

BLACKROCK MULTI OPPORTUNITY ABSOLUTE RETURN FUND

BLACKROCK®

FUND UPDATE

31 March 2021

Investment Performance (%)

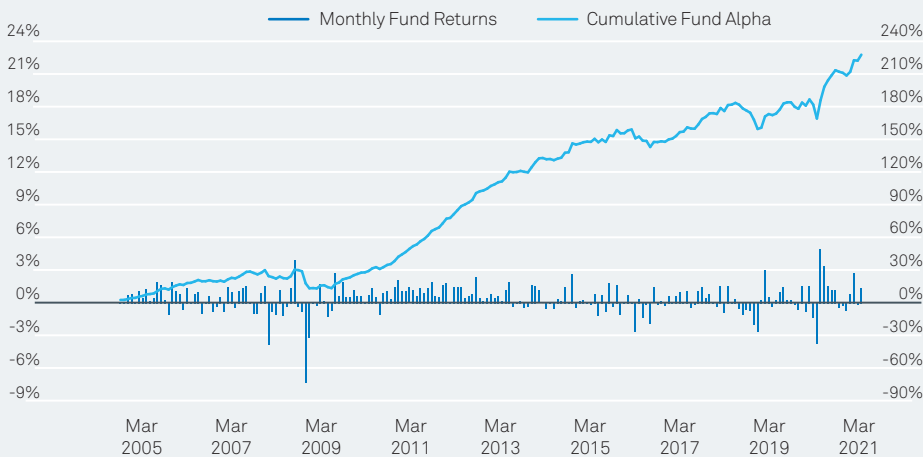
	1 Mth	3 Mths	YTD	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Incep p.a.
BlackRock Multi Opportunity Fund^ (Gross of Fees)	1.38	4.06	4.06	17.05	4.58	4.84	8.52
RBA Cash Rate Target	0.01	0.02	0.02	0.20	0.89	1.15	3.35
Outperformance (Gross of Fees)	1.37	4.03	4.03	16.85	3.70	3.69	5.16
BlackRock Multi Opportunity Absolute Return Fund* (Net of Fees)	1.00	3.00	3.00	13.48	2.68	3.06	3.12
RBA Cash Rate Target	0.01	0.02	0.02	0.20	0.89	1.15	1.55
Outperformance (Net of Fees)	0.99	2.97	2.97	13.28	1.80	1.91	1.56

*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 31 March 2021



Performance Summary

Market Commentary

Financial markets experienced mixed performance in the first quarter of 2021. A broad risk-on rally buoyed equities, energy and high yield credit, given the accelerated economic restart that is underpinned by progress on the vaccine rollout, continued US fiscal stimulus support and accommodative monetary policy around the globe. More defensive assets such as Sovereign bonds and gold struggled amidst this more optimistic backdrop.

Within the equities composite, developed markets outperformed their emerging markets counterparts. A pickup in virus cases in emerging markets, challenges with the vaccine rollout

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- Fund Performance
- Unit Prices

and limitations in terms of policy support weighed on financial markets in the region. European equities were amongst the best performers over the quarter. From a sector perspective, more cyclical sectors – especially, energy, financials and industrials have led the rally, with ‘Value’ stocks outperforming ‘Growth’ stocks.

Fixed Income assets generally declined over the quarter. Global yield curves steepened significantly, as longer-term rates increased while short term rates stayed relatively steady. Sovereign bonds – particularly Australian and US government bonds – experienced record selloffs. For example, Australian 10-year government bonds recorded their largest monthly yield increase since October 1985 (with yields rising 0.78% in February), which caused bond prices to drop.

Strategy Review

The BlackRock Multi Opportunity Absolute Return Fund had a strong start to 2021 and gained 3.00% over the first quarter (after fees). This brings the Fund’s 1-year return to +13.48%, including 13.28% of alpha (after fees). Looking at performance drivers over the quarter, the Fund’s systematic market-neutral equity strategies drove the positive performance, along with positive contribution from the fixed income alpha component. Our global macro hedge fund detracted slightly, while the fundamental equity long/short strategies generated relatively muted performance over the period.

