



Annual RG240 Disclosure

BlackRock Appreciation Strategy Fund (Aust)

ARSN 636 479 082

June 2024

The BlackRock Appreciation Strategy Fund (Aust) ("**Fund**") Annual RG240 Disclosure provides an overview of market and fund performance over the six months 1 July 2023 to 31 December 2023, along with some key fund information as at 31 December 2023.

Please note that the Fund commenced winding up on 4 January 2024 and completed winding up on 1 October 2024. The Fund was deregistered on 8 December 2024.

Market Commentary – Year in Review

The 6 months from 1 July 2023 to 31 December 2023 (“the period”) continued to be an extraordinary time for investors, characterized by a number of meaningful macro concerns that drove significant volatility and declines across major asset classes. Investors encountered multiple regime shifts over the course of the second half of the year and structural changes surfaced, reshaping markets. Against a backdrop of elevated interest rates, a regional banking crisis, and the ever-present specter of recessions, risk assets generally climbed in 2023 and accelerated higher in Q4 2023, defying investor expectations. Equity markets finished 2023 near record highs, lifted by a handful of mega cap tech names expected to benefit from the prospects of generative artificial intelligence (“AI”). Long-term government bonds sold off temporarily, with the US 10-year Treasury yield reaching a 16-year high before normalizing in Q4 2023 on bets of rate cuts and a soft landing in 2024. Geopolitical risks edged higher with war erupting in the Middle East and drawn-out political gridlocks, yet markets remained largely steady.

The excitement around technology firms expected to benefit from the prospects of generative AI was apparent in Q3 2023, as the S&P and Nasdaq both extended their rallies in July, resulting in the fifth consecutive month of positive returns. Yet, those same tech stocks that powered equity markets for much of the year reversed course later in Q3 2023, as the realization of a longer period of tighter policy sank in and eroded the case for lofty valuations. Bond markets broadly detracted early on in the quarter as major central banks continued to increase interest rates in July. The selloff of bonds continued through the remainder of Q3 2023, as fiscal sustainability and the unease around the amount of US Treasury bond issuance needed to tackle ballooning government debt became a major concern for bond investors. In the commodity complex, supply cuts by OPEC pushed oil prices to 10-month highs and raised the specter of renewed inflationary pressures.

Central banks broadly signalled their intentions to hold rates at current levels well into 2024. The Federal Reserve’s benchmark rate reached a multi-decade high over Q3 2023 and authorities had pencilled in one more hike prior to year-end before the rise in Treasury yields compelled officials to

reassess. The European Central Bank raised rates even when its peers skipped, as the region continued to face inflation far above its target level. Despite loosening its yield cap, the Bank of Japan kept rates untouched during Q3 2023 to both support growth and sustain a level of inflation close to its 2% target. While uncertainty remained around just how high rates need to rise, policymakers were mindful of holding rates at restrictive levels for too long as various economies have already begun to cool and stagnate, in addition to growing concerns around the impact of elevated rates on massive debt balances.

Stronger-than-expected economic data over the summer and concerns around US debt sustainability drove a historic bond rout. Yields eventually drifted lower during Q4 2023, as price pressures eased materially and investors placed bets on an imminent end to the current tightening cycle. Major central banks largely held interest rates steady during the final months of 2023 and the faster-than-expected decline in inflation led to a rapid rethink by monetary authorities who had forecasted a longer period of elevated rates. Euphoria in markets also set in during the final weeks of Q4 2023, when the Federal Reserve indicated it would likely shift to rate cuts, rather than rate hikes in 2024.

Escalating geopolitical tensions and political gridlocks brought fragility to world security and uncertainty to markets. Global risks edged higher in 2023 with war erupting in the Middle East, the ongoing invasion of Ukraine, and continued strategic posturing between major powers. Partisan disagreements in the US over the debt ceiling led to the prospect of a default over the summer while tumult in Congress hampered the government’s ability to provide critical aid as conflicts unfolded globally. In Q4 2023, the US updated its export control measures, further restricting China’s access to advanced semiconductors and chip making tools. Still, in the midst of greater global and political risks, markets were largely steady, with moves remaining relatively muted in select sectors such as commodities.

Performance Commentary

Over the longer term, the Fund's low sensitivity to equity markets has enabled it to participate in equity market gains, whilst protecting capital on the downside. Additionally, the strategy exhibits an asymmetric return profile, meaning that, on average, it has participated in equity up markets significantly more than in equity down markets and has thus added significant value to clients' portfolios.

