



Product Review

BlackRock Global Multi Asset Income Fund (Aust) (Class D Units)

ISSUE DATE 20-04-2023

About this Review

ASSET CLASS REVIEWED	MULTI-ASSET
SECTOR REVIEWED	VARIABLE GROWTH ASSETS
SUB SECTOR REVIEWED	MULTI-ASSET INCOME
TOTAL FUNDS RATED	8

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	BLACKROCK GLOBAL MULTI ASSET INCOME FUND (AUST) (CLASS D UNITS)
APIR CODE	BLK0009AU
PDS OBJECTIVE	TO GENERATE REGULAR INCOME AND MAINTAIN LONG-TERM CAPITAL GROWTH.
STATED RISK OBJECTIVE	LESS THAN OR EQUAL TO THE SHORT-TERM VOLATILITY OF THE FUND'S RISK BENCHMARK.
DISTRIBUTION FREQUENCY	MONTHLY
FUND SIZE	\$38.0M (FEBRUARY 2023)
FUND INCEPTION	28-10-2015
ANNUAL FEES AND COSTS (PDS)	1.45% P.A.
RESPONSIBLE ENTITY	BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED

About the Fund Manager

FUND MANAGER	BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED
OWNERSHIP	100% OWNED BY BLACKROCK INC (NYSE: BLK)
ASSETS MANAGED IN THIS SECTOR	US\$29.0BN (JANUARY 2023)
YEARS MANAGING THIS ASSET CLASS	30

Investment Team

PORTFOLIO MANAGER	ALEX SHINGLER, JUSTIN CHRISTOFEL
INVESTMENT TEAM SIZE	19
INVESTMENT TEAM TURNOVER	LOW - MODERATE
STRUCTURE / LOCATION	PMS & ANALYSTS / NEW YORK

Investment process

RISK (VOLATILITY) BENCHMARK	50% MSCI WORLD INDEX (UNHEDGED IN USD) AND 50% BLOOMBERG GLOBAL AGGREGATE BOND INDEX (HEDGED IN USD).
ASSET ALLOCATION	TACTICAL
SECTOR EXPOSURE	ACTIVE
CURRENCY EXPOSURE	ACTIVELY MANAGED
GEARING / ECONOMIC LEVERAGE	PERMITTED - TYPICALLY VIA DERIVATIVES

Fund rating history

APRIL 2023	RECOMMENDED
MARCH 2022	RECOMMENDED
MARCH 2021	RECOMMENDED

What this Rating means

The 'Recommended' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- Well-resourced investment team with access to BlackRock's global platform of investment professionals.
- Globally diversified sources of income including credit, equity, and covered call writing.
- Track record of income delivery.
- Well-regarded risk management team and risk system, Aladdin.

Weaknesses

- The Fund's yield strategies are more complex than those used by peers and may introduce larger left tail risk in times of volatility.
- Drawdowns have been among the largest in the peer group.
- Decentralised portfolio construction may lead to diminished accountability at the portfolio manager level.

Fund Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK	●		
CAPITAL VOLATILITY			●
FOREIGN CURRENCY EXPOSURE		●	
LEVERAGE RISK		●	
REDEMPTION RISK		●	
SECURITY CONCENTRATION RISK	●		
SECURITY LIQUIDITY RISK		●	

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIometrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE					●		

A Standard Risk Measure score of 5 equates to a Risk Label of 'Medium to High' and an estimated number of negative annual returns over any 20 year period of 3 to less than 4. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME		●	

We strongly recommend that potential investors read the product disclosure statement Lonsec Research Pty Ltd ABN 11 151 658 561 • AFSL No. 421 445 • This information must be read in conjunction with the warning, disclaimer, and disclosure at the end of this document. This report supersedes all prior reports.

ANALYST: IAN CANNON | APPROVED BY: DARRELL CLARK

BlackRock Global Multi Asset Income Fund (Aust) (Class D Units)

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY			●
ESG		●	

Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE			●
FEES VS. ASSET CLASS			●
FEES VS. SUB-SECTOR			●