Systematic Equity Market-Neutral Strategies

The Fund’s systematic equity market-neutral strategies drove the positive overall return in Q1. Virtually all sub-strategies performed well over the period, except for the Australian component which detracted. Stock selection in global large caps and Pan Asia was particularly strong.

Gains were spread across Macro and Value orientated signals, both of which effectively captured the evolving reflationary theme that played out across markets. Macro insights aim to position the portfolio across countries and industries. The more fundamental Value oriented signals focus on the relative price of company fundamentals, with the aim to uncover undervalued stocks. Both these signal groups led the portfolio to take a long Value/Risk/Re-opening stance, which proved highly successful over the period. Performance was particularly positive in regions and sectors most exposed to the recent rotation into cyclical sectors. For example, long positions in European and Japanese consumer cyclicals, industrials and materials appeared amongst the top contributors. Long and short positioning across US tech was also beneficial.

Stock selection in Pan Asia was another key highlight this quarter. Sentiment insights drove the outperformance in this part of the portfolio. These 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. Sentiment signals gained from price/return impulses and flow-based data also added to returns.

It is worth highlighting that our systematic hedge funds performed well even during the challenging periods in January and March, when news of a momentous ‘short squeeze’ (e.g. GameStop) dominated headlines and the collapse of the large Archigos Hedge Fund (i.e. billionaire Bill Huang) rattled markets with the liquidation of US\$20 billion in assets. The team uses a short interest timing model, which helped to avoid stocks that were most affected by the short squeeze saga in January. Not only did the model soften the performance impact it also acted as a valuable risk management tool, as it successfully insulated the portfolio from the volatility observed across popular hedge fund positions.

