Hedge Fund Opportunities

In a rising rates and uncertain market environment

FOR PROFESSIONAL CLIENTS AND PROFESSIONAL, INSTITUTIONAL, WHOLSALE AND QUALIFIED INVESTORS/QUALIFIED CLIENTS ONLY

The tide is turning for hedge funds

August 2023

Author

Mark Woolley
Chief Investment Officer
BlackRock Hedge Fund Solutions

Key takeaways

- Hedge fund strategies that seek to provide liquidity and price risk opportunistically appear back in vogue after years of quantitative easing suppressing volatility.
- We expect the outlook for a thoughtful allocation to hedge funds to improve on both an absolute and risk-adjusted basis, while their diversification benefits become increasingly important to a whole portfolio.
- As the dispersion in hedge fund returns continues to rise, we believe selecting the right managers is critical and underscores the importance of having an experienced, well-resourced team to source the best funds.

There's a new regime in financial markets and that means conditions are also shifting in the hedge fund landscape.

Interest rates have risen at the fastest pace in recent memory from the ultra-low levels experienced for much of the last 15 years. We believe higher rates bode well for hedge funds going forward. Rising rates should not only translate to higher baseline returns for many hedge fund strategies but also create more opportunities for hedge fund managers, given their natural role as liquidity providers and opportunistic investors.

Quantitative easing suppressed volatility for years, making it difficult for strategies seeking to provide liquidity and opportunistically price risk. But we now see quantitative tightening bringing those opportunities to the forefront again, while upending risk/return expectations across asset classes.

With our decades of experience investing in hedge funds, we see two key factors leading to an improved outlook for hedge funds: higher risk-free rates and greater absolute return spreads.

Hedge fund returns are generally comprised of a cash component (i.e., the risk-free rate) plus an alpha spread. When cash was returning close to 0% over the last decade, hedge funds generated stable, mid-single digit returns annually[1]. However, in the current environment, we expect the baseline, cash component of hedge fund returns to rise alongside the risk-free rate.

Plus, the absolute spread, which is often tied to inefficiencies and dislocations in asset prices created by volatility, should be amplified from the effects of quantitative tightening and liquidity being pulled from the financial system.

1. Source: HFR Industry Reports, ©HFR, Inc., 31 July 2023.

Key strategies to watch

Below we detail examples that illustrate why we continue to expect the absolute performance of hedge funds to increase with risk-free rates:

Spread-based strategies

While an economic downturn might reduce M&A deal activity, it can also introduce greater deal uncertainty, wider spreads, and higher prospective returns for investors adept at pricing and trading around such risks. In **spread-based strategies**, such as merger arbitrage, the required rate of return typically incorporates a risk premium over and above a risk-free component. A higher risk-free rate should be directly factored into discount rates for the life of an investment. As such, rising interest rates have historically[1], and should prospectively, generate higher absolute returns.

High cash carrying strategies

Most derivative-intensive strategies, such as macro and fixed-income relative value, maintain **significant cash balances** that can benefit from higher rates and lift baseline returns. This is due to the lower collateral within the liquid swap and futures markets these groups trade in. Greater monetary policy divergence should also continue to drive elevated levels of regional and cross-asset volatility, which in turn, lead to improved investment opportunities for both macro and fixed-income relative value strategies.

Fundamental long/short strategies

Fundamental long/short strategies, such as equity- and credit-focused funds, should also see a positive impact from greater return dispersion and higher short rebates, though some of that will be offset by higher margin costs. When rates were anchored near zero, risk taking was loosely rewarded and shorting was largely suppressed. Competition for capital is now on the rise, and lower-quality businesses that were reliant on cheap financing may no longer be able to delay their fundamental reckoning. Given a wider range of winners and losers, these strategies are better positioned to conduct their fundamental work, uncovering under- and over-valued companies.

