

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE

30 November 2020

Investment Performance (%)

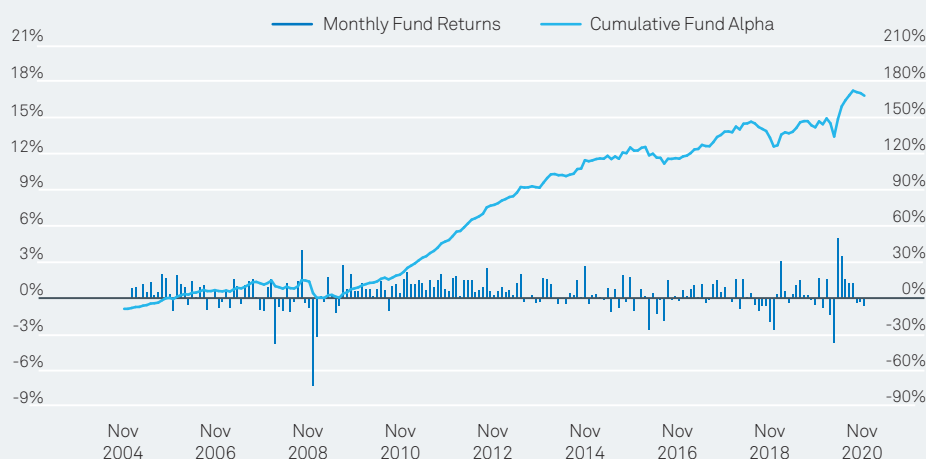
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	-0.62	-1.22	7.90	7.10	3.72	3.70	8.37
RBA Cash Rate Target	0.02	0.06	0.33	0.40	1.04	1.28	3.42
Outperformance (Gross of Fees)	-0.64	-1.28	7.56	6.70	2.68	2.42	4.95
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	-0.72	-1.43	5.51	4.63	1.97	2.10	2.74
RBA Cash Rate Target	0.02	0.06	0.33	0.40	1.04	1.28	1.62
Outperformance (Net of Fees)	-0.74	-1.49	5.18	4.23	0.93	0.82	1.12

*Fund inception: 31/07/2013. ^Fund inception: 30/07/2004

The BlackRock Multi Opportunity Absolute Return Fund invests in, and has the same underlying investment strategy as, the BlackRock Multi Opportunity Fund, which has an inception date of 31 July 2004. The BlackRock Multi Opportunity Fund is only available to wholesale clients.

Performance for periods greater than one year is annualised. Past performance is not a reliable indicator of future performance. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance of the BlackRock Multi Opportunity Absolute Return Fund and the BlackRock Multi Opportunity Fund will vary due to fee differences. Gross returns are provided for products offered to wholesale clients only who may be subject to differential fees. Please refer to the Fund's product disclosure statement for more information.

Fund Performance (Gross of Fees) to 30 November 2020



Performance Summary

Market Commentary

Global sharemarkets recorded very strong performance in November 2020, with many indices reaching new all-time highs. Lower uncertainty following the US election and announcements by three different drug makers around a breakthrough for an effective COVID-19 vaccine stoked investor optimism. On November 9th, Pfizer announced that its clinical trial has returned preliminary results suggesting that its vaccine is over 90% effective in preventing COVID-19, which was well above expectations. A few days later, Moderna (another drug maker) also reported strong trial results. This was followed by news of a third potential COVID-19 vaccine candidate developed by the company AstraZeneca in partnership with the University of Oxford. All three

Multi Asset Team



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- Fund Performance
- Unit Prices

vaccine announcements were positively received by financial markets, while the Oxford/Astra Zeneca vaccine may be the most impactful as this vaccine is easier to distribute and can be sold at cost. Hopes that mass immunization could bring an end to the global pandemic and speed up the economic recovery propelled sharemarkets higher through November.

Although broad market indices enjoyed stellar performance over the month, there was a lot happening under the surface. The positive vaccine news triggered sharp rotations and major swings in financial markets. Cyclical sectors and industries that had previously suffered relatively weaker performance outperformed significantly in November, while technology stocks underperformed. There were also major rotations in style factors. For example, Value shares (i.e. companies that appear to be trading at inexpensive levels) rallied in November following several months of underperformance. Small-cap stocks also rallied strongly. On the other hand, Momentum stocks (i.e. those that have been trending higher) underperformed significantly, with Momentum experiencing one of the sharpest and deepest drawdowns in history between 9th to 11th November.

