ONEANSWER HEDGE FUND GUIDE

5 December 2025

OnePath

Investments

This OneAnswer **Hedge Fund Guide (Guide)** forms part of the following Product Disclosure Statements **(PDSs)** dated 5 December 2025:

- OneAnswer Frontier Investment Portfolio **PDS** Product Book
- OneAnswer Investment Portfolio **PDS** Product Book (Only available to investors who joined prior to 1 July 2013).

OnePath Funds Management Limited ABN 21 003 002 800 AFSL 238342 (OPFM) is the issuer of the **PDSs** listed above and each of the products offered under them (collectively referred to in this **Guide** as 'OneAnswer Investments').

Please note that the following OneAnswer Investments are closed to new investors:

- OneAnswer Investment Portfolio (only applies to investors who joined prior to 1 July 2013)
- OneAnswer Investment Portfolio//Select (only applies to investors who joined prior to 15 November 2010).

Super and Pension

This **Guide** forms part of the OneAnswer Frontier Personal Super and Pension **PDS** dated 5 December 2025.

OnePath Custodians Pty Limited ABN 12 008 508 496 AFSL 238346 (OnePath Custodians) is the issuer of the **PDS** and each of the products offered under it (collectively referred to in this **Guide** as 'OneAnswer Personal Super and Pension').

Purpose of this Guide

The purpose of this **Guide** is to provide you with additional information and/or specific terms and conditions referred to in each **PDS**. You should consider all of that information before making a decision to invest. The **PDSs**, this **Guide** and any document that is applied, adopted or incorporated by reference into the **PDSs** can be obtained online at **onepathsuperinvest.com.au/forms-and-brochures** or by contacting Customer Services.

References in this Guide

The terms 'us', 'we' and 'our' when used in relation to OneAnswer Investments or OneAnswer Personal Super and Pension, refer to the issuer of that particular product, which is either OnePath Funds Management or OnePath Custodians as the context requires. Each issuer has prepared and is responsible for the contents of this **Guide**.

References to the 'Corporations Act' are references to the *Corporations Act 2001 (Cth)*.

Important information

This **Guide** contains general information only and does not take into account your objectives, financial situation or needs. It should not be used as a substitute for financial advice.

You should read this **Guide** and the relevant **PDS** to assess whether the information is appropriate having regard to your objectives, financial situation and needs, and speak to a financial adviser before making an investment decision.

If you are a member of OneAnswer Personal Super and Pension, you should note that your investment may be subject to different conditions to those set out in this **Guide** e.g. in respect of withdrawals. You should read this **Guide** subject to the relevant OneAnswer Personal Super and Pension **PDS**.

In relation to information provided about underlying hedge fund, we have relied on information provided by the responsible entity of the underlying hedge fund and cross references are made to the relevant responsible entity's **PDS** as applicable. The responsible entity of the underlying hedge fund has consented to inclusion of statements about it and the disclosure of information relating to its hedge fund in this **Guide**, and has not withdrawn its consent at the time of preparation of this **Guide**. The external responsible entity of the underlying fund neither makes nor purports to make any statement in this **Guide** or any document incorporated in this **Guide**, and has not authorised or caused the issue of this **Guide**, and expressly disclaims and takes no responsibility for the **Guide** or any document incorporated in this **Guide**.

OPFM and OnePath Custodians as the issuers of this document are both part of the group of companies, comprising Insignia Financial Ltd (ABN 49 100 103 722) and its related bodies corporate (Insignia Financial Group). Neither the Issuers, nor any other related or associated company, guarantee the repayment of capital, the performance of, or any rate of return of your investment. Investments made into the investment options are subject to investment risks and other risks. This could involve delays in the repayment of principal and loss of income or principal invested.

This information is current as at 5 December 2025 and may be updated from time to time.

Up-to-date information can be obtained online at **onepathsuperinvest.com.au/performance/product-updates** or by contacting Customer Services.

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1. ABOUT THIS GUIDE

RG240

The Australian Securities and Investments Commission (ASIC) requires responsible entities of hedge funds and funds which invest into hedge funds to provide enhanced disclosure, as set out in ASIC's *Regulatory Guide 240 Hedge funds: Improving disclosure (RG240).*

The purpose of RG240 is to help investors understand and assess hedge funds so that they can make more informed investment decisions. The information that must be disclosed includes:

- Benchmarks, which address fund valuation and reporting
- Disclosure Principles, which address the key features of a fund such as investment strategy and fund structure.

A summary of the Benchmarks and Disclosure Principles is provided in Section 2.

This Guide

This **Guide** addresses the disclosure requirements of RG240 in relation to:

(a) OneAnswer BlackRock Tactical Growth Fund (the Fund) which invests into the hedge fund – Section 3.

(b) BlackRock Tactical Growth Fund (Underlying Fund) - the 'significant underlying fund' into which the Fund invests (that is, any underlying hedge fund that accounts for 35% or more of the Fund's assets) – Section 4

Important

This **Guide** forms part of each **PDS** listed below, dated 5 December 2025:

- OneAnswer Frontier Investment Portfolio **PDS** Product Book
- OneAnswer Investment Portfolio **PDS** Product Book (Only available to investors who joined prior to 1 July 2013)
- OneAnswer Frontier Personal Super and Pension **PDS**.

You should read this Guide in conjunction with the relevant **PDS** and each other document that forms part of those **PDSs**, including the **OneAnswer Investment Funds Guide**. These documents can be obtained online at **onepathsuperinvest.com.au/forms-and-brochures** or by contacting Customer Services.