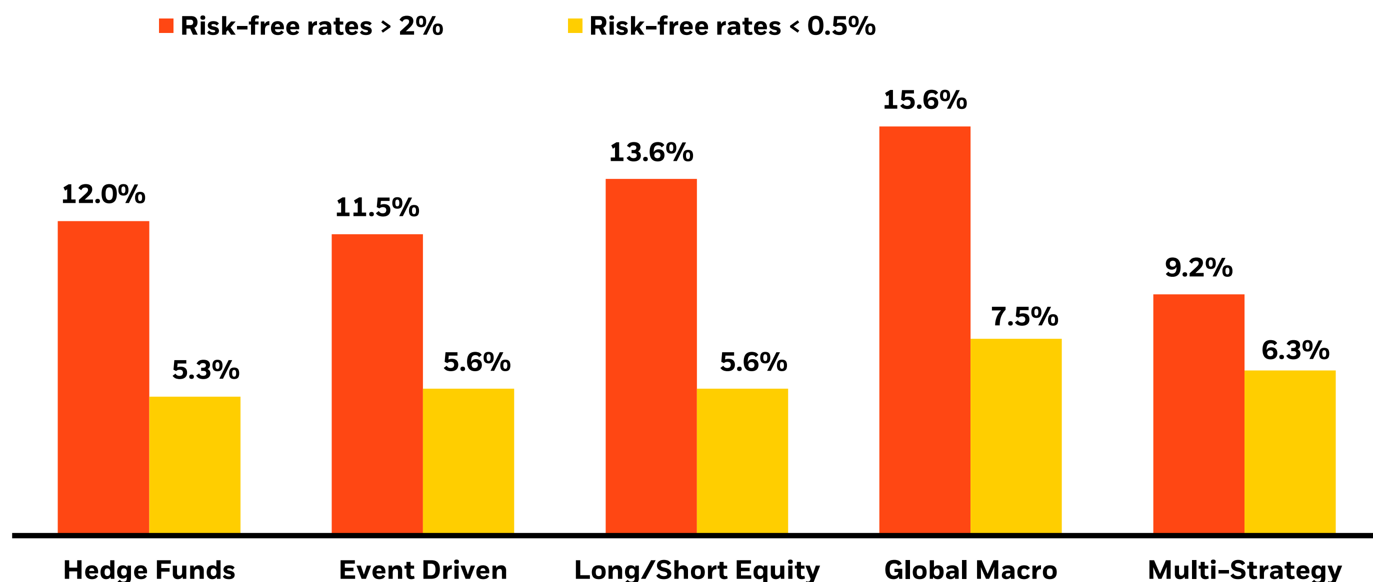
Credit strategies

Higher rates and tighter financial conditions should be a tailwind for **credit strategies.** Returns at long-credit shops have adjusted with fixed-rate products (e.g., corporate bonds) having repriced and floating rate products (e.g., leveraged loans) passing through the higher risk-free element. The impact of higher rates on mortgage affordability and the health of consumers should also continue to fuel price volatility in structured credit. As the willingness to roll over maturities to companies that don't generate sufficient cash abates, we expect more borrowers to approach default. The potential for more restructurings may create a greater need for capital solutions and could enhance the prospects for distressed debt and opportunistic-lending funds.

There may not always be a direct one-to-one relationship in the impact of higher rates on the returns for a particular strategy. Yet, we expect the natural pass-through mechanisms from rising rates combined with more volatility, more mispricings, and ultimately more alpha opportunities to create the most constructive backdrop for hedge funds that we've seen in the last decade.

1. Sources: Bloomberg, Goldman Sachs FICC and Equities, Hedge Fund Manager, 31 July 2023.

Hedge funds have performed better in higher risk-free rate environments



Past performance does not guarantee or indicate future results.
Source: Morningstar as of 30 June 2023. Median index return since 1 January 1994. Hedge Funds are represented by the Credit Suisse Hedge Fund Index, Event Driven by the Credit Suisse Event Driven Index, Long/Short Equity by the Credit Suisse Long/Short Equity Index, Global Macro by the Credit Suisse Global Macro Index, and Multi-Strategy by the Credit Suisse Multi Strategy Index. Index performance is for illustrative purposes only and is not meant to represent the past or future performance of any particular BlackRock fund. Indexes are managed and it is not possible to invest directly in an index.

