

FOR PROFESSIONAL CLIENTS AND  
QUALIFIED INVESTORS ONLY



**BLACKROCK®**



## BSF Style Advantage Fund

A sub-fund of BlackRock Strategic Funds (BSF)

### Investing in proven style factors for absolute returns

As market and policy cycles fall out of sync with each other and there are valuation headwinds for both equities and fixed income, investors require consistent, innovative sources of positive absolute return with a low correlation to traditional assets.

The BSF Style Advantage Fund brings together style factors - broad, persistent drivers of return well-recognised in academia and practice - within a cost-effective, liquid alternatives framework. The Fund invests in a diverse set of long/short style strategies including Value, Carry, Momentum, Quality and Low Volatility as the styles of this fund across multiple asset classes. Quality and Low Volatility used to be combined in a single 'defensive'-style bucket but we have separated these to ensure clarity. This change does not affect the management of the Fund. Investors in this Fund should understand that the Fund is not guaranteed to produce a positive return and as an absolute return product, performance may not move in line with general market trends or fully benefit from a positive market environment. The Manager employs a risk management process to oversee and manage derivative exposure within the Fund. Our Portfolio Management team focuses on efficient trade execution and risk management using the application of BlackRock technology. While proprietary technology platforms may help manage risk, risk cannot be eliminated.

### Reasons to invest

#### 1 Market neutrality and instant diversification

A one-stop solution for investing in style factors that exhibit a low correlation to one another within and across asset classes, and can offer diversification benefits to traditional stock/bond portfolios constructed with the aim of addressing extreme market environments.

**RISK:** Diversification and asset allocation may not fully protect investors from market risk.

#### 2 Cost-efficient, liquid and transparent

The Fund is optimised to minimise transaction costs and each style exposure is implemented using a clearly defined, transparent process; the Fund only invests in liquid securities.

#### 3 Benefits from an absolute return investment style

The Fund aims to deliver absolute returns and manage volatility by capturing exposure to a broad set of style factors. This blend means that the Fund has a lower correlation with traditional asset classes, and can provide investors with access to a wide range of investments.

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# \$207.1b

# 2,500+

# 15+ years

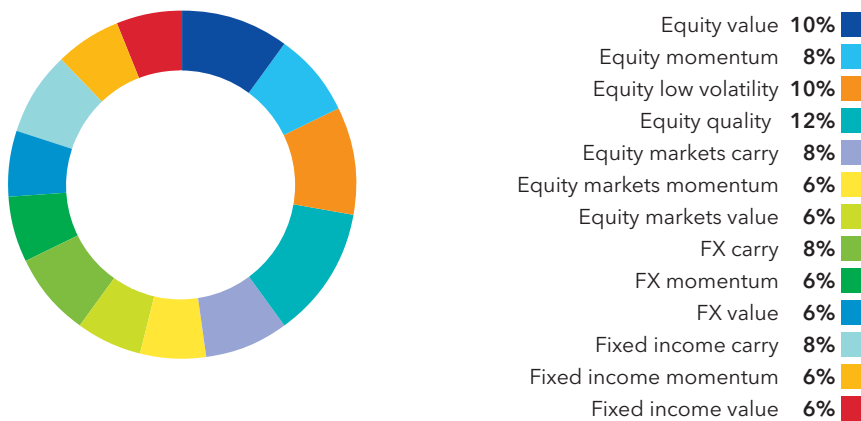
In Smart Beta and Enhanced Factor Strategies

Individual securities

Industry experience on average in the Factor Based Strategies Group

Source: BlackRock, as at 31 March 2018.

## Hypothetical portfolio risk allocation



Source: Fund Portfolio risk allocation as at 31 March 2018.