Investment risks

Hedge funds can pose more complex risks for investors than traditional managed investment schemes due to their diverse investment strategies, use of leverage and complex offshore structures.

Before you make an investment decision it is important to identify your investment objectives and the level of risk you are prepared to accept.

Investments in the Fund and Underlying Funds have specific risks which you should consider before making an investment decision. These risks are described or referenced in the relevant sections of this **Guide**.

General risks associated with hedge funds are described in the OneAnswer **Investment Funds Guide** which can be obtained online at **onepathsuperinvest.com.au/forms-and-brochures** or by contacting Customer Services.

More information

- **RG240:** Go to asic.gov.au
- **The Fund:** Information can be obtained online at **onepathsuperinvest.com.au** or by contacting Customer Services by phone on **133 665** or **+61 3 7049 3126** outside Australia or by email to **client@onepathsuperinvest.com.au**
- **Underlying Fund:** Go to the website noted in section 4 of this Guide.

2. BENCHMARKS AND DISCLOSURE PRINCIPLES

Table 2 summarises the type of information about 'hedge funds' that must be provided to investors under RG240.

Information about the Benchmarks and Disclosure Principles specific to the Fund and Underlying Fund noted in Section 1 are provided in Sections 3 and 4.

Table 2

Benchmark	What information must be provided?
1. Valuation of assets	This benchmark addresses whether valuations of the hedge fund's non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.
2. Periodic reporting	This benchmark addresses whether the responsible entity of the hedge fund will provide periodic disclosure of certain key information on an annual and monthly basis.
Disclosure Principle	**What information must be provided?**
1. Investment strategy	Details of the investment strategy for the hedge fund, including the type of strategy, how it works in practice and how risks are managed.
2. Investment manager	Information about the people responsible for managing the hedge fund's investments, such as their qualifications and relevant commercial experience and the proportion of their time devoted to the hedge fund, and the relevant arrangement between the responsible entity and the investment manager, if any.
3. Fund structure	An explanation of the investment structures involved, the relationships between entities in the structure, fees and other costs payable to the responsible entity and the investment manager, the jurisdictions involved (if these involve parties offshore), the due diligence performed on underlying funds and related party relationships within the structure.
4. Valuation, location and custody of assets	Disclosure of the types of assets held, where they are located, how they are valued and the custodial arrangements.
5. Liquidity	Disclosure of the hedge fund's ability to realise its assets in a timely manner and the risks of illiquid classes of assets.
6. Leverage	Disclosure of the maximum anticipated level of leverage of the hedge fund (including leverage embedded in the assets of the hedge fund).
7. Derivatives	Disclosure of the purpose and types of derivatives used by the responsible entity or investment manager, and associated risks.
8. Short-selling	How short-selling may be used as part of the investment strategy, and the associated risks and costs of short-selling.
9. Withdrawals	Disclosure of the circumstances in which the responsible entity of the hedge fund allows withdrawals and how this might change.

3. ONEANSWER BLACKROCK TACTICAL GROWTH FUND

3.1 The Fund

Information in this section applies to OneAnswer BlackRock Tactical Growth Fund (referred to as 'the Fund' for the purposes of this section).

For information about the Underlying Fund in which the Fund invests (referred to as 'Underlying Fund' throughout this Guide), see Section 4.

Responsible entity

OPFM acts as the responsible entity of the Fund.

PDS

For full information about the Funds, you should refer to the relevant OneAnswer **PDS** (see Section 1) and each other document that forms part of those **PDSs**, including the OneAnswer **Investment Funds Guide**. These documents can be obtained online at **onepathsuperinvest.com.au/forms-and-brochures** or by contacting Customer Services.

3.2 Benchmarks

1. Valuation of assets
2. Periodic reporting

1. Valuation of assets

This benchmark requires us to have and implement a policy that requires the valuation of the Fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.

This benchmark is not met directly by us in the context of the Fund, but instead is met by the Underlying Fund. This is considered appropriate because the only assets of the Fund (excluding Cash) are units or shares in the Underlying Fund. It is our policy however that this benchmark is met for the Underlying Fund that we invest in for the Fund.

We value the interests of the Fund on unit and share prices provided by the administrator/investment manager of the Underlying Fund, each of which is independent of us. We limit the risk of any lack of independence and any related party conflicts in the valuation of non-exchange traded assets by monitoring the valuation of the Funds and Underlying Fund.

The Underlying Fund described in Sections 4 of this **Guide** meet this benchmark.

2. Periodic reporting

This benchmark requires us to have and implement a policy to report on specific information on an annual or monthly basis.

Annual reporting

For the Fund we will provide the following information at least annually, either in the annual report of the Fund, on our website under performance reporting, or in our periodic statements:

- the actual allocation to the Underlying Fund held by the Fund
- the maturity profile of the Fund's liabilities as at the end of the year
- the annual investment returns of the Fund over the previous five-year period
- changes to key service providers of the Fund and any changes to their related party status
- the liquidity profile of the Fund's assets as at the end of the year
- the leverage ratio (if any) of the Fund at the end of the year
- the derivatives counterparties (if any) engaged by us in managing the Fund.

Annual reports containing information relevant to the Fund can be obtained online at **onepathsuperinvest.com.au/forms-and-brochures** or by contacting Customer Services.