Embracing elevated uncertainty

Broadly, we believe hedge funds remain well-positioned to adapt to a shifting and increasingly uncertain economic outlook.

These strategies have reaffirmed over recent years that they can be truly uncorrelated and play a critical role in a whole-portfolio context. In addition to rising rates, we expect uncertainty around persistent inflation, tighter credit conditions, and the specter of recessions to be driving forces behind near- to medium-term market moves.

Moreover, we expect the current geopolitical landscape to also have far-reaching impacts over the coming years. Escalating tensions and fragmentation do not exist in isolation and can have spillover effects. These factors will likely continue to reinforce the new regime of greater macro and market volatility.

But it is important to note hedge funds do not need to speculate on macro forces alone. Instead, they can capitalize on the distortions generated from these themes.

For example, in an era of tightening financial conditions, economic damage has the potential to manifest rapidly in unanticipated market segments. Financial cracks from the fastest rate hiking cycle in decades have already emerged in the banking sector, impacting the supply of credit.

While these conditions can present challenges for buy-and-hold strategies, they often create opportunities for hedge funds that utilize more agile, tactical, and diversified approaches to investing.

Highest dispersion in decades

We believe in the current environment, investors that are less constrained and able to pivot quickly will be rewarded. In this new regime, we should continue to expect a wider range of possibilities. Portfolio construction and implementation will be critical.

But choosing the right mix of hedge funds remains key. There continues to be a significant degree of return dispersion across hedge funds: the top decile of the HFRI Fund Weighted Composite Index gained 39% on average in 2022, while the bottom decile fell 33% on average. That's the widest performance gap since 2008[1]. This wide range of fund performance underscores the importance of an experienced and well-equipped team capable of sourcing the most skilled and resourceful managers.

At BlackRock, our Hedge Fund Solutions team has been partnering with clients since 1995 and is one of the world's largest allocators to hedge funds. Our global team of 100+ investment professionals looks to build portfolios of hedge funds that are resilient through a wide range of market backdrops. We seek to invest in hedge funds that have durable, competitive advantages in inefficient areas of capital markets. It is these funds that we expect to generate alpha in an environment of elevated uncertainty.

1. Source: HFRI Indices December 2022 Performance Notes, ©HFR, Inc., 9 January 2023.

ALTM0923U/M-3099474-5/10

DISCLAIMER

FOR PROFESSIONAL, INSTITUTIONAL, WHOLESALE AND QUALIFIED INVESTORS/PROFESSIONAL, QUALIFIED AND PERMITTED CLIENT USE ONLY

RISKS

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

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.

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.

IMPORTANT INFORMATION

This material is provided for educational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are subject to change. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be and should not be interpreted as recommendations. Reliance upon information in this material is at the sole risk and discretion of the reader. The material was prepared without regard to specific objectives, financial situation or needs of any investor.

This material may contain “forward-looking” information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, and estimates of yields or returns. No representation is made that any performance presented will be achieved by any BlackRock Funds, or that every assumption made in achieving, calculating or presenting either the forward-looking information or any historical performance information herein has been considered or stated in preparing this material. Any changes to assumptions that may have been made in preparing this material could have a material impact on the investment returns that are presented herein. 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.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

The information and opinions contained in this material are derived from proprietary and non-proprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy.

In the U.S., this material is for Institutional use only – not for public distribution.

In Canada, this material is intended for permitted clients as defined under Canadian securities law, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction.