Over the 6-month period ended 31 December 2023, both Class S Units and Class D Units in the Fund posted positive net returns. The main driver of performance came from event driven ("EV") strategies, followed by relative value ("RV"), fundamental long/short ("LS"), and direct sourcing ("DS") strategies, all of which recorded positive returns over the period. EV strategies were additive, as hard catalyst situations contributed to performance for EV equity funds and litigation situations benefitted certain distressed managers. Within RV, rates managers profited from bond futures basis dislocations and statistical arbitrage funds adapting to shifting market environments. LS strategies posted strong returns, as certain equity funds captured alpha and credit managers benefitted from higher yields and dispersion. Lastly, DS managers modestly gained, driven primarily by regular coupon income.

Strategy Review & Outlook

Fundamental long/short equity managers contributed positively to total Fund performance over the 6-month period. Driven by cooling inflation and rate cut expectations, major indices neared record highs to end Q4 2024, yet LS equity programs lagged market indices on average as low net exposures and the underweighting to mega cap tech names limited involvement in this year's rally. Performance among US-focused funds was generally positive over H2 2023, as managers with lower net profiles continued to capture alpha while staying less exposed to factor rotations. European-focused programs saw a wide degree of dispersion through the end of H2 2023. Some managers outperformed peers with gains coming from isolated developments, particularly on the long side, and from conviction in themes such as cost deflation. Still, select specialists (e.g., industrials) continued to detract on the back of non-fundamental market behavior in the auto sector. Within Asia, BAA's invested funds generally performed in line with regional indices and peers on a YTD basis. Gains

over the year were primarily generated from exposures to Japan and firms closely associated with the global AI thematic, while positions in Chinese and Hong Kong names detracted. Overall gross and net exposure in 2023 remained largely unchanged around historical averages. Sector specialists outperformed lower net funds on a YTD basis, benefitting from long positions in both semiconductor and healthcare names, as well as long exposures to the Asia energy sector.

Fundamental long/short credit managers generated positive returns for the Fund during the 6-month period. Select programs benefitted from higher carry and strong security selection during the year while elevated yields and dispersion both within and across sectors also created tailwinds for some funds. Within structured credit, market-neutral paired positions across credit and equity, as well as income from positions across residential, commercial, and consumer credit contributed to YTD gains. In Q4 2023, positive returns were largely driven by improved carry and high yield longs benefitting from the risk-on rally.

Event driven managers generated positive returns over the 6-month period. Hard catalyst situations contributed to performance across all geographies and select managers posted healthy gains in H2 2023 from existing merger arbitrage exposures, as a handful of strategic deals closed. Still, spread volatility remained elevated over the quarter as anti-trust scrutiny persisted. BAA's ECM funds took advantage of a flurry of capital markets activity during H2 2023, as a series of highly anticipated IPOs came to market, yet some managers were adversely impacted by poor subsequent price performance that also chilled sentiment. Chinese markets faced headwinds for much of the year and the broader universe of Asia-focused ECM managers lagged global peers that profited from trading placements across geographies. Distressed strategies reported gains over the 6-month period, driven by idiosyncratic developments and no single thematic in H2 2023. Invested funds gained from positive restructuring developments and a rebound in higher-yielding bonds, particularly in Q4 2023. During the final months of the year, select litigation situations and post-reorganization positions contributed to positive performance. Default activity continued to rise with YTD levels reaching the largest volume since 2008.

Relative value managers recorded positive returns during the 6-month period. Rates strategies added to H2 2023 gains, as key trends from earlier in the year carried into the second half of the year, including elevated rates volatility and dislocations across regions and strategies. Global short asset swap positioning, bond relative value trades, and bond futures basis opportunities in the US continued to provide a fertile ground for alpha generation. Yet, YTD gains were partially offset by banking sector concerns and downside surprises, impacting directional and inflation trades. Managers broadly operated with lower leverage in Q4 2023 compared to earlier in 2023, with inflation strategy exposures declining the most. Invested managers generally outperformed peers for much of 2023 by remaining diversified and tactically pivoting into different areas, as well as using more liquid structures to express positioning. Volatility strategies were also positive over the period. Despite the emergence of material market risks during 2023, equity volatility remained largely suppressed, limiting opportunities across the space. Contributions from credit volatility trades and VIX arbitrage over the year were offset by losses from long volatility and convexity trades. Equity volatility increased temporarily at the start of Q4 2023 as markets broadly sold off but eventually reverted on the back of more optimistic macro news. Gains from tactical trades in single names and rates volatility exposures were more than offset by losses from both directional and RV trades with long volatility tilts. Statistical arbitrage strategies posted gains over the 6-month period. Machine learning funds contributed the most to positive performance in 2023, benefitting from elevated residual volatility against a backdrop of broader market uncertainty. Multi-strategy quants also posted strong gains by navigating episodic deleveraging events. Certain programs on the platform outperformed systematic indices in Q4 2023 and capitalized on increased trading volume, while short covering offered some opportunities for flow-based quants. Still, headwinds persisted for index rebalancing funds in 2023 and China focused programs lagged as the country's reopening themes ran out of steam.