Fee BIometrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- The BlackRock Global Multi Asset Income Fund (Aust) (Class D Units) ('the Fund') is a highly unconstrained, benchmark unaware and income-focused multi-asset fund with a broad investment universe. Diversification and asset allocations are monitored to balance the trade-off between yield and risk, with the objective of achieving an attractive income stream without sacrificing long term capital growth.
- The Fund invests in an Australian dollar currency hedged share class of the BlackRock Global Funds – Global Multi-Asset Income Fund (the 'Underlying Fund'), a Luxembourg UCITS (Undertakings for Collective Investment in Transferable Securities) fund launched in June 2012. The Fund was launched in August 2015. The Fund is managed by BlackRock Investment Management (Australia) Limited (the 'Manager'). The Underlying Fund is managed by BlackRock's Multi-Asset Income team.
- The Fund offers exposure to the full spectrum of investments including traditional fixed income, investment grade and high yield bonds, traditional equities in developed and emerging markets, and complementary income investments such as Emerging Markets Debt ('EMD'), floating rate loans, mortgage-backed securities ('MBS'), covered call writing, global infrastructure and REITs.
- The Fund does not have a fixed Strategic Asset Allocation ('SAA') framework, instead adopting a flexible, Tactical Asset Allocation ('TAA') strategy actively adjusting allocations to provide the most attractive risk-adjusted yields based on the current market environment.
- Derivatives such as options, futures, interest rates swaps, and credit default swaps may be actively used to generate additional income for the Fund.
- Portfolio risk is measured against a risk benchmark to manage overall volatility levels. The Underlying Fund seeks to produce returns with volatility less than or equal to the short-term volatility of an index of 50% MSCI World Index, unhedged in USD, and 50% Bloomberg Global Aggregate Bond Index, hedged in USD. This benchmark is used for risk management only.
- The Underlying Fund's US dollar base currency exposure is hedged back to Australian dollars.
- The Fund pays monthly distributions but is not managed to an explicit distribution target.
- The Fund's PDS dated 26 November 2022 disclosed Annual Fees and Costs ('AFC') totaling 1.45% p.a.

This fee comprises (1) Management Fees and Costs of 0.80% p.a., (2) Net Transaction Costs of 0.65%. In-line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates. The Fund does not charge a performance fee.

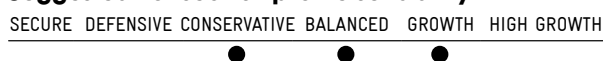
- The Fund charges buy/sell spreads currently at 0.00%/0.00%. These spreads can be subject to change, most notably during periods of market volatility, and can be sourced from the Manager's website.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Lonsec notes the Manager has produced a Target Market Determination ('TMD') which forms part of the Responsible Entity's Design and Distribution Obligations for the Fund. Lonsec has collected the TMD provided by the Manager and notes this should be referred to for further details on the Target Market Summary, Description of Target Market and Review Triggers.
- While the Fund is unconstrained in its equities allocation, historically, the equity allocation has been closer to 40% with an internal limit of 60%. As such, the Fund is subject to equity market risks and movements both positive and negative, in the prices of the underlying securities in the portfolio. Investors should, therefore, be aware of, and comfortable with, the potential for the Fund to experience periods of negative returns which result in capital losses being incurred on their investment. An allocation to the Fund should be funded from both growth and defensive assets.
- The Fund pays monthly distributions but is not managed to an explicit distribution target.

Suggested Lonsec risk profile suitability



For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- In April 2023, Michael Fredericks, Managing Director, Head of MASS Income team, and Lead Portfolio Manager transitioned leadership responsibilities to Co-Portfolio Managers Alex Shingler and Justin Christofel. Fredericks spent 12 years at BlackRock leading the MASS Income team and will remain with the firm until 31 July 2023 to ensure a smooth transition before departing the firm.
- In April 2023, Shingler and Christofel became co-heads of the MASS Income team.
- The Manager has advised the above changes do not alter the investment process or strategy for the Fund.

BlackRock Global Multi Asset Income Fund (Aust) (Class D Units)

Lonsec Opinion of this Fund

People and resources

- BlackRock is a large, well-resourced firm with over US\$8.6tn of assets managed across asset classes. BlackRock has a long track record in managing multi asset portfolios since 1992, with over US\$685bn assets in multi-asset products globally, of which \$64bn are sourced from the Australian business as of 31 December 2022. Lonsec views the Manager as favourably positioned.
- The BlackRock's Multi-Asset Income ('MAI') team consists of 12 dedicated professionals within the BlackRock's Multi-Asset Strategies and Solutions ('MASS') group which is responsible for the management of the Fund. Leading the portfolio management effort are Co-Portfolio Managers Alex Shingler and Justin Christofel who assumed responsibility in April 2023 post upcoming departure of Head and Lead Portfolio Manager Michael Fredericks. The Co-Portfolio Managers are highly experienced with an average of 21 years' experience, albeit marginally less asset allocation experience relative to peers. Lonsec notes the portfolio managers have the relevant experience and complementary skillsets to deliver the Fund's objectives. While Lonsec notes a co-portfolio manager structure at times may dilute accountability regarding investment decisions, this risk is deemed to be relatively low given the 15-year co-tenure of the Shingler and Christofel.
- While Fredericks' departure is considered a material loss, having managed the Underlying Fund since March 2013, Lonsec is comforted with the transition period and established, structured investment process and the experience and co-tenure of Shingler and Christofel. Lonsec will look to observe the interaction and working relationship of these senior members and monitor the stability of the team and the continuation of the investment process without Fredericks.
- Lonsec believes the MAI team is well-supported and adequately resourced. Importantly, the MAI team leverages the expertise of the broader BlackRock' resources globally. As part of the MASS team of 321 investment professionals, the team may enrich its top-down TAA decisions with the insights of other portfolio managers. The team also has access to a global platform of 1,900+ asset class specialists and portfolio managers who perform bottom-up security selection for the Fund's asset class sleeves. In addition, Lonsec has observed a highly collaborative culture of idea sharing between the teams.
- Lonsec views key person risk to be moderate due to the team-based portfolio management structure in addition to recent turnover. Somewhat mitigating this risk is the Fund's highly unconstrained and flexible asset allocation approach, which places reliance on the co-portfolio managers' skills. Nevertheless, Lonsec will seek further comfort in succession planning and key person risk management.
- Lonsec considers the alignment of interests between the MAI team and external investors to be low to moderate, albeit in line with many industry peers. In addition to a base salary, a portfolio manager is awarded a discretionary bonus driven by non-financial goals and overall financial measures, as well