For investors in the Caribbean, any funds mentioned or inferred in this material have not been registered under the provisions of the Investment Funds Act of 2003 of the Bahamas, nor have they been registered with the securities regulators of Bermuda, Dominica, the Cayman Islands, the British Virgin Islands, Grenada, Trinidad & Tobago or any jurisdiction in the Organisation of Eastern Caribbean States, and thus, may not be publicly offered in any such jurisdiction. The shares of any fund mentioned herein may only be marketed in Bermuda by or on behalf of the fund or fund manager only in compliance with the provision of the Investment Business Act 2003 of Bermuda and the Companies Act of 1981. Engaging in marketing, offering or selling any fund from within the Cayman Islands to persons or entities in the Cayman Islands may be deemed carrying on business in the Cayman Islands. As a non-Cayman Islands person, BlackRock may not carry on or engage in any trade or business unless it properly registers and obtains a license for such activities in accordance with the applicable Cayman Islands law.

In Latin America, for institutional investors and financial intermediaries only (not for public distribution). This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not been registered with the securities regulators of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

IN MEXICO, for institutional and qualified investors use only. Investing involves risk, including possible loss of principal. This material is provided for educational and informational purposes only and does now constitute an offer or solicitation of an offer to buy an shares of any fund or security.

This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the "CNBV") and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services ("Investment Services") is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. The materials that may be shared in this forum are for information purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión ("BlackRock México Operadora") is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services.

For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in **www.blackrock.com/mx**. This material represents an assessment at a specific time and its information should not be relied upon by the you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico.

For more information on BlackRock México, please visit: **www.BlackRock.com/mx**. BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora.

For the full disclosure, please visit www.BlackRock.com/mx and accept that your personal information will be managed according with the terms and conditions set forth therein.

For investors in Central America, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them.

These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor's own risk.

This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities ("SUGEVAL"), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities ("Reglamento sobre Oferta Pública de Valores"). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market.

If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon his request and instructions, and on a private placement basis.

In Argentina, only for use with Qualified Investors under the definition as set by the Comisión Nacional de Valores (CNV).

In Brazil, this private offer does not constitute a public offer, and is not registered with the Brazilian Securities and Exchange Commission, for use only with professional investors as such term is defined by the Comissão de Valores Mobiliários.

In Chile, the sale of each fund not registered with the CMF began on the date as indicated for such fund as described herein and the sale of such securities is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF.

In Peru, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the Superintendencia de Banca, Seguros y AFP.

In Uruguay, the Securities are not and will not be registered with the Central Bank of Uruguay. The Securities are not and will not be offered publicly in or from Uruguay and are not and will not be traded on any Uruguayan stock exchange. This offer has not been and will not be announced to the public and offering materials will not be made available to the general public except in circumstances which do not constitute a public offering of securities in Uruguay, in compliance with the requirements of the Uruguayan Securities Market Law (Law Nº 18.627 and Decree 322/011).

In Colombia, the sale of each fund discussed herein, if any, is addressed to less than one hundred specifically identified investors, and such fund may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia.

For offshore investors, For Institutional investors and financial intermediaries only (not for public distribution). The information contained herein is for informational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. An assessment should be made as to whether the information is appropriate for you having regard to your objectives, financial situation, and needs. Reliance upon information in this material is at the sole discretion of the reader. Investment implies risk, including the possible loss of principal.
This information does not consider the investment objectives, risk tolerance, or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations.
This material is restricted to distribution to non-U.S. Persons outside the United States within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Any securities described herein may not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and may not be offered, sold, pledged or otherwise transferred except to persons outside the U.S. in accordance with Regulation S under the Securities Act pursuant to the terms of such securities. In particular, any UCITS funds mentioned herein are not available to investors in the U.S. and this material cannot be construed as an offer of any UCITS fund to any investor in the U.S.

In the EEA and UK, this material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

In the UK and Non-European Economic Area (EEA) countries, this is Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

In the European Economic Area (EEA), this is Issued by BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded. For information on investor rights and how to raise complaints please go to https://www.blackrock.com/corporate/compliance/investor-right available in Italian.

For Qualified Investors in Switzerland:
For Qualified Investors only. This document is marketing material.
This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services ("FinSA").
For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: **www.blackrock.com/finsa**.

In Saudi Arabia, Bahrain, Dubai (DIFC), Kuwait, Oman, Qatar and UAE, the information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

Saudi Arabia: The information contained in this document is intended strictly for sophisticated institutions.
Bahrain: The information contained in this document is intended strictly for sophisticated institutions.