Investment performance to 31 December 2023 (% net of fees)

	1 MTH	3 MTHS	YTD	1 YR	3 YRS	5 YRS	SINCE INCEP
BlackRock Appreciation Strategy Fund (Aust) – Class S ¹	0.45	2.02	5.71	5.71	4.45	-	4.80
BlackRock Appreciation Strategy Fund (Aust) – Class D ²	0.42	1.96	5.46	5.46	4.18	-	4.85
BlackRock Appreciation Strategy Fund, Ltd (Cayman Fund) ³	0.65	2.51	6.90	6.90	4.91	5.51	7.36
Bloomberg AusBond Bank Bill Index (for comparative purposes)	0.37	1.06	3.89	3.89	1.71	-	1.37

Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees, performance fees (if applicable) and expenses and assumes the reinvestment of distributions.

¹ Please note that inception to date return begins 2 January 2020.

² Please note that inception to date return begins 1 December 2020.

³ Please note that inception to date return begins 1 August 1995.

ASIC Benchmark – Annual Reporting

Provided below is key fund information for the Fund as at 31 December 2023.

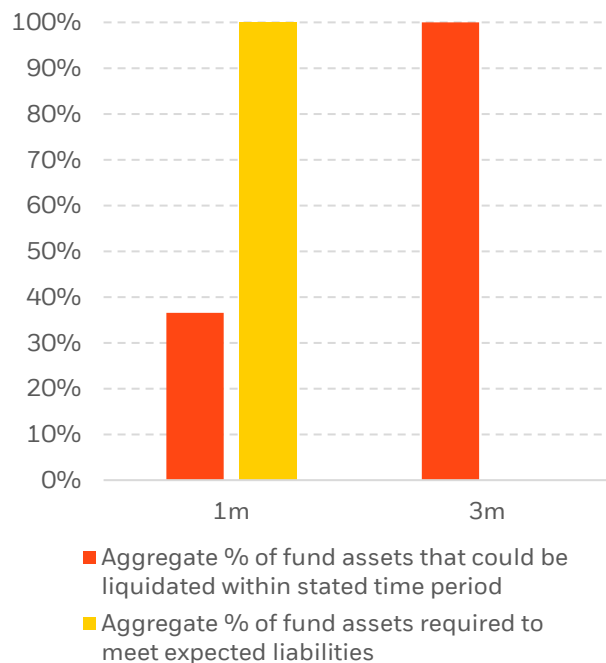
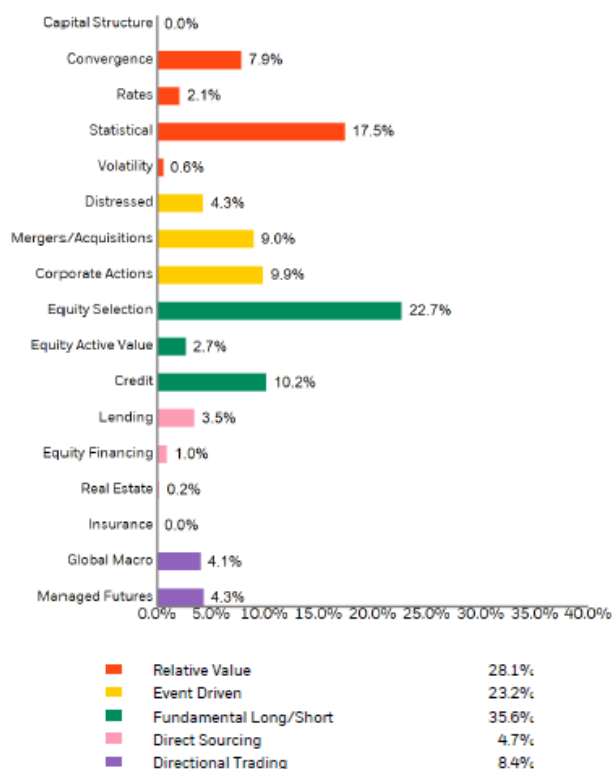
Asset Allocation

BlackRock Appreciation Strategy Fund (Aust)

Asset Type	Asset Allocation
Other – BlackRock Appreciation Strategy Fund, Ltd	100%

BlackRock Appreciation Strategy Fund, Ltd (Cayman Fund)

Discipline and Strategy Allocation (as of 31 December 2023)