Strategy Review

The BlackRock Multi Opportunity Absolute Return Fund (the “Fund”) declined 0.72% in November (after fees). This brings the Fund’s year-to-date return to +5.51%, on track to meet its annual performance objective.

The Fund’s underlying alpha strategies recorded mixed performance in November. Our event driven and global macro hedge fund strategies generated positive returns, while our systematic equity market-neutral, active fixed income and fundamental equity long/short strategies detracted.

Systematic Equity Market-Neutral Strategies

The Fund’s systematic equity market-neutral strategies recorded mixed performance over the month, but the overall return contribution was negative. Stock selection in Pan Asia, Emerging Markets and Australia drove the underperformance in this part of the portfolio. Stock selection in global large caps was positive and acted as a useful diversifier.

The underperformance in Pan Asia, Emerging Markets and Australia was driven by Sentiment and Market Timing signals. Sentiment insights include signals gained from natural language processing techniques that analyse commentary from market participants (e.g. conference calls and broker reports) – with the aim to measure sentiment across market participants. This group of insights also includes signals gained

from price/return impulses and forward-looking fundamentals, which often behave like trending-type insights. These insights performed strongly in previous months, but were wrong-footed by the sharp market reversals and rotations observed in November following the positive COVID-19 vaccine news. The impact was particularly evident across the short side of the book. For example, short positions in Industrials and Materials weighed on performance as both sectors rallied strongly in November. It is worth noting that the systematic equity market-neutral strategies actively measure their exposure to the generic Momentum factor and neutralised this exposure in the previous month, which meant that the historic drawdown in Momentum only had a small effect on our quant strategies.

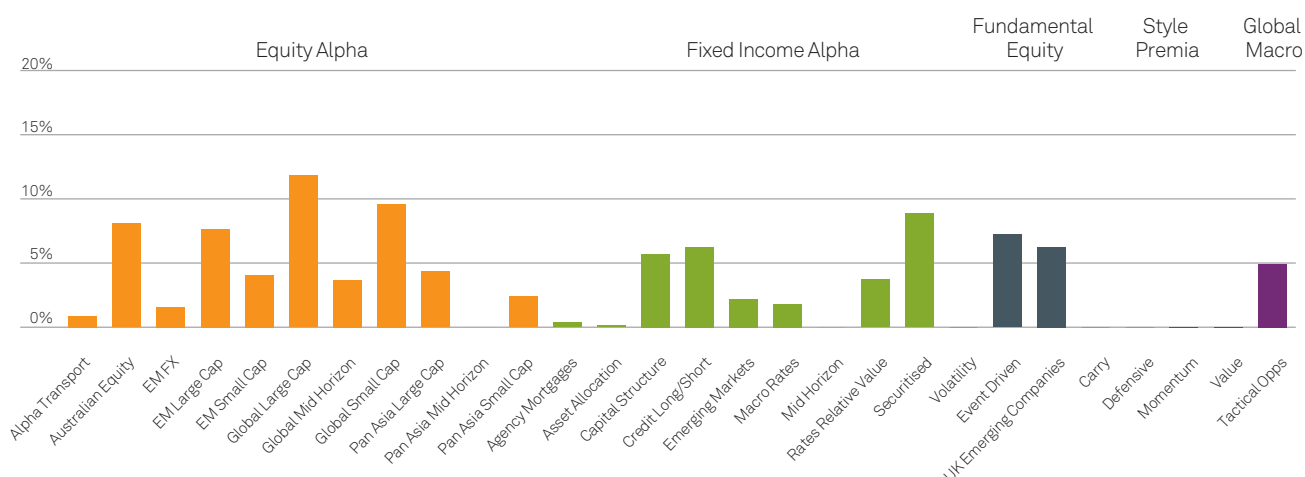
Signals based on Environmental, Social and Governance (ESG) information worked well in November and added to returns. For example, signals that aim to capture employee sentiment, ESG-focused investor flows and environmentally friendly firm behaviour all added value. Macro insights that position the portfolio across countries were also beneficial. Here, contrarian and faster moving technical signals (such as reversal and flow-based insights) worked well.