Figures may not equal 100% due to rounding. **Past performance is not a reliable indicator of current or future results.** There can be no guarantee that the investment strategy will be successful and the value of your investment may go down as well as up. Hypothetical portfolio as at 31 March 2018. Tilts away from initial equal weighting of factors are based on our quantitative assessment of attractiveness of factors based on decades of experience running style factor portfolios and understanding their returns, risks and the environments in which they perform best, and when they tend to underperform, using a learning algorithm that up-weights factors with the highest realised performance, lowest tail risk and best performance in a bad economic environment. We believe this algorithmic approach allows us to exploit useful information from historical experience.

### Who should consider this fund?



### The Fund could appeal to investors looking to:

- Add an uncorrelated, diversifying source of return to a portfolio.
- Improve the risk/return profile of their more traditional portfolios.
- Achieve consistent returns through the market cycle.

### Why BSF Style Advantage?



- **Draws on experience:** BlackRock has a wealth of experience in systematic and factor-oriented investing; today we manage approximately \$207.1b in Smart Beta and Enhanced Factor Strategies.<sup>1</sup>
- **Tried and tested:** Style factors have been used by long-only active fund managers for decades. What is new is the way in which funds such as BSF Style Advantage Fund are able to systematically capture and combine exposure to these factors across multiple asset classes.
- **Efficient:** The Fund benefits from the breadth of BlackRock's investment platform and the ability to net off trading costs within the portfolio.

<sup>1</sup> Source: BlackRock, as at 31 March 2018.

## Risks

**Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.**

**Capital at risk.** The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

The Fund invests a large portion of assets which are denominated in other currencies; hence changes in the relevant exchange rate will affect the value of the investment.

The Fund may invest in structured credit products such as asset-backed securities ('ABS') which pool together mortgages and other debts into single or multiple series credit products which are then passed on to investors, normally in return for interest payments based on the cash flows from the underlying assets. These securities have similar characteristics to corporate bonds but carry greater risk as the details of the underlying loans is unknown, although loans with similar terms are typically packaged together. The stability of returns from ABS are not only dependent on changes in interest rates but also changes in the repayments of the underlying loans as a result of changes in economic conditions or the circumstances of the holder of the loan. These securities can therefore be more sensitive to economic events, may be subject to severe price movements and can be more difficult and/or more expensive to sell in difficult markets.

The Fund may invest in exchange traded funds which have exposure to property securities and commodities (through an index). Property investments are subject to adverse changes in economic conditions, adverse local market conditions and risks associated with the acquisition, financing and ownership and operation and disposal of real property. The underlying commodities index may concentrate investment on selected commodity futures of multinational markets. This makes the exchange traded fund extremely dependent on the performance of the commodity markets concerned.

The Fund invests in fixed interest securities issued by companies which, compared to bonds issued or guaranteed by governments, are exposed to greater risk of default in the repayment of the capital provided to the company or interest payments due to the Fund.

The strategies utilised by the Fund involve the use of derivatives to facilitate certain investment management techniques including the establishment of both 'long' and 'synthetic short' positions and creation of market leverage for the purposes of increasing the economic exposure of a Fund beyond the value of its net assets. The use of derivatives in this manner may have the effect of increasing the overall risk profile of the Funds.

Investors in this Fund should understand that the Fund is not guaranteed to produce a positive return and as an absolute return product, performance may not move in line with general stock market trends as both positive and negative share movements affect the overall value of the Fund. The Manager employs a risk management process to oversee and manage derivative exposure within the Fund. The Fund may be exposed to finance sector companies, as a service provider or as counterparty for financial contracts. Liquidity in the financial markets has been severely restricted, causing a number of firms to withdraw from the market, or in some extreme cases, becoming insolvent. This may have an adverse effect on the activities of the Fund.

Emerging market investments are usually associated with higher investment risk than developed market investments. Therefore the value of these investments may be unpredictable and subject to greater variation.

The Fund may invest in a variety of investment strategies and instruments while aiming to be highly diversified in terms of risk and returns. The Fund is therefore directly and indirectly, through its investments, subject to the risks each of these investment strategies and instruments are subject to.

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments may expose the Fund to financial loss.

## Important information

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