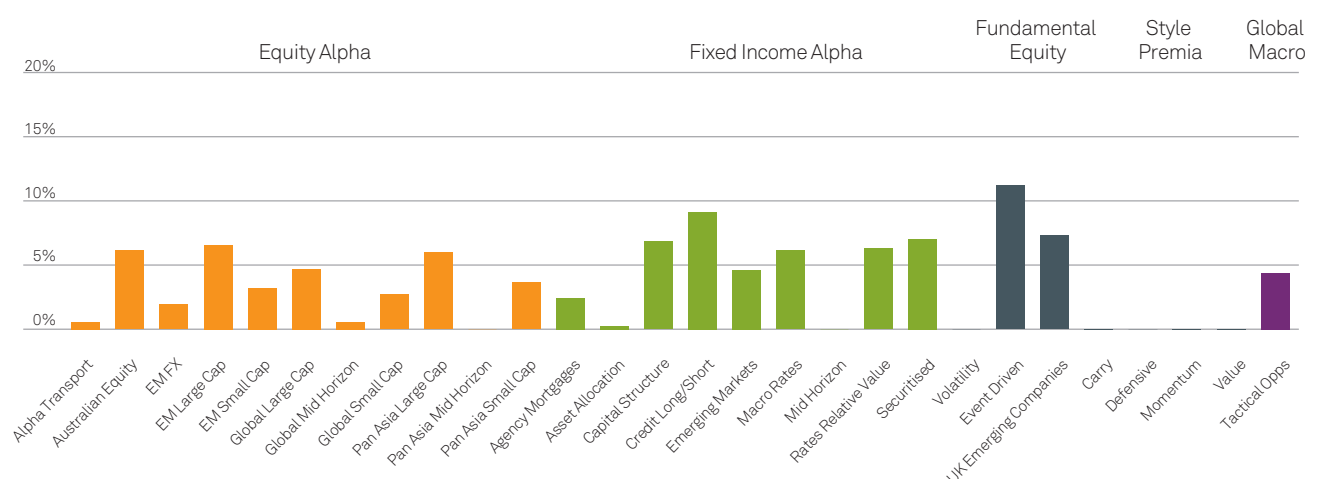
Systematic Fixed Income Strategies

Fixed Income Global Alpha (FIGA) was the second largest positive contributor to overall performance in Q1. Capital Structure, Macro Rates and Credit Long/Short strategies drove the positive contribution in this part of the portfolio. Within Capital Structure, positioning in the US and Europe was successful, supported by the team’s capital structure arbitrage model (which tends to take short credit positions versus long equity positions). Credit sentiment signals also performed well. Essentially, the team takes on select equity exposures based on insights from the credit market – which worked well over the period. Within Macro Rates, long/short positioning across EM rate markets was additive. For example, short duration positions in Brazil and Hungary versus long positions in the Czech Republic added to returns, especially in January. Curve steepener positions in India and Singapore (versus curve flatteners in Hong Kong) also performed well.

Event Driven

The Event Driven strategy (BlackRock Global Merger Partners) recorded a roughly flat return in Q1. Ten mergers the Fund was invested in closed during the quarter, which helped performance. However, investments in some mergers (e.g. Analog Devices/Maxim Integrated, UnitedHealth Group/Change Healthcare and AstraZeneca/Alexion Pharmaceuticals) detracted from performance, as each of their merger spreads drifted wider. The team does not see any strong reasons why these mergers should not go through and hence maintain conviction in their positions.

Sub-Strategy Risk Allocation



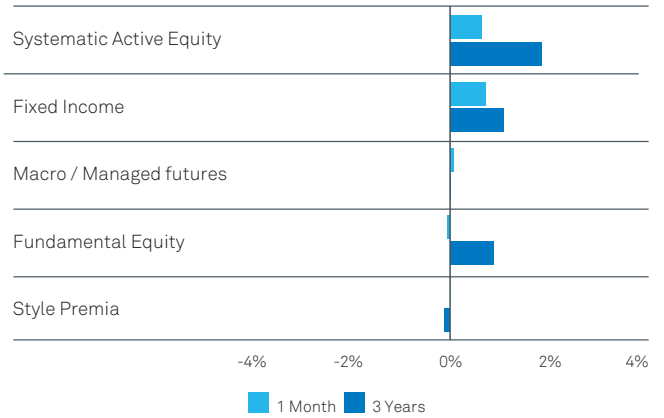
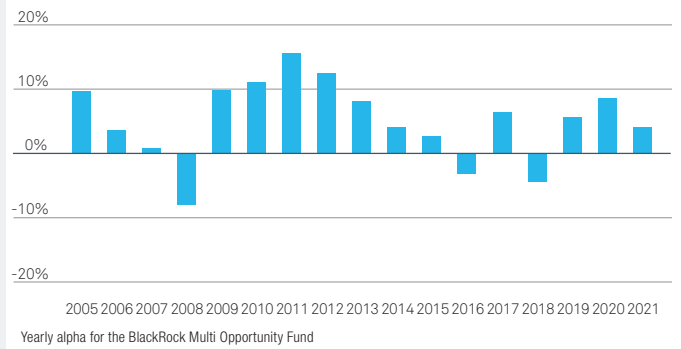
Emerging Companies

The Fund's other fundamental long/short equity strategy, Emerging Companies Hedge Fund recorded a small negative return over the quarter. The top positive contributors were long positions in Industrials and Consumer Discretionary companies. The top detractors were index future short positions (used to partially hedge out market beta) and short positions across select businesses in the Consumer Staples sector. It is worth noting that this component of the portfolio has a slight 'Growth' bias over 'Value', which proved to be a drag on performance in Q1.

Global Macro

The global macro/managed futures strategy (implemented through the Tactical Opportunities Fund) recorded a small negative return over the quarter. Relative value (long/short) positioning across global rate markets drove the underperformance in this part of the portfolio. For example, a long Australian bond position versus short German bonds hurt returns. Currency exposures, such as short US dollar versus a basket of currencies, also detracted in Q1. The fund's thematic component added to returns and acted as a valuable diversifier.

Yearly Alpha, Gross of Fees (%)



Attribution for the BlackRock Multi Opportunity Fund

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	\$1042 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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