Monthly reporting

The following information is provided for the Fund in the monthly Fund summaries available on our website:

- the current total net asset value of the Fund and the withdrawal value of a unit in the Fund as at the date the net asset value was calculated in accordance with the method described in the '**Unit price**' section of the **PDS** relevant to your OneAnswer Investment
- changes to key service providers of the Fund and any change in their related party status
- for each of the following matters since the last report on those matters:
  - the net return on the Fund's assets after fees, costs and taxes
  - any material changes in the Fund's risk profile;
  - any material changes in the Fund's investment strategy; and
  - any change in the individuals playing a key role in investment decisions for the Fund.

An investment returns booklet showing the Fund's net returns is available at **onepathsuperinvest.com.au**

The Underlying Fund described in Section 4 of this **Guide** meets this benchmark.

3.3 Disclosure Principles

1. Investment strategy
2. Investment manager
3. Fund structure
4. Valuation, location and custody of assets
5. Liquidity
6. Leverage
7. Derivatives
8. Short-selling
9. Withdrawals

1. Investment strategy

An investment strategy describes how a fund aims to achieve its investment objective. The Fund aims to achieve its investment objectives by investing wholly or substantially into the Underlying Fund which itself is a hedge fund.

The investment strategy for the Fund is aligned to the investment strategy of the Underlying Fund.

The investment objective and strategy for the Underlying Fund is set out in the OneAnswer **Investment Funds Guide** and in Section 4 of this **Guide**.

The criteria and the due diligence process for selecting the Underlying Fund more generally is set out in section 3 "**Fund structure**", in this section.

Key dependencies and assumptions

There are key dependencies and assumptions underpinning the ability of the Fund to achieve its investment objectives, which include:

(a) legislators and regulators continuing to consider regulatory reforms and other measures to stabilise markets and encourage growth in global financial markets;

(b) the asset allocation process underpinning the Fund's investments remaining robust and relevant;

(c) the Underlying Fund achieving its investment objectives; and

(d) our due diligence processes identifying appropriate Underlying Funds, and the ongoing monitoring of these investments.

Risk management

The OPFM Board has adopted a Risk Management Strategy (RMS) which includes, but is not limited to, risks associated with investments. The Fund and the Underlying Fund are monitored and assessed on an ongoing basis as part of OPFM's RMS.

For internal funds, asset exposures are constantly monitored to ensure they remain within permitted investment parameters and their trading and investment activities remain within assigned limits. Where such limits are exceeded, the OPFM Board is alerted to such occurrences which are then dealt with in accordance with internally documented policies.

For the Underlying Fund, we are reliant on the external manager ensuring compliance with their investment guidelines, however we have processes in place to monitor manager compliance as appropriate.

The RMS is reviewed on an annual basis or whenever there is a material change in the OPFM business, and a review of the risks set out in the RMS is conducted at least annually.

For information about the risk management strategies of the Underlying Fund, see Section 4 and refer to the relevant Underlying Fund's **PDS** if available.

Diversification guidelines and limits

The Fund is wholly invested in the Underlying Fund and does not have specific diversification guidelines or limits, including limits for sector, industry or credit considerations.

Changes to investment strategy

The investment objective, investment strategy, asset allocation and other information in this section may change at any time. Any changes will be considered in light of the potential negative or positive impact on investors. We will notify investors in the Fund as soon as practicable after any changes have been implemented. Notification will be through regular investor communications and/or as an update on our website.

2. Investment manager

We (OPFM) act as investment manager for the Fund. The implementation of investment strategies for the Fund is a core capability of OPFM.

For the Underlying Fund, our investment team continuously researches, assesses and monitors the Underlying Fund with input from our preferred external research consultants as appropriate. We may add, remove or reduce allocations to the Underlying Fund at any time.

See Section 4 for information about the key investment managers of the Underlying Fund.

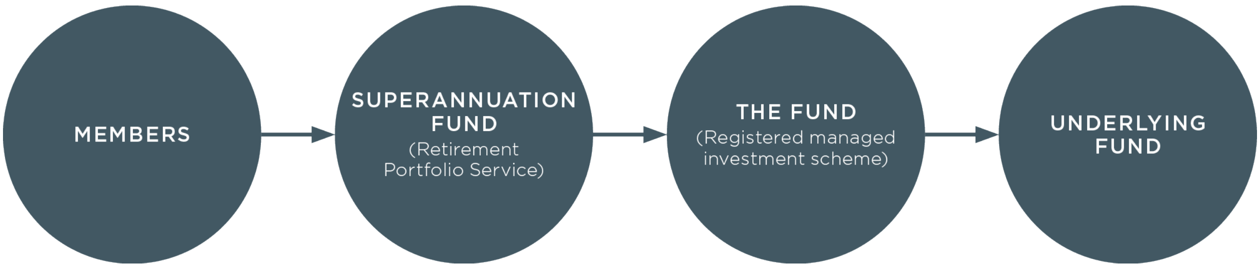
3. Fund structure

The Fund is a unit trust (an Australian registered managed investment scheme) which invests into an externally managed Underlying Fund.

The following diagrams show the investment structure of the Fund.

OneAnswer Investments

OneAnswer Personal Super and Pension



Underlying Fund selection and monitoring

As responsible entity for the Fund we have formal agreements in place with the manager of the Underlying Fund which address the agreed commercial terms associated with our investment.