Annualised Investment Returns

Provided below are annualised Fund returns to 31 December 2023. Information is provided on a 5-year annualised basis except where a fund is less than 5 years old in which case annualised returns since fund inception is provided.*

	Net Investment Returns (%)
BlackRock Appreciation Strategy Fund (Aust) – Class S	4.80
BlackRock Appreciation Strategy Fund (Aust) – Class D	4.85

	Gross Investment Returns (%)*
BlackRock Appreciation Strategy Fund, Ltd	8.71

* Where an investment is made through a pooled investment vehicle managed by BlackRock or another company in the BlackRock Group, the management fees of the underlying pooled investment vehicle are either rebated or not charged. Accordingly, Gross Investment Returns are shown as the above pooled investment vehicle, into which the Fund invests, is managed by another company in the BlackRock Group. Past performance is not a reliable indicator of future performance. Gross returns are calculated before fees and taxes and assume reinvestment of distributions. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees, performance (if applicable) fees and expenses.

Fund Liquidity & Liability Maturity Profile

The graph shows the estimated time required to sell the assets of the Fund, overlaid with the percentage of Fund assets required to meet Fund liabilities maturing within the same given time period.

Liabilities refers to the Fund’s financial liabilities and derivative financial instruments (as appropriate) grouped into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts are contractual undiscounted cash flows. In this instance, liabilities (excluding net assets attributable to unitholders) includes bank overdraft, distributions payable, management fees payable and redemptions payable.

Leverage

The Fund did not enter into borrowing arrangements for investment purposes, other than temporary overdrafts which may be used as a means of managing certain cash flows. The Fund was permitted, however, to gain leveraged exposure through its use of derivatives and as a result of any short selling it undertakes. The Fund commenced winding up on 4 January 2024 and completed winding up on 1 October 2024. The Fund was deregistered on 8 December 2024.

Key Service Providers

The Fund has appointed a number of key service providers who are involved in their ongoing operation and administration. There were no changes to key service providers to the Fund in the period of 1 July 2023 to 4 January 2024.

Derivative Counterparties

All derivative counterparties are formally approved by the BlackRock Group's RQA Counterparty Risk Team, prior to a fund engaging in any transaction with a particular counterparty. No transaction may be entered into with a counterparty that has not previously been approved by the RQA Counterparty Risk Team.

The BlackRock Group prefers to have multiple derivative counterparties, including principal protection providers, for liquidity, risk management and best execution purposes. The counterparties with which the BlackRock Group trade must have broad market coverage. Investors wishing to be provided with the list of current derivative counterparties for a fund can submit a request to BlackRock by calling or emailing Client Services.

About BlackRock

BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, we help millions of people build savings that serve them throughout their lives by making investing easier and more affordable.

For additional information on BlackRock, please visit www.blackrock.com/au

Want to know more?

www.blackrock.com/au | clientservices.aus@blackrock.com | 1300 366 100

PERFORMANCE DATA

Performance figures represent past performance and are not indicative of future performance. Current performance may be higher or lower than that shown. Net performance figures are calculated after fund management fees and expenses, and assume reinvestment of distributions. Gross performance figures are calculated gross of ongoing fees and expenses. Unless otherwise stated, performance for periods greater than one year is annualised and performance calculated to the last business day of the month.

IMPORTANT INFORMATION

Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**).

This material provides general advice 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. Refer to BIMAL's Financial Services Guide on its website for more information. 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.

Information provided is for illustrative and informational purposes and is subject to change. It has not been approved by any regulator.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia.

For BIMAL Schemes: BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material, including the Australian domiciled iShares ETFs. Any potential investor should consider the latest product disclosure statement (**PDS**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. BlackRock has also issued a target market determination (**TMD**) that describes the class of consumers that comprises the target market for each BlackRock fund and matters relevant to their distribution and review. The PDS and the TMD can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances the PDS and the TMD are also available on the BIMAL website at www.blackrock.com/au. An iShares ETF is not sponsored, endorsed, issued, sold or promoted by the provider of the index which a particular iShares ETF seeks to track. No index provider makes any representation regarding the advisability of investing in the iShares ETFs. Further information on the index providers can be found in the BIMAL website terms and conditions at www.blackrock.com/au.

This material may include references to funds that are not registered for public distribution in your jurisdiction. Any such funds will be subject to the laws and regulations as required by their country of domicile and registration which may differ from those in your jurisdiction and therefore may not necessarily provide the same level of protection to investors as schemes registered in your jurisdiction and subject to those regulations and conditions.

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. Except where contrary to law, BIMAL excludes all liability for this information.

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.

© 2024 BlackRock, Inc. or its affiliates. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, ALADDIN, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.