Dubai (DIFC): Blackrock Advisors (UK) Limited -Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

The information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) Rules.

Kuwait: The information contained in this document is intended strictly for sophisticated institutions that are 'Professional Clients' as defined under the Kuwait Capital Markets Law and its Executive Bylaws.
Oman: The information contained in this document is intended strictly for sophisticated institutions.
Qatar: The information contained in this document is intended strictly for sophisticated institutions.
UAE: The information contained in this document is intended strictly for non-natural Qualified Investors as defined in the UAE Securities and Commodities Authority's Board Decision No. 3/R.M of 2017 concerning Promoting and Introducing Regulations.

For investors in Israel: BlackRock Investment Management (UK) Limited is not licenced under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder.

In South Africa, please be advised that BlackRock Investment Management (UK) Limited is an authorised Financial Services provider with the South African Financial Services Conduct Authority, FSP No. 43288.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

In Singapore, this document is provided by BlackRock (Singapore) Limited (company registration number:200010143N) for use only with institutional investors as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. This material is for distribution to "Professional Investors" (as defined in the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong) and any rules made under that ordinance.) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong.

In South Korea, this information is issued by BlackRock Investment (Korea) Limited. This material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations) and for information or educational purposes only and does not constitute investment advice or an offer or solicitation to purchase or sells in any securities or any investment strategies.

In Taiwan, independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600.

In Australia and New Zealand, [MM3] issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively.

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore 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.

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. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA).

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.

In China, this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, not applicable to Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

For Southeast Asia: This document is issued by BlackRock and is intended for the exclusive use of any recipient who warrants, by receipt of this material, that such recipient is an institutional investors or professional/sophisticated/qualified/accredited/expert investor as such term may apply under the relevant legislations in Southeast Asia (for such purposes, includes only Malaysia, the Philippines, Thailand, Indonesia and Brunei). BlackRock does not hold any regulatory licenses or registrations in Southeast Asia countries listed above, and is therefore not licensed to conduct any regulated business activity under the relevant laws and regulations as they apply to any entity intending to carry on business in Southeast Asia, nor does BlackRock purport to carry on, any regulated activity in any country in Southeast Asia. BlackRock funds, and/or services shall not be offered or sold to any person in any jurisdiction in which such an offer, solicitation, purchase, or sale would be deemed unlawful under the securities laws or any other relevant laws of such jurisdiction(s).

This material is provided to the recipient on a strictly confidential basis and is intended for informational or educational purposes only. Nothing in this document, directly or indirectly, represents to you that BlackRock will provide, or is providing BlackRock products or services to the recipient, or is making available, inviting, or offering for subscription or purchase, or invitation to subscribe for or purchase, or sale, of any BlackRock fund, or interests therein. This material neither constitutes an offer to enter into an investment agreement with the recipient of this document, nor is it an invitation to respond to it by making an offer to enter into an investment agreement.

The distribution of the information contained herein may be restricted by law and any person who accesses it is required to comply with any such restrictions. By reading this information you confirm that you are aware of the laws in your own jurisdiction regarding the provision and sale of funds and related financial services or products, and you warrant and represent that you will not pass on or utilize the information contained herein in a manner that could constitute a breach of such laws by BlackRock, its affiliates or any other person.

The information provided here is neither tax nor legal advice. Investors should speak to their tax professional for specific information regarding their tax situation. Investment involves including possible loss of principal. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are often heightened for investments in emerging/developing markets or smaller capital markets.

FOR PROFESSIONAL, INSTITUTIONAL, WHOLESALE AND QUALIFIED INVESTORS/PROFESSIONAL, QUALIFIED AND PERMITTED CLIENT USE ONLY

©2023 BlackRock, Inc. All Rights Reserved. BLACKROCK is a registered trademark of BlackRock, Inc. All other trademarks are those of their respective owners.

ALTM0923U/M-3099474-10/10