Before selecting an Underlying Fund, we undertake a due diligence process to ensure the manager of the Underlying Fund meets our investment selection criteria, which includes:

- the views of our internal Investment Management team;
- consideration of external research ratings, where appropriate, including OnePath Funds Management's primary investment consultants;
- the experience and stability of the investment team managing the Underlying Fund's assets;
- the strength of the fund's management organisation behind the Underlying Fund;
- the investment philosophy and investment process followed by the investment manager of the Underlying Fund;
- the risks inherent in the Underlying Fund's investment strategy and the Underlying Fund's suitability and complementarity with the Fund's broader portfolio;
- adequacy of the Underlying Fund's portfolio diversification
- competitiveness of the fee structure, and its alignment with investors' interests;
- liquidity of the Underlying Fund and its underlying assets;
- short-term and long-term performance of the Underlying Fund relative to its investment objectives and peers;
- assets under management in the Underlying Fund, and any capacity issues or constraints.

Our selection criteria also considers the key service providers used by the Underlying Fund. Consideration of such service providers is limited to the extent that it considers whether those service providers are reputable and independent from the Underlying Fund. We do not otherwise conduct due diligence process on those service providers.

Payments and performance fees

We may receive payments from managers or the responsible entity of the Underlying Fund and/or their related parties.

Performances fees may apply to the Underlying Fund.

For information about these payments and performance fees, refer to the '**Fees and other costs**' sections of the following:

- OneAnswer Frontier Investment Portfolio **PDS** Product Book
- OneAnswer Investment Portfolio **PDS** Product Book (Only available to investors who joined prior to 1 July 2013)
- OneAnswer Frontier Personal Super and Pension **Fees Guide**.

Service providers

We act as the administrator for the Fund. From time to time we engage external service providers in respect of the Fund. Key service providers are:

- Auditor – EY is the auditor for the Fund
- Manager selection – Where appropriate, we use external research houses (e.g. Mercer) for input to manager selection.

Monitoring of service providers

We have a compliance plan in place to ensure that the appointment of service providers such as auditors is responsibly conducted, and that their performance is appropriately monitored. The compliance plan is audited by EY. The audit report is lodged with ASIC annually.

Under the procedures for appointing and monitoring an outsource arrangement, appropriate due diligence investigations are conducted on a third-party prior to their appointment. Written contracts with the third party provider are reviewed and executed in accordance with the procedure for the execution of documents.

The performance of the third-party service and outsource providers may be monitored through some or a combination of regular meetings, obtaining audit reports, obtaining compliance reports and service level reporting. Issues reported by outsource service providers are treated as incidents and managed in accordance with our Incident Management Process.

4. Valuation, location and custody of assets

As responsible entity of the Fund, we hold the assets in the form of units, in the Underlying Fund.

All assets are normally valued at their most recent market value, based on the unit price of the Underlying Fund received from the administrator/investment manager.

The Fund, the Underlying Fund, and their independent service providers (such as administrators and custodians) are located in Australia and are denominated in Australian Dollars.

The cash holdings of the Fund will generally be denominated in Australian dollars and held in bank accounts with Australian authorised deposit-taking institutions, or through cash funds managed by a member of the Insignia Financial Group ('Cash Funds').

The Fund does not have a custodian, with interests in the Underlying Fund, Cash or Cash Funds held in the name of OnePath Funds Management Limited as responsible entity.

For information about the valuation of assets and the calculation of unit prices the Fund, refer to:

- the '**How does OneAnswer Frontier Personal Super and Pension work?**' section of the OneAnswer Frontier Personal Super and Pension **Additional Information Guide**
- the '**What else do I need to know?**' section of the
  - OneAnswer Frontier Investment Portfolio **PDS** Product Book
  - OneAnswer Investment Portfolio **PDS** Product Book (Only available to investors who joined prior to 1 July 2013).

For information about the Underlying Fund, including the types of investments and investment strategies, see Section 4.

5. Liquidity

The liquidity profile of the Underlying Fund is considered as part of our initial and ongoing due diligence processes.

For the Fund, during normal market conditions, it has been determined that we can reasonably expect to liquidate 80% of the Funds' assets within 10 days. Therefore, the Fund meets the liquidity requirements under RG240 and are generally open for investor applications and withdrawals on each business day.

During abnormal or extreme market conditions the responsible entity of the Underlying Fund may decide to restrict withdrawals or switches, hence causing the Fund to become illiquid. Under these circumstances, we may suspend or restrict withdrawals from the Fund. We may also terminate the Fund, which could result in a delay in the repayment of capital to investors.

For information about liquidity of the Underlying Fund see Section 4.

For information about the risks associated with liquidity more generally, see '**Different types of risk**' of the OneAnswer **Investment Funds Guide**.

6. Leverage

Leverage is not part of the investment strategy for the Fund, but may be used in certain circumstances as a short-term measure, for example where needed to allow for a large number of withdrawals to be processed at the same time.

The Underlying Fund may use leverage as part of their investment strategy. Although we do not specifically consider the types and level of leverage used by the Underlying Fund, these factors are taken into consideration as part of the overall risk assessment analysis carried out by us when selecting an Underlying Fund.

Information about the use of leverage by the Underlying Fund is provided in Section 4.

See '**Different types of risk**' of the OneAnswer **Investment Funds Guide** for information about the risks associated with leverage. Please note that in that guide, information about leverage risk is provided under the heading '**Gearing**'.

7. Derivatives

Derivatives are not used by us in the Fund. However, the Underlying Fund may use derivatives as part of their investment strategy. Although we do not specifically set limits on the types of derivatives used by the Underlying Fund and on the Fund exposures to those instruments (exchange-traded or over-the counter) via the Underlying Fund, these factors are taken into consideration as part of the overall risk assessment analysis carried out by us when selecting an Underlying Fund.