as investment, performance. A portion of the bonus is issued in the form of restricted stock in BlackRock and units in the strategy vesting over a period of time. Members of the team may also participate in BlackRock's employee stock purchase plan.

Asset allocation

- Lonsec considers the Manager's asset allocation framework to be logical and robust, and strongly linked to their investment philosophy. The Fund does not have a strategic asset allocation, instead adopts a largely unconstrained, flexible asset allocation approach to deliver its income and capital growth objectives. The Fund is managed with the belief long term returns from asset classes are driven by their valuations and changes in macroeconomic fundamentals, although prices can deviate materially from their fundamental value in the short term.
- Lonsec considers BlackRock to have a broad set of diversified alpha sources including traditional fixed income, traditional equity income and complementary income. Lonsec considers the flexibility of the Fund and its access to specialised BlackRock strategies to be a notable feature, enabling a dynamic investment approach allowing targeted exposures to specific sub-asset classes throughout the cycle.
- Lonsec notes the Fund is expected to have a bias to fixed income throughout a market cycle, although the Fund may have higher exposure to the riskier fixed income securities such as high yield bonds, CLOs and EMD at times. Lonsec acknowledges the Fund's yield strategies are more complex than those used by some peers and may introduce larger left tail risk in times of volatility.

Research approach

- The research process is characterised by the close collaboration between the co-portfolio managers, the global platform of asset class experts and dedicated macro research analyst. While top-down TAA decisions are made by the co-portfolio managers, insights from asset class specialists and other portfolio managers are actively sought. Lonsec views this relationship positively as asset class experts are more likely to identify potential risks and yield opportunities in their respective asset classes more effectively.
- Lonsec believes the highly flexible and pragmatic research approach to be a strength of the Fund. The team focuses their research effort on a number of asset price drivers, including valuation, macroeconomic environment, market sentiment and idiosyncratic factors. Both thematic discussion-based forums, and scientific model-based techniques are used to evaluate and forecast the future direction of these variables as well as their associated likelihood.

ESG Integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Fund is as well as how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Fund's portfolio or the Manager's adherence to

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any form of impact, green / sustainable or ethical standards.

- At the corporate level Lonsec views the Manager's overall ESG policy framework and disclosure as ahead of peers. The Manager has an articulated commitment to the integration of ESG within their investment process with clear public positioning and evidence of a strong policy framework. The ESG policy together with stewardship guidelines are freely available on the firm's website. The proxy voting policy and reporting on voting outcomes is stronger than peers with particular credit paid to the disclosure of voting rationale for controversial votes. The level of disclosure with respect to the Manager's engagement policies is high, particularly the firm's stewardship policies, however reporting on engagement outcomes lacks depth compared to industry-leading peers.
- The Manager has indicated that they are not integrating ESG considerations into the investment strategy for this fund.
- Lonsec's review of ESG integration for Multi Asset Funds such as this, reviews only the ESG components of the selection of underlying strategies or managers. It does not review the ESG integration at the level of each of the underlying funds or strategies.
- Within the Manager's internal approach ESG data management is strong and evidence of an ESG research effort is clear.
- Engagement activity is evident with overall structures and tracking broadly aligned with peers.
- ESG does not form a component of the Managers broader compliance framework and overall transparency provided to investors is lagging. Voting on the Fund is decided on a company wide basis potentially limiting the Fund's ability to vote in alignment with its own analysts views or investment/sustainability priorities.