Systematic Fixed Income Strategies

Fixed Income Global Alpha (FIGA) recorded a small negative return in November, driven by Capital Structure and Emerging Market strategies. Rates Relative Value and Credit Long/Short strategies were additive and partially offset performance. Within Capital Structure, the better-than-expected vaccine announcements and the resultant shift towards pro-cyclical companies hurt performance. For example, the strategy had short positions in several “COVID loser” companies (e.g. Retail, Airlines, Cruise Lines and Hotels), which weighed on performance. Within Emerging Markets, long bond positions in South Africa, Hungary and the Czech Republic detracted as interest rates increased in the region following the positive vaccine news. Our short bond positions in Hong Kong and Israel performed well, but not enough to offset the losses from our long positions.

On the positive side, Rates Relative Value and Credit Long/Short strategies gained in November. Within the Rates Relative Value strategies, positioning across currencies (e.g. short Japan) and inflation strategies worked well. Within Credit, positioning in the UK was beneficial. The overall theme in credit markets was spread compression, as markets shook off rising COVID-19 cases and focused on the positive vaccine news. Long credit positions in Airlines, Metals & Mining and Autos drove the positive return in this part of the book.

Sub-Strategy Risk Allocation



Event Driven

The Event Driven strategy (BlackRock Global Merger Partners) recorded a positive return over the month. Five mergers the fund was invested in closed over the period, which helped performance. An investment in Simon Property Group/Taubman Centers also added to performance as the companies agreed to settle all litigation and move forward with the merger at a reduced acquisition price, which was a positive outcome for Taubman shareholders. Investments in the Just Eat Takeaway.com/Grubhub and Aon/Willis Towers Watson mergers also contributed to returns, as both transactions continued to progress through the regulatory review process. On the flipside, investments in Advanced Micro Devices/Xilinx and Marvell Technology/Inphi transactions detracted, as the merger spread drifted wider.

Emerging Companies

The Fund's other fundamental long/short equity strategy, Emerging Companies Hedge Fund recorded a negative return in November. Some of the fund's short positions rallied following the COVID-19 vaccine news, which hurt performance. For example, short positions in consumer services companies detracted as the entire sector rallied in November. Long positions added to performance but not enough to move the overall return into positive territory.

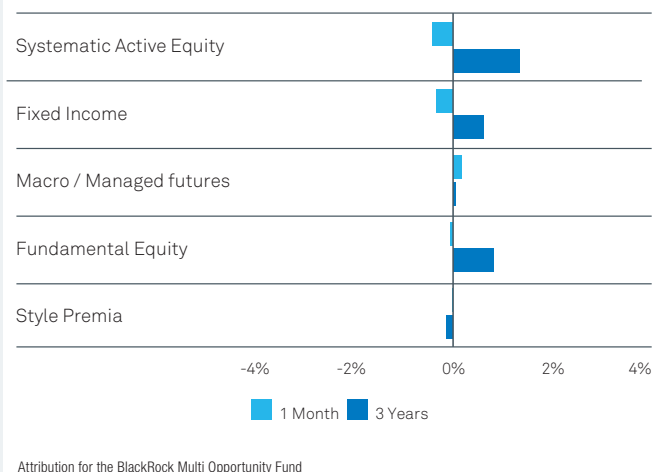
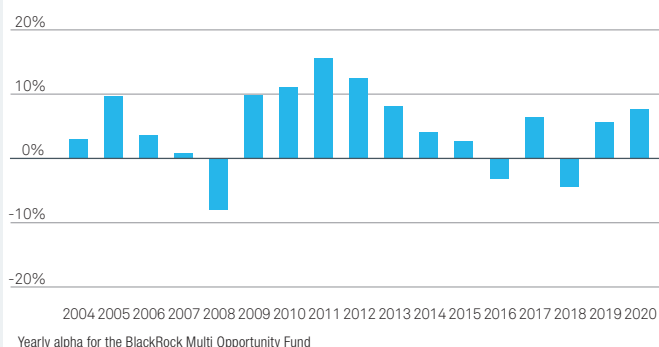
Style Premia

The market-neutral Style Premia strategy (Style Advantage) recorded a negative return this month, but the impact on total performance was minimal due to this strategy's small weight in the portfolio (less than 0.1% of NAV). Similar to other style premia strategies, the environment continued to prove challenging for this type of strategy. Style factor performance within single name equities drove the underperformance. In particular, exposure to Momentum weighed on performance in November.