See '**Different types of risk**' of the OneAnswer **Investment Funds Guide** for information about the risks associated with derivatives.

8. Short-selling

Short selling is not used by us in the Fund. However, the Underlying Fund may use short-selling as part of their investment strategy. Although we do not specifically set limits on the level of short selling permitted in the Underlying Fund, these factors are taken into consideration as part of the overall risk assessment analysis carried out by us when selecting an Underlying Fund.

See '**Different types of risk**' of the OneAnswer **Investment Funds Guide** for information about the risks associated with short-selling.

9. Withdrawals

Requests to withdraw from the Fund may be made at any time, and can be made by contacting Customer Services or completing a '**Withdrawal Form**'.

Under normal market conditions, withdrawals from the Fund will generally be able to be processed each Business Day. In the unlikely event that the Fund ceases to be liquid (that is, sufficient assets cannot reasonably be expected to be realised and converted into cash to satisfy a withdrawal request within the period specified in the Fund's constitution), different withdrawal procedures, as specified in the Corporations Act, will apply.

In exceptional circumstances, applications and withdrawals may be suspended. For example, if significant market volatility and/or significant internal or external events result in an inability to value an investment fund. This may affect the ability of investors to withdraw from the Fund.

If there are any material changes to withdrawal rights (e.g. restrictions on an investor's ability to withdrawal from the Fund), the changes will be considered in light of the potential negative or positive impact on investors. We will notify investors in the Fund as soon as practicable after any changes have been implemented. Notification will be made through regular investor communications and/or as updates on our website.

Information about withdrawals is provided in the following:

- OneAnswer Frontier Investment Portfolio **PDS** Product Book
- OneAnswer Investment Portfolio **PDS** Product Book (Only available to investors who joined prior to 1 July 2013)
- OneAnswer Frontier Personal Super and Pension **Additional Information Guide**.

Refer to the OneAnswer **Investment Funds Guide** for information about the risks associated with the liquidity of a Fund.

3.4 Risks of investing

Risks of investing specific to the Fund and general risks* associated with investing in hedge funds are described in the Fund's **PDS** and in the OneAnswer **Investment Funds Guide**.

The OneAnswer **Investment Funds Guide** and each **PDS** can be obtained online at **onepathsuperinvest.com.au/forms-and-brochures** or by contacting Customer Services.

* Please note that in the *OneAnswer Investment Funds Guide*, information about leverage risk is provided under the heading 'Gearing'.

4. BLACKROCK TACTICAL GROWTH FUND

4.1 Blackrock Fund

BlackRock Tactical Growth Fund ARSN 088 051 889 (referred to as 'Blackrock Fund' for the purposes of this section).

Responsible entity

BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 (BlackRock Responsible Entity or BlackRock) acts as the responsible entity under the Corporations Act. The BlackRock Responsible Entity is a wholly owned subsidiary of BlackRock, Inc.® (BlackRock Inc) but is not guaranteed by BlackRock Inc or any BlackRock Inc subsidiary or affiliated entity (collectively the BlackRock Group).

Fund website

blackrock.com

PDS

The Blackrock Fund's **PDS** is available online at https://www.blackrock.com/au/literature/product-disclosure-statement/blackrock-tactical-growth-fund-pds-en-au.pdf You should refer to the **PDS** for full information about Blackrock Fund.

4.2 Benchmarks

1. Valuation of assets

This benchmark requires the responsible entity to have and implement a policy that requires the valuation of BlackRock Fund's assets that are not exchange traded to be provided by an independent administrator or an independent valuation service provider.

BlackRock Fund and the underlying funds into which BlackRock Fund invests either directly or indirectly meet the benchmark except in certain (generally infrequent) circumstances, as set out below.

The BlackRock Group generally implements valuation policies that require Fund assets that are not exchange traded to be valued by an independent administrator or an independent valuation service provider. In certain (generally infrequent) circumstances where a valuation cannot be obtained from an independent administrator or an independent valuation service provider, the asset may be valued on another basis in accordance with the applicable valuation policy. The valuation process may have regard to the nature of the asset and to any relevant factors, to address any risks of lack of independence in valuations and related party conflicts of interest, which may include referring the matter to an internal committee and/or board of trustees/directors. Prices are generally required to be estimated in good faith and are to be representative of the probable realisation value of the security.

2. Periodic reporting

This benchmark requires the responsible entity to have and implement a policy to report on specific information on an annual or monthly basis.

Annual reporting

The BlackRock Responsible Entity meets the benchmark and implements a policy to report on the following Fund information on an annual basis:

- the actual allocation to each asset type held by BlackRock Fund
- the liquidity profile of BlackRock Fund's assets
- the maturity profile of BlackRock Fund's liabilities
- the leverage ratio of BlackRock Fund
- derivative counterparties engaged
- annual investment returns
- changes to key service providers and their related party status.

A copy of the annual report is available free of charge from BlackRock Fund's website or on request from BlackRock Fund's Client Services Centre on **1300 366 100**.

Where required, information will also be provided about the underlying funds into which BlackRock Fund invests either directly or indirectly.

Monthly reporting

On a monthly basis the following Fund information will be made available free of charge from BlackRock Fund's website:

- the current total net asset value (NAV) of BlackRock Fund and the redemption value of a unit of BlackRock Fund as at the date on which the total NAV was calculated
- changes to key service providers and their related party status
- the net return on BlackRock Fund's assets after fees, costs and taxes
- any material change in BlackRock Fund's risk profile
- any material change in BlackRock Fund's strategy
- any change in the individuals playing a key role in investment decisions for BlackRock Fund.