Portfolio construction

- The Underlying Fund is primarily comprised of more than 15 asset class 'sleeves' or segregated trading accounts managed by BlackRock asset class portfolio managers / specialists. While the accountability for the Underlying Fund's performance appears dispersed, Lonsec takes some comfort from the regular interaction between the co-portfolio managers and the asset class experts, the extensive portfolio risk oversight facilitated by the Risk and Quantitative Analysis Group ('RQA') and the focus on individual accountability across teams.
- Lonsec views the allocation to alternative income sources, such as derivatives strategies, as a point of differentiation compared to peers. The equity call overwriting sleeve consisting of 100 to 150 direct stock holdings and out-of-the-money call options written over those holdings. The sleeve is directly managed by the portfolio managers, primarily Christofel, with inputs from the BlackRock Scientific Equity team. Lonsec notes the covered call writing strategy has tended to generate attractive income and risk adjusted returns for the Fund.
- Derivative overlays may also be applied at times to provide downside protection, moderate the overall portfolio risk or express investment views.

Lonsec considers the co-portfolio managers' use of derivatives as a risk management tool to be prudent.

- The Fund does not target a defined yield like some of its peers. While this may create uncertainty for investors wishing for a more predictable income stream, a downside to specifying a yield target is managers may be forced to make decisions at inopportune times, such as buying riskier assets to achieve higher yields. Given the Fund gains its investment exposure via the Underlying Fund, this allows income distributions to be 'smoothed out' by a distribution committee and also eliminates the impact currency movements may have on distribution levels, which Lonsec views positively. Lonsec notes the Fund has continued to meet its monthly income objective consistently since inception.
- While the Fund adopts a highly unconstrained approach to portfolio construction with no hard risk limits, the Fund is managed with a 'risk first' mentality. For instance, the Fund may at times sacrifice yield in order to preserve capital in order to mitigate drawdown. Further, portfolio construction decisions are made in a risk-controlled manner using a range of tools to model, including stress testing to assess asset allocation changes. The RQA is also actively engaged in weekly portfolio construction meetings. Lonsec views this as a pragmatic and prudent approach.

Risk management

- Lonsec considers BlackRock a market leader in risk management, with extensive risk management systems and resources at its disposal. The risk management platform at BlackRock consists of the RQA, an internal group with a separate reporting line to the investment teams providing in-depth portfolio analysis, the BlackRock Solutions group, a sister business group which supplies customised risk models and reports, and the Investment Review Committee ('IRC'), which conducts separate reviews to ensure guidelines are adhered.
- The proprietary risk management tool Aladdin is also viewed as market leading, providing real time analytics which allows portfolio risk to be gauged and dis-aggregated. RQA uses Aladdin to report on both absolute and relative portfolio risks to the investment team on a daily basis. Lonsec views the proprietary tools used as relatively above peers. Lonsec regards the risk monitoring tools to be a positive enhancement to the management 'tool kit' afforded to the portfolio managers.
- Besides the volatility target, the Fund is subject to very few risk constraints, and those in place are 'soft' limits only, which is consistent with the Fund's highly unconstrained nature. As such, Lonsec believes it is critical BlackRock has highly sophisticated risk systems and adequate resources to get a full understanding of the risks in the portfolio.

Fees

- The Fund's fee comprises a management fee of 0.80% and net transaction costs of 0.65%. Lonsec considers the total fee load for the Fund (AFC of 1.45% p.a.) as expensive relative to similar strategies within the peer group. The net transaction costs suggest the Fund's buy/sell spread may be insufficient.

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Product

- The Fund is a multi-asset diversified strategy investing across a range of relatively liquid securities within growth and defensive asset classes. Lonsec does not consider it to be operationally challenging to implement or at risk of potential liquidity mismatches between the Fund and its underlying sleeves. Additionally, the Manager uses high quality 'tier one' service providers including its counterparties.
- The Fund is a registered managed investment scheme ('MIS') for which BlackRock Investment Management (Australia) ('BIMAL') is the Responsible Entity ('RE'). The RE is responsible for operating and managing the MIS, holds an ASFL and as such is required to comply with its AFSL and RE obligations as outlined under the Corporations Act. While the use of external RE's is Lonsec's preferred operating model, Lonsec notes the RE has built experience in operating and managing a number of schemes over an extended period of time and is expected to have a structure governance framework in place.
- As of 28 February 2023, the MAI managed \$38m in the strategy. Given the long track record of the underlying strategy, the track-record of the BlackRock team, and the commitment of the Manager, Lonsec views the wind-up risk of the Fund to be low.

Performance

- The Fund aims to generate regular income and maintain long-term capital growth.
- Lonsec notes the Fund has distributed a relatively mixed income stream over the three-years to 28 February 2023.
- To 28 February 2023, the Fund returned 0.0% p.a. and 1.3% p.a. net of fees over three-years and five-years, respectively.
- Compared to Multi-asset Income peers, to 28 February 2023, the Fund's three-years and five-year returns were both behind the peer median returns. The Fund's performance in recent times has been detracted by global high yield bonds, interest rate exposures and US equities.
- While the Fund has largely met its risk objective, the Fund's annualised standard deviation was above peer median over three- and five-years. Together with the relatively lower returns, the higher volatility has resulted in Sharpe ratios below the peer median over the three- and five-years to 28 February 2022.
- The Fund's maximum drawdown was also among the highest in the peer group over three- and five-years to 28 February 2023. Due to the exposure to complex and higher yielding asset classes such as EMD, CLOs, high yield and securitised assets, the Fund may exhibit volatility in excess of peers and relatively sharper drawdowns, in times of stressed market which was exhibited in recent years. As such, Lonsec will continue to monitor the Manager's ability to manage downside risk, as it may impact on the secondary objective of maintaining long term capital growth.

Overall

- Lonsec has retained the Fund's 'Recommended' rating at its latest review. This rating is predicated on the relative strength of the portfolio management team as well as the structure of the Fund. Lonsec views positively the Fund's ability to access sub-asset classes with the benefit of direct expertise from sleeve managers.
- Whilst the income objective has been achieved, Lonsec notes in seeking income in the riskier part of the spectrum, the Fund has experienced larger drawdowns and volatility relative to the wider peer group. Going forward, Lonsec will monitor the Fund's performance profile and ability to reach its stated objectives.

People and Resources

Corporate overview

BlackRock is one of the world's largest asset managers, managing assets for clients globally. As of 31 December 2022, the firm employed more than 19,700 professionals and maintains offices in 36 countries around the world. BlackRock Inc. (NYSE: BLK) has no single majority stockholder and has a majority of external directors. The Fund is managed by the BlackRock Multi-Asset Income team.

BlackRock manages a total of US\$8.6tn of assets as of 31 December 2022, of which approximately US\$685bn was in the multi-asset sector. The BlackRock Multi-Asset Income Group managed USD\$29bn as of December 2022.

Size and experience

NAME	POSITION	EXPERIENCE
		INDUSTRY / FIRM
ALEX SHINGLER	PORTFOLIO MANAGER	25 / 15
JUSTIN CHRISTOFEL	PORTFOLIO MANAGER	16 / 15

The Underlying Fund is managed by the Multi-Asset Income ('MAI') team within Blackrock's Multi-Asset Strategies and Solutions ('MASS') group. The MASS group seeks to deliver investment returns primarily through asset allocation, with the MAI group specialising in global tactical allocation portfolios and outcome-oriented investment solutions. In addition to the two co-portfolio managers, the MAI team includes a Head of Macro Economic research, two researchers, two implementation portfolio managers and three investment analysts.

The Fund is supported by Co-Portfolio Managers Alex Shingler and Justin Christofel. The Co-Portfolio Managers hold extensive experience and are managers for a suite of income-oriented investment solutions, whilst also serving as Co-Heads of the MASS Income platform.

Alex Shingler served as a research analyst and portfolio manager within BlackRock's European and US credit businesses. Before joining BlackRock in 2007 in London, Shingler was Head of European Research at R3 Capital Partners and its predecessor.

Justin Christofel managed customised asset allocation portfolios for institutional investors before the launch of the Income strategies. Christofel also managed volatility control strategies, and a multi-asset real return portfolio.

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Christofel joined BlackRock in 2007 from Oliver Wyman, a consulting firm specialising in financial services.

In implementing its investment strategies, the MAI team will leverage the expertise of 1,900+ asset class specialists, particularly collaborating with those focused on income generating assets, for instance; US high yield, global fixed income.

Risk management efforts are supported by four dedicated multi-asset analysts within the Risk and Quantitative Analytics ('RQA') group.

Asset consultant

The Fund does not use any external asset consultants. Instead, the MAI team actively engages in BlackRock's asset class experts and portfolio managers for their insights.

Asset Allocation

Strategic asset allocation

The Fund is not constructed around a strategic asset allocation framework. The table below shows the Fund's actual asset allocation at of 31 December 2022:

Asset allocation

ASSET CLASS	SAA BENCHMARK			CURRENT ALLOCATION
	MIN	MAX		
HIGH YIELD BONDS	-	-	-	29.3%
INVESTMENT GRADE BONDS	-	-	-	4.3%
EMERGING MARKET EQUITY	-	-	-	5.7%
GLOBAL EX-US EQUITIES	-	-	-	7.2%
US EQUITIES	-	-	-	4.7%
EMERGING MARKET DEBT	-	-	-	6.1%
FLOATING RATE LOANS	-	-	-	9.2%
MORTGAGE BACKED SECURITIES	-	-	-	4.1%
PREFERRED STOCK	-	-	-	7.0%
COVERED CALL WRITING	-	-	-	10.5%
GLOBAL INFRASTRUCTURE	-	-	-	3.7%
GLOBAL REITS	-	-	-	3.2%
CASH	-	-	-	5.2%

Tactical/Dynamic asset allocation

The Underlying Fund will tactically shift between the full spectrum of investments to help provide the most attractive risk-adjusted yield based on the current market environment.

Tactical asset allocation ('TAA') decisions are made by the co-portfolio managers with regular inputs from asset class experts who are also responsible for managing the asset class sleeves. In addition, the insights of other multi-asset managers and the broader group via the BlackRock Investment Institute may also be leveraged.

Research Approach

The Underlying Fund is managed with the belief long term returns from asset classes are driven by their valuations and changes in macroeconomic fundamentals. As such, research efforts are focused on a range of variables broadly categorised into:

- **Valuation:** assesses underlying fundamental value through inputs such as dividend yield, earnings

yield, risk-free rate, spreads, equilibrium exchange rates and carry.

- **Macro environment:** captures changing economic conditions through inputs such as leading indicators, financial conditions, monetary policy and fiscal policy.
- **Market sentiment:** assesses investor behaviour through inputs such as risk appetite, flows, momentum, investor biases and liquidity.
- **Idiosyncratic factors:** assesses underlying fundamental value through inputs such as geopolitical events, black swans, regulatory changes and natural disasters.

Both thematic forums and scientific model-based techniques are used to evaluate and forecast the future direction of these variables.

The co-portfolio managers will regularly use the insights of BlackRock's global platform of investment professionals to supplement their views. However, third-party research may also be referenced for idea generation and/or support in validating or negating investment views.

Given the Underlying Fund's TAA approach, market inefficiencies created by aggressive exogenous factors such as forced sales due to hedge fund redemptions, and passive endogenous factors; for instance herding behaviours, are also monitored to help time the execution of asset allocation changes.

Portfolio Construction

Overview

The team actively positions the portfolio within its investable universe of traditional fixed income, including investment grade, high yield and sovereign debt, traditional equity income, including developed and emerging market equities, and non-traditional income, including buy-write strategies, preferred stock, floating rate loans, emerging market debt, global REITs, and mortgage-backed securities.

The Underlying Fund is constructed primarily from asset class sleeves and internally managed exchange traded funds. The Fund seeks to generate income and return from a broad range of sources, including tactical asset allocation, and active management of bond, equities and complementary income exposures. Over time, the Manager expects to see a broadly even contribution to return from these sources, coupled with an ongoing focus on income generation.

Derivative overlays may be applied to provide downside protection for the Underlying Fund. These positions are managed by the co-portfolio managers to moderate risk in the overall portfolio or to express investment views.

The RQA team is closely involved in portfolio construction to ensure the co-portfolio managers fully understand the impact of allocation changes from a risk and exposure standpoint. This is particularly critical given the Fund's highly unconstrained investment approach.

Underlying manager allocation

The Fund's investment exposures are all managed internally within BlackRock. Underlying exposures/sleeves are detailed below as of 30 June 2022:

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Fixed Income

- US High Yield – Systematic FI & Leveraged Finance Team (New York, San Francisco)
- US IG Credit – Fundamental FI Teams (New York)
- US Short Duration FI – Fundamental FI – NY
- European High Yield Credit – European Credit Team (London)
- Emerging Market Credit – EM Credit Team (Singapore)
- EM Debt – Sovereign & EM Alpha Team (New York)
- Preferred Stock – Fundamental Fixed Income (New York)
- Non-Agency Mortgages – Residential Securitised Team (New York)
- CMBS – CRE Debt Team (New York)

Traditional Equity Income

- Covered Call Writing – Derivative Overlay Team (Boston)
- Global Dividend Income – Global Equity Team (London)
- European Equity Income – European Equity Team (London)
- Emerging Market Equity Income – EM Equity Team (London, Hong Kong)
- Infrastructure Equity – Global Real Assets Securities Team (New York)
- Global REITs – Global Real Estate (New York, London, Singapore)
- Global Equities – Systematic Active Equity & EII Teams (San Francisco, London)

Risk Management

Risk limits

As a highly unconstrained strategy, the Fund is subject to minimal risk limits and those present are soft limits only. The Fund's top-down asset allocation is actively managed to ensure its return objective is delivered with a level of risk less than or equal to the short-term volatility of its risk benchmark.

Risk monitoring

The RQA, an internal group with a separate reporting line to investment teams, provides portfolio analysis and is responsible for designing and implementing BlackRock's risk management framework. The RQA analyses the Fund regularly, providing the co-portfolio managers with a range of reports covering risk factors, stress testing, correlation analysis and attribution.

Both pre- and post-trade compliance is performed within the Aladdin system, BlackRock's proprietary risk analytics platform.

The Risk Dashboard, a key RQA output which tracks multiple risk metrics and portfolio behaviour, is reviewed by the co-portfolio managers together with the RQA on a daily basis.

Monitoring of compliance guidelines is performed by the Portfolio Compliance Group ('PCG'). In addition, all portfolios are monitored on a monthly basis by the Investment Review Committee ('IRC') which comprises senior management, portfolio managers, product strategists and performance analysts.

Implementation

The asset class sleeves are structured as segregated trading accounts, affording the ability to tailor the Underlying Fund's investment exposures. For example, asset class portfolio managers may be instructed to focus or avoid certain sub-categories within an asset class. All sleeves are 'outsourced' internally with the exception of a covered call equity portfolio which is managed by the two portfolio managers.

Currency management

The Underlying Fund may engage in active currency management as part of its investment strategy. The share class of the Underlying Fund in which the Fund invests into fully hedges the Underlying Fund's US dollar base currency exposure back to Australian dollars.

Risks

An investment in the Fund carries a number of standard investment risks associated with investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in pages 4-5 of the PDS and should be read in full and understood by investors. Lonsec considers the major risks to be:

Market risk

The Fund has a 50% soft limit on emerging market exposures. Stocks domiciled in emerging markets are typically associated with higher market risk, relative to those domiciled in developed markets. Accordingly, investors should be mindful of the potential for sharper movements in the market price of these investments.

Interest rate (duration) risk

Market prices of fixed rate securities are typically inversely related to the movement of interest rates or bond yields, e.g. rising bond yields reduce market value of securities. Duration is a measure of the interest rate risk in a fund. There is no limit on the Fund's duration exposure but this has typically ranged between 1 to 3 years (absolute).

Credit risk

Investing in non-sovereign debt securities, such as corporate bonds, typically carries with it an increased level of credit risk. Credit risk generally refers to the extent of a borrower's willingness or ability to repay their debt. Higher credit risk generally infers a greater risk of capital loss. Credit investments are typically split between investment grade (AAA to BBB-) and sub-investment grade (BB+ to D). The Fund has no limits on sub-investment grade securities.

Derivative risk

The Underlying Fund may use derivatives such as futures, forwards and options to manage risk and return. Any form of risk hedging may not give a precise hedge and there is no guarantee that the hedging will be totally successful. Furthermore profit or loss from derivatives are accounted for in the income account which may impact the level of income distributed.

Currency risk

Global multi-asset income funds predominantly invest in assets that are denominated in non-A\$ currencies. A rise in the relative value of the A\$ vis-à-vis the

BlackRock Global Multi Asset Income Fund (Aust) (Class D Units)

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currencies in which the assets are denominated will negatively impact the market value of the assets (and vice versa) from an Australian investor perspective. The Underlying Fund may engage in active currency management, although the Fund's currency exposures are fully hedged back to Australian dollars.

Leverage risk

The Underlying Fund may be exposed to investment strategies that use leverage via derivative instruments. The expected level of gross exposure is two times the Underlying Fund's net asset value (i.e. 100% of net asset value). Borrowing is permitted (e.g. temporary overdrafts to manage cash flows) but not for investment purposes.

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Quantitative Performance Analysis - annualised after-fee % returns (at 28-2-2023)

Performance metrics

	1 YR		3 YR		5 YR		7 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	-7.30	-0.77	0.01	2.24	1.30	2.68	3.71	3.63
STANDARD DEVIATION (% PA)	11.99	7.81	10.90	8.09	8.97	6.79	7.83	5.94
EXCESS RETURN (% PA)	-9.06	-4.47	-0.65	-0.67	0.25	0.62	2.42	1.62
OUTPERFORMANCE RATIO (% PA)	41.67	41.67	61.11	56.94	65.00	60.00	67.86	57.74
WORST DRAWDOWN (%)	-13.52	-5.64	-17.27	-9.18	-17.27	-11.60	-17.27	-11.60
TIME TO RECOVERY (MTHS)	NR	NR	NR	8	NR	10	NR	10
SHARPE RATIO	-0.76	-0.33	-0.06	0.16	0.03	0.27	0.31	0.45
INFORMATION RATIO	-0.77	-0.80	-0.06	-0.13	0.03	0.10	0.31	0.28
TRACKING ERROR (% PA)	11.83	7.74	10.90	8.27	8.96	6.92	7.80	6.06

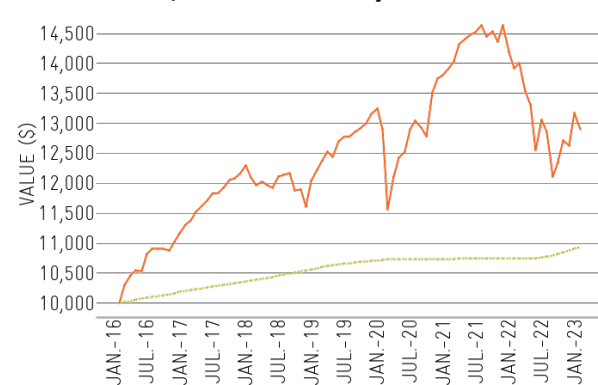
PRODUCT: BLACKROCK GLOBAL MULTI ASSET INCOME FUND (AUST) (CLASS D UNITS)

LONSEC PEER GROUP: MULTI-ASSET - VARIABLE GROWTH ASSETS - MULTI-ASSET INCOME

PRODUCT BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD

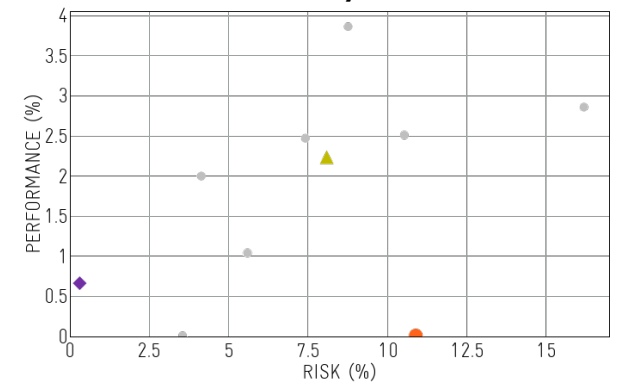
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

Growth of \$10,000 over seven years



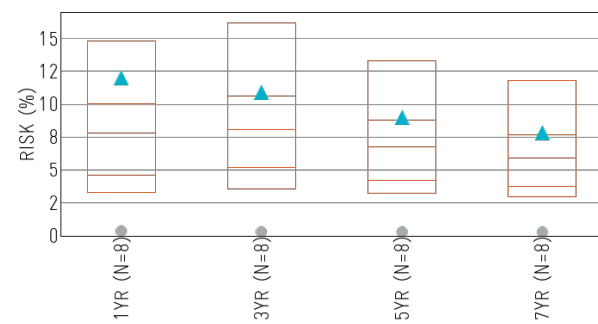
— BLACKROCK GLOBAL MULTI ASSET INCOME FUND (AUST) (CLASS D UNITS)
 - - - BLOOMBERG AUSBOND BANK BILL INDEX AUD

Risk-return chart over three years



● BLACKROCK GLOBAL MULTI ASSET INCOME FUND (AUST) (CLASS D UNITS)
 ◆ BLOOMBERG AUSBOND BANK BILL INDEX AUD
 ▲ PEER MEDIAN
 ● PEERS

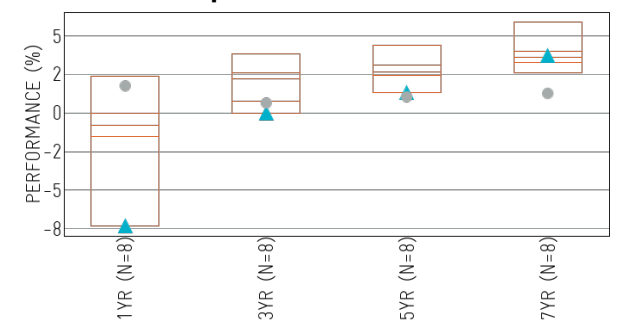
Quartile chart — risk



▲ BLACKROCK GLOBAL MULTI ASSET INCOME FUND (AUST) (CLASS D UNITS)
 ● BLOOMBERG AUSBOND BANK BILL INDEX AUD

N: NUMBER OF ACTIVE FUNDS

Quartile chart — performance



▲ BLACKROCK GLOBAL MULTI ASSET INCOME FUND (AUST) (CLASS D UNITS)
 ● BLOOMBERG AUSBOND BANK BILL INDEX AUD

N: NUMBER OF ACTIVE FUNDS

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BlackRock Global Multi Asset Income Fund (Aust) (Class D Units)

Glossary

Total return ‘Top line’ actual return, after fees
Excess return Return in excess of the benchmark return
Standard deviation Volatility of monthly Absolute Returns
Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)
Worst drawdown The worst cumulative loss (‘peak to trough’) experienced over the period assessed
Time to recovery The number of months taken to recover the Worst Drawdown
Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

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