Global Macro

The global macro/managed futures strategy (implemented through the Tactical Opportunities Fund) recorded a positive return in November. The fund's Thematic component was the main driver of the positive return, as the strategy's pro-cyclical exposures enjoyed strong performance following the vaccine news. The Equity Relative Value (RV) strategies also contributed meaningfully. For example, long UK versus short Swedish equities worked well. A relative long equity position in the Netherlands and France versus Germany also contributed positively.

Yearly Alpha, Gross of Fees (%)



About the Fund

Investment Objective

The Fund aims to achieve a return of 8% p.a. before fees, above the Reserve Bank of Australia's Cash Rate Target over rolling three-year periods. The Fund will aim to achieve its investment objective by targeting a total expected risk of between 4%-6% p.a. over the same rolling three-year period.

Fund Strategy

The Fund aims to outperform the Benchmark by providing investors with a source of risk controlled absolute returns that are, over time, expected to have low correlations with the returns of major asset classes.

The Fund gains exposure to a diversified range of absolute return strategies that may include, but are not limited to:

- ▶ **Equity Market Absolute Return** strategies that seek to exploit inefficiencies in individual stock prices by gaining exposure to long and short positions in local and global equity markets.
- ▶ **Event Driven** strategies that seek to capture the structural and persistent risk premia in merger arbitrage through a robust and repeatable investment process focused on companies that are involved in publicly announced definitive mergers, takeovers, tender offers, leveraged buyouts, and other corporate combinations.
- ▶ **Fixed Income Absolute Return** strategies that seek to exploit opportunities across global fixed income markets by taking long and short positions in a broad range of fixed income securities including, but not limited to: sovereign bonds; corporate credit; mortgages; and other securities.
- ▶ **Global Macro/Managed Futures** strategies that seek to exploit inefficiencies across global markets by gaining exposure to long and short positions across a broad array of global assets including, but not limited to: equities; bonds; currencies; commodities; and other assets. These strategies may utilise both fundamental and/or trend following insights to construct portfolios.
- ▶ **Market Neutral Style Premia** strategies that seek to capture positive returns from a range of style factor strategies across global asset classes while maintaining low correlation to broad market factors.

The selection of an investment for the Fund is the result of comprehensive due diligence to ensure that it is in line with fiduciary duties and in compliance with related party policies. The Fund may be a seed, lead or only investor in a BlackRock strategy. Acting as the seed investor may create a commercial opportunity for the BlackRock Group. For example, a seed investment in a BlackRock Strategy may allow the BlackRock Group to establish a track record for a fund or product that it is then able to sell to other clients.

We continuously explore BlackRock for the addition of new investment strategies with the view of including these where they meet the Fund's strict investment criteria. The Fund's investment strategy is implemented in three stages :

1. **Strategy Selection:** continuous search for (and due diligence on) the latest and most innovative research and investment ideas, leveraging BlackRock's extensive pool of investment specialists.
2. **Capital Allocation:** capital is allocated to construct a diversified portfolio of absolute-return strategies taking into account the expected return, risk and cost of accessing each absolute return category, as well as the available capacity of each category.
3. **Core Security/Market Selection:** security/market selection occurs within each absolute-return category at the underlying strategy level.

The Fund should be considered by investors who ...

- ▶ Seek a fund that uses total-return strategies across major asset classes and world markets with the objective of enhancing portfolio returns while diversifying risk.
- ▶ Seek a fund that has a low correlation to equity returns, interest rate moves and other active return sources.
- ▶ Have a long term investment horizon.

Fund Details

BlackRock Multi Opportunity Absolute Return Fund	
APIR	BLK0001AU
Buy/Sell Spread	0.45%/0.45%
Management Fee	1.25% p.a.
Performance Fee	20%
Strategy AUM	\$1,153 mil
Hurdle Rate	RBA Cash Rate
Liquidity	Monthly
Private placements (% of NAV)	1.0%
Minimum Initial Investment	\$50K
Notification	12 business days
Lock-up Period	None
Domicile	Australian Unit Trust
Custodian	J.P.Morgan Chase Bank

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