To obtain reports for BlackRock Fund, you can contact BlackRock Fund directly (refer to BlackRock Fund's website for contact details). We will also provide this information on request.

4.3 Disclosure Principles

1. Investment strategy
2. Investment manager
3. Fund structure
4. Valuation, location and custody of assets
5. Liquidity
6. Leverage
7. Derivatives
8. Short-selling

1. Investment strategy

The investment strategy of BlackRock Fund is to provide investors with a diversified exposure to the best investment teams and strategies that the BlackRock Group has globally within the context of an Australian based 'growth' investment portfolio.

BlackRocks Fund's strategy is built around two steps:

- establishing the most appropriate strategic benchmark subject to the growth/income splits and market risk exposures of BlackRock Fund.
- enhancing the returns of BlackRock Fund relative to the benchmark indices to the maximum extent possible by utilising investment teams, strategies and techniques from the BlackRock Group's resources around the globe, subject to a risk budgeting framework.

As BlackRock Fund is a diversified fund, there is no one relevant index to provide a benchmark, so the benchmark consists of a weighted average of the returns provided by market indices for relevant asset classes. The benchmark for BlackRock Fund provides a performance target against which Fund performance is measured over a set period of time. The strategic benchmark is reviewed periodically. Specific allocations may vary through time in line with BlackRock Fund's objective to manage total portfolio risk, however BlackRock Fund will generally retain its split between growth and defensive assets over the medium to long term.

BlackRock Fund's strategic benchmark has exposure to a mix of growth assets such as Australian shares, international shares, listed property and listed infrastructure and more defensive (income) asset classes such as Australian and international fixed income and cash. The allocation of growth assets compared with defensive assets and the associated asset class benchmark index is shown in the strategic benchmark table below.

Table 3

Strategic benchmark		
Asset sector	%	Benchmark index
Australian shares	28%	S&P/ASX 300 Total Return Index
International developed markets shares (unhedged)	11%	MSCI World ex-Australia Net TR Index (Unhedged in AUD)
International developed markets shares (hedged)	14%	MSCI World ex-Australia Net TR Index (Hedged in AUD)
Emerging markets shares	8%	MSCI Emerging Markets Net Index (Unhedged in AUD)
Global listed infrastructure	5%	FTSE Developed Core Infrastructure 50/50 Net Tax Index (Unhedged in AUD)
Global real estate (REITs)	5%	FTSE EPRA/NAREIT Developed Net TR Index (Unhedged in AUD)
Total growth assets	71%	
Australian fixed interest	4%	Bloomberg AusBond Composite 0+ Yr Index℠
Australian Inflation-Linked Bonds	4.5%	Bloomberg AusBond Inflation Government Index℠
Australian Corporate Bonds	5%	Bloomberg AusBond Credit 0+ Yr Index
US Inflation-Linked Bonds	4.5%	Bloomberg US Govt Inflation-Linked Index (Hedged in AUD)
Global High Yield Corporate Fixed Interest	3%	ICE BofA Developed Markets HY Constrained Index (Hedged in AUD)
Gold	5%	Refinitiv Gold Fixing Price Index (Unhedged in AUD)
Cash	3%	Bloomberg AusBond Bank Bill Index℠
Total defensive assets	29%	
Foreign currency exposure	34%	

Active asset allocation

Asset allocation strategies are employed with the aim of capitalising on perceived mispricing in and between asset markets in Australia and internationally. This process may result in BlackRock Fund's exposure to the asset class being above, below or in line with the strategic benchmark exposure. The strategies employed focus on a broad array of factors aimed at identifying potential market inefficiencies including assessments of fundamental valuation, economic environment, investor sentiment and other factors, including the management of total portfolio risk. BlackRock draws on its research capabilities and the fund management expertise of the BlackRock Group in developing and exploiting these strategies within a risk controlled framework.

The active allocation strategies to which BlackRock Fund may be exposed 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
- **Fundamental Global Allocation** strategies that seek to identify long-term trends and changes that could benefit particular markets and/or industries relative to other markets and industries by investing across the full spectrum of asset classes
- **Fixed Income Global Opportunities** strategies that may include traditional core bond strategies, core plus strategies (which seek to increase total return potential by allocating assets to non-investment grade securities and global sectors) and non-traditional strategies (which seek positive returns with lower volatility by employing advanced investment techniques and investment in unconventional securities)
- **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
- **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 BlackRock Group aims to continuously monitor, research and improve the investment strategies of the underlying funds into which Blackrock Fund invests. Such changes may result in changes to the fund's asset exposures over time. While the fund will endeavour to notify unit holders of significant strategy enhancements, BlackRock Fund will not seek consent prior to implementing these strategy enhancements.

Due diligence and selection of BlackRock Underlying funds

BlackRock Fund invests, directly and indirectly, in pooled investment vehicles managed by a number of investment teams within the BlackRock Group (BlackRock Underlying funds).

These teams and products are selected on the basis of their ability to generate consistent, lowly correlated returns. Lowly correlated means that it is unlikely that the different teams and products chosen will perform in the same manner at the same time, thereby enhancing diversification and/or lowering fund volatility. The selection process is also subject to internal controls relating to cost/tax effectiveness and overall risk exposure of BlackRock Fund.

