolio managers, strategists and performance analysts who formally assess Fund attribution, investment policy and other operational matters that relate to its management. The IRC is responsible for reviewing the Fund to ensure it operates in accordance with mandate requirements, with exceptions reported to it directly.

Investors should be aware that the Fund's Global Real Estate exposure is unhedged, as is a portion of its International Equity allocation (both Developed and Emerging Market). By consequence, investors are exposed to movements in cross rates which may be either to the benefit or cost of performance.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	0.23 % p.a.	0.67 % p.a.
Management Fees and Costs	0.23 % p.a.	0.63 % p.a.
Transaction Costs	0.00 % p.a.	0.02 % p.a.
Performance fees as at 30 Jun 2023	0.00 %	0.03 %
Performance fees description	N/A	
Management Cost	0.19 % p.a.	0.60 % p.a.
Buy / Sell spread	0.06 % / 0.06 %	0.11 % / 0.11 %

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

The sector average cost (in the table above) is based on the average management cost of all flagship Multi-Asset – Conservative funds surveyed by Zenith.

Zenith considers the fee structure of the Fund to be highly competitive within the low-cost peer-group.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform).

About the fund manager

Organisation

BlackRock was established in 1988 as the financial management group within the Private Equity firm, the Blackstone Group. Following a number of ownership changes, BlackRock merged with Merrill Lynch Investment Management while retaining the BlackRock name. In 2009, BlackRock acquired Barclays Global Investments and merged the two businesses.

BlackRock employs approximately 19,311 staff located in 35 countries across the world, with approximately $US 9.4 trillion in funds under management, as at 30 June 2023.

As at 30 June 2023, BlackRock's Multi-Asset Strategies & Solutions (MASS) Group managed approximately $US 1.1 trillion in Diversified strategies globally. As at 31 August 2023, the MASS Group managed $A 426 million across the Multi-Index product set, including $A 61 million in the Fund.

Zenith notes that the Fund was launched on 10 June 2020 with $A 2 million in seed capital, with growth since this time largely coming from external distribution channels.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Michael McCorry	Chief Investment Officer BlackRock (Australia)	31	26	Sydney, Australia
Karsten Kumpf	Head of Portfolio Management	16	13	Sydney, Australia
Katie Petering	Head of Product Strategy	27	6	Sydney, Australia
David Griffith	Head of Portfolio Solutions	26	17	Sydney, Australia
Ron Montgomery	Senior Portfolio Manager	22	18	Sydney, Australia

BlackRock's Sydney-based investment team, incorporating the Multi-Asset Strategies & Solutions (MASS) Group, is responsible for managing the Fund. The team is headed by Chief Investment Officer (CIO) Mike McCorry, a highly-experienced and long standing member of BlackRock.

McCorry originally joined BlackRock (via its predecessor firm, BGI) in 1997 as its Head of Research. At BGI, he was Head of the International Strategies Group and responsible for leading the strategy and portfolio management efforts across Australia’s non-domestic investment strategies. Prior to that, he was a member of the Global Markets Strategies Group with a focus on enhancing the implementation efficiency of BGI's global macro strategies.

Zenith considers McCorry to be a well-credentialed investment professional with deep experience across a range of Multi-Asset and Equity-centric strategies. That said, McCorry has a diverse set of business and investment management responsibilities, which limits his day-to-day involvement in the management of the Fund. In Zenith's opinion, McCorry provides an important oversight and sounding board function to the Fund's portfolio managers, particularly with respect to leading asset allocation discussions across a number of decision-making bodies.

The MASS Group consists of 16 local members and nine global representatives, who are spread across portfolio management and investment strategy. Karsten Kumpf is the Head of Portfolio Management and is responsible for the Index-Opportunities product set which includes this Fund. An experienced investor with a broad set of skills, Zenith considers Kumpf to be amongst the strongest managers across our Multi-Asset (Diversified) peer set. Notwithstanding this, we note that Kumpf has a number of responsibilities across BlackRock's Australian and Global Equity product set and as a consequence, allocates only a portion of his time to this portfolio. While our preference is for a dedicated portfolio manager(s), BlackRock's systematic investment process reduces the level of portfolio management input required.

Supporting Kumpf is Katie Petering, Head of Investment Strategy, and Ron Montgomery, Portfolio Manager, each of whom contribute a range of investment related skills and experience. Petering is responsible for undertaking qualitative due diligence on both the portfolio's incumbent and also potential new strategies. Montgomery is responsible for the day to day management of the Fund.

The remaining members of the local MASS Group are David Griffith (Head of Portfolio Solutions), Portfolio Managers Tatiana Bernard and Sasha Askoulov, Associate Portfolio Managers Tobias Morrison and Vera Wang, and Strategists Uwe Helmes, Beatrice Yeo, William Porter, Yifan Zhao and Tim Diemer.

In Zenith's opinion, there is considerable experience across the MASS team with much of this concentrated at its senior levels. Zenith notes that the team has grown in number, corresponding with strong inflows across its set of Multi-Asset strategies. We have also observed stronger linkages with members of the offshore the MASS Group, which includes several past members of the Sydney-based team.