Actual asset allocations to investment teams and products will vary over time as the BlackRock Group's expertise alters and the correlations, costs and tax effectiveness of the teams and BlackRock Underlying funds change. However, the allocations will remain consistent with the principles of providing highly diversified, lowly correlated and risk controlled investment management. A rigorous due diligence process is conducted on short-listed strategies to assess the potential for inclusion in BlackRock Fund. This process involves a detailed assessment of the investment strategy. Once a strategy is chosen for inclusion, regular due diligence is conducted on a BlackRock Underlying fund to ensure its strategy continues to meet BlackRock Fund's strict investment criteria.

Where a BlackRock Underlying fund invests in another fund, a formal due diligence process is generally undertaken in advance of any investment being made. This may not apply where the BlackRock Underlying fund is part of a master feeder investment structure. Continuous monitoring and periodic reviews of any fund investment is a material part of the BlackRock Group's general investment management process.

Key dependencies underlying BlackRock Fund's investment strategy

The success of BlackRock Fund and its underlying funds is dependent upon a number of factors which may include, but are not limited to:

- **Ability to identify and exploit perceived pricing inefficiencies** The identification and exploitation of pricing inefficiencies in the pricing of securities, financial products, or markets involves uncertainty. There can be no assurance that the investment manager of a BlackRock Underlying Fund will be able to locate investment opportunities or be able to exploit pricing inefficiencies in the securities markets. A reduction in the pricing inefficiency of the markets in which an investment manager seeks to invest will reduce the scope for a BlackRock Underlying Fund's investment strategies. In the event that the perceived mispricings underlying a BlackRock Underlying Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by the BlackRock Underlying Fund's investment manager, the BlackRock Underlying Fund may incur losses.
- **Regulatory environment** Legislators and regulators have implemented and continue to consider regulatory reforms and other measures to stabilise markets and encourage growth in global financial markets. Adverse or volatile market conditions, or further regulatory reforms and other measures which limit investment activities and investment opportunities or change the functioning of capital markets, could have a material adverse effect on performance.
- **Limits of risk mitigation** While each fund in the investment structure benefits from the BlackRock Group's global expertise and risk management practices, it is not always possible to eliminate all applicable risks. An exposure to certain risks could cause underperformance.

See Section 4.4 for information about the risks associated with BlackRock Fund's investment strategy.

Changes to BlackRock Fund's investment strategy

The BlackRock Group undertakes continuous research and development of the investment strategies of BlackRock Fund and BlackRock Underlying Funds, which may result in changes to the way the funds are run. Investors will be notified of any such changes in accordance with the BlackRock Responsible Entity's obligations under the Corporations Act.

Management of portfolio risk

The active risk relative to BlackRock Fund's strategic benchmark is controlled through a risk budgeting framework, rather than constraining risk by limiting allocations to particular asset classes. In addition, BlackRock maintains the flexibility to deviate meaningfully from the strategic benchmark with the objective of managing overall portfolio risk and minimising performance downside at market extremes, should in the Fund's assessment, market conditions warrant.

For more information about BlackRock Fund's investment strategy, including BlackRock Fund's investment objective, refer to the OneAnswer **Investment Funds Guide**.

2. Investment manager

BlackRock is the investment manager of BlackRock Fund. BlackRock is licensed by ASIC, which is responsible for regulating the operation of managed investment schemes like BlackRock Fund.

Each BlackRock Underlying Fund is managed by and/or has appointed as their investment manager a member of the BlackRock Group.

The implementation of the investment strategies, including those of the BlackRock Underlying Funds, are considered institutional BlackRock Group capabilities, meaning they do not rely on the involvement of any particular individual.

The responsibilities and obligations of an investment manager are generally governed by a fund's constitution, articles of association, trust deed, or other equivalent governing document, terms of the investment management arrangement to which the investment manager and fund may be party to and any applicable laws or regulations.

BlackRock Fund's constitution contains a number of provisions relating to the rights, terms, conditions and obligations.

Some of the main provisions which relate to investor rights under BlackRock Fund's constitution include:

- the right to share in BlackRock Fund's income and how it is calculated
- the right to withdraw from BlackRock Fund and the entitlement on withdrawal or if BlackRock Fund is wound up
- the nature of the units and rights to attend and vote at a meeting of unit holders – these mainly reflect the requirements of the Corporations Act, which also deals with unit holders rights to requisition or call a meeting
- resolutions passed by a requisite majority at a meeting of unit holders are binding on all unit holders
- when BlackRock can and what happens if it terminates BlackRock Fund.
- when BlackRock can amend BlackRock Fund's constitution. Generally, it can only be amended where changes will not adversely affect rights of an investor. Otherwise, the constitution can only be amended if approved by special resolution at a meeting of unit holders
- the right to refuse to accept applications for units or record any transfer of units without giving any reason
- the right to cancel units issued to a unit holder if cleared funds are not received BlackRock Fund.
- broad powers to invest, borrow and generally manage BlackRock Fund. The BlackRock Responsible Entity does not currently intend to borrow funds to acquire assets for BlackRock Fund, although this is permitted under the Fund's constitution. BlackRock may only borrow if it considers it to be in the best interests of unit holders.

The constitution of BlackRock Fund provides that the liability of each unit holder is generally limited to its investment in BlackRock Fund. A unit holder is not required to indemnify the BlackRock Responsible Entity or its creditors in respect of BlackRock Fund. However, no complete assurance can be given in this regard, as the ultimate liability of a unit holder has not been finally determined by the courts.

The constitutions of underlying funds managed by the BlackRock Responsible Entity or another entity within the BlackRock Group generally contain similar provisions to those outlined above. The trust deed (or equivalent governing document) of underlying funds not managed by the BlackRock Responsible Entity or another entity within the BlackRock Group (but who have appointed as their investment manager a member of the BlackRock Group) may include provisions in relation to matters similar to those constitutional provisions already outlined.

The BlackRock Responsible Entity uses a global service delivery model across the BlackRock Group to deliver superior outcomes to its clients. In the delivery of functions, powers and duties to clients, the BlackRock Group uses multiple entities of the BlackRock Group (in addition to the BlackRock Responsible Entity). For example, global order routing entails the use of multiple trading desks located in various regions and the use of global centres of excellence allows certain related parties to specialise in functions such as investment operations and portfolio management. Even though the BlackRock Group uses offshore related parties, the BlackRock Responsible Entity has systems and procedures in place as the holder of an Australian financial service licence to monitor and supervise the services provided by its related parties. The BlackRock Responsible Entity remains responsible and liable for the acts and omissions of any related party.

All BlackRock Underlying Funds have appointed a member of the BlackRock Group as their investment manager pursuant to an investment management arrangement, to provide investment management services. Provisions within the investment management arrangements of any such BlackRock Underlying Funds, which may affect unit holders of BlackRock Fund, may include:

- the terms and scope of appointment of the investment manager (for example, in some instances, the investment manager will be appointed for an initial term and then for subsequent annual terms, subject to their appointment being terminated)
- any restrictions placed on the investment manager in terms of the permitted investments for BlackRock Fund.

- the investment manager's entitlement to receive a management fee, any performance fee and other amounts payable out of the assets of BlackRock Fund.
- the liability of the investment manager (for example, in circumstances where the investment manager acts with negligence, wilful misconduct or bad faith)
- the liability of the investment manager for acts of third parties such as banks, brokers or agents
- the provision of indemnities, for example, in circumstances where there is no negligence, wilful misconduct or bad faith on the part of the indemnified party
- when the investment management arrangement may be terminated. While each investment management arrangement may include termination provisions (which are generally on normal commercial terms), as all appointed investment managers are BlackRock Group entities, it is not expected that any such termination provision will be materially relied upon by either the relevant BlackRock Underlying Fund or its investment manager.

Service providers

A number of key service providers have been engaged to assist with the ongoing operation and administration of BlackRock Fund and the BlackRock Underlying Funds. A summary of key service providers of BlackRock Fund is provided below.

BlackRock Fund and each BlackRock Underlying Fund have entered into separate arrangements with each of their key service providers, which generally set out the terms and conditions of the service provider's appointment, where applicable, specified benchmarks and service levels, as well as the consequences of any breaches to the terms of the appointment.

Before any key service provider is engaged by the BlackRock Group a due diligence exercise or assessment of the prospective key service provider is generally undertaken. Consideration and continuous monitoring of key service providers is also undertaken through day-to-day dealings with these entities.

- Custodian – JP Morgan Chase Bank, N.A.

  A custodian provides custodial services to a fund and is responsible for the safekeeping of Fund assets.

  A custodian's role is generally limited to holding the assets of a fund and acting on behalf of the responsible entity or BlackRock Fund's board of directors (as applicable) and acting in accordance with instructions from the responsible entity or BlackRock Fund's board of directors (as applicable), except in limited circumstances where the custodian has a discretion to act without instructions.

  A custodian has no supervisory obligation to ensure that the responsible entity or BlackRock Fund's board of directors (as applicable) complies with its obligations as responsible entity or board (as applicable) of a fund. The responsible entity or fund board of directors (as applicable) will also remain liable to unit holders for acts and omissions of the appointed custodian.

  The custodian may change from time to time but must satisfy any relevant regulatory requirements.

  BlackRock Fund and the BlackRock Underlying Funds do not generally request specific requirements in respect of the custodial arrangements of the underlying fund(s) into which they invest. Custodial arrangements are considered at each level of the investment structure, through the oversight and management of each fund.

- Administrator – JP Morgan Chase Bank, N.A.

  An administrator provides administration services to the Fund. These services include valuation and unit pricing, fund accounting, distribution preparation and preparation of financial statements.

- Auditor – Deloitte Touche Tohmatsu

  BlackRock Fund must have an appointed independent auditor of the financial statements.

- Prime broker

  While BlackRock Fund has not appointed a prime broker, some of the BlackRock Underlying Funds have. The prime broker of a fund generally provides clearing, settlement, financing, stock borrowing, foreign exchange facilities and reporting services.

Changes to key service providers

The key service providers detailed in this document may change from time to time. Investors will be notified of any such changes in accordance with BlackRock Fund's obligations under the Corporations Act.

Risk management

BlackRock Fund and the BlackRock Underlying Funds benefit from the BlackRock Group's global expertise and risk management practices, with investment strategies employed across the BlackRock Group being continuously monitored and assessed.

Asset exposures are constantly monitored to ensure all BlackRock Group funds remain within permitted investment parameters. Operating and investment processes are continuously reviewed through a combination of internal and external audit, regular compliance monitoring, management self-assessment procedures and risk management oversight.

Management of key controls and performance measurement is accomplished through routine reporting on investment activities. The BlackRock Group's automated systems produce reports which enable the ongoing monitoring of trading and investment activity against assigned limits, including individual trader and counterparty limits. Transactions that may result in exceptions to the established limits must have appropriate approval in accordance with internally documented policies.

Departmental oversight

The BlackRock Group has operational functions which help in the implementation of its risk management framework, including:

- **Risk and Quantitative Analysis** Monitors the continuing development of process controls and functional segregation in conjunction with relevant business units to ensure that these remain robust