In addition to these direct resources, Kumpf also leverages BlackRock's extensive network of fundamental and systematic research teams. Zenith has been encouraged by the interaction observed between the domestic team and their global peers, believing these working relationships have been strengthened following the decision by BlackRock to bring together the former Multi Asset Strategy Group and systematic Portfolio Solutions team under the MASS Group consolidated business unit.

BlackRock's remuneration structure comprises a mix of base salary and discretionary bonus. The incentive component is determined taking into consideration a mix of individual and group performance measures. Individual success is gauged taking into consideration a series of qualitative measures together with an overall assessment of team contribution. Group wide components are largely determined by business measures including profitability and segment performance.

An individual's discretionary component will include both short and longer-term components. Short-term components are paid in cash and on a yearly basis. Longer-term components are paid in the form of restricted stock which vests over a three-year period. An individual's longer-term component is likely to be a greater contributor to overall remuneration the more senior they become.

In Zenith's opinion, the investment resourcing arrangements supporting the Fund are strong, effectively leveraging BlackRock's domestic asset allocation capabilities with the investment management skills of the wider business. Furthermore, we retain a high regard for the MASS Group's most senior representatives which have experience and a broad set of skills strongly aligned to the management of the Fund.

About the sector

Sector characteristics

The Multi-Asset sector comprises funds that are permitted to invest across multiple asset classes and investment strategies. Traditionally, asset class exposures have included Equities, Fixed Interest, Property and Cash. However, in more recent times, Zenith has observed a greater preparedness by sector participants to incorporate Alternative assets and strategies within their targeted asset mix. Included amongst these are Real Assets (i.e. Direct Property and Infrastructure), Commodities and Private Market exposures (i.e. Private Equity and Private Credit). Innovation has also been observed in terms of sector structuring and tail risk hedging strategies, with the goal of building more resilient, all-weather portfolios.

Zenith categorises funds in the 'Multi-Asset – Conservative' peer group (growth exposure less than 20%) based on our collective assessment of their targeted asset mix and actual portfolio holdings. Funds within this peer group are benchmarked against the Zenith Composite Conservative Benchmark, which has a defensive/growth split of 80%/20%. The exact composition of this benchmark is provided below:

Cash: Bloomberg AusBond Bank Bill Index (25%)

Australian Fixed Interest: Bloomberg AusBond Composite 0+ Yr Index (25%)

International Fixed Interest: Bloomberg Global Aggregate Index Hedged $A (25%)

Alternatives (Defensive): HFRX Global Hedge Fund Index $A (5%)

Australian Equities: S&P/ASX 300 Index (8%)

International Equities (Unhedged): MSCI World ex-Australia Unhedged Index (2.5%)

International Equities (Hedged): MSCI World ex-Australia Hedged Index (2.5%)

Australian Listed Property: S&P/ASX 300 A-REIT Index (1%)

Global Listed Property: FTSE EPRA Nareit Developed Rental Index TR Hedged $A (1%)

Alternatives (Growth): HFRX Global Hedge Fund Index $A (5%)

To provide greater insight into a Fund's risk/return profile, Zenith decomposes targeted exposures between two broad categories – growth and defensive. While we are cognisant that our designation of asset class exposures between these categories may vary from that defined by the manager, we have sought to adopt a common methodology to ensure consistency in the assessment of like strategies across Zenith's universe of rated funds. Further detail on the Fund's targeted asset mix is provided in the 'Fund characteristics' section.

Sector risks

There exist a number of risks that are generally common amongst all Multi-Asset funds. These include:

Market risk: In periods of heightened risk aversion, it is feasible that asset class correlations merge. Should this occur, the diversification benefits brought through the construction of a portfolio comprising multiple lowly correlated asset classes may be lost, potentially exposing investors to a broader deterioration in market conditions.

Currency risk: Sector participants may be permitted to gain international exposures on an unhedged basis. The decision whether or not to hedge is often deemed active in nature and can expose investors to fluctuations in cross currency rates. This may be either to the benefit or cost of Fund volatility and performance.

Emerging Market risk: Many sector participants gain exposure to Emerging and Frontier Markets which bring with them additional risks. These may include reduced liquidity, a more opaque pricing mechanism, increased sovereign risk and political tensions.

Alternatives risk: A growing number of Funds have investment mandates that permit a meaningful exposure to Alternative assets and strategies. Investors should be aware that the use of Alternatives can bring with them additional risks.

Illiquidity risk: While most sector participants will seek to retain high levels of liquidity, it is feasible that a Fund may retain exposures in assets that are deemed illiquid or subject to irregular pricing policies. It may be difficult for an investment manager to subsequently liquidate such portfolio positions without incurring meaningful transaction or other performance related costs.

Zenith rating

Report certification

Date of issue: 28 Sep 2023

Role	Analyst	Title
Analyst	Alan Chuong	Associate Investment Analyst
Sector Lead	Andrew Yap	Head of Multi Asset & Austn. Fixed Income
Authoriser	Bronwen Moncrieff	Head of Research

Association & relationship

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Rating history

As At	Rating
28 Sep 2023	Recommended
29 Sep 2022	Recommended
30 Sep 2021	Recommended
30 Sep 2020	Recommended
14 Aug 2020	Not Rated - Screened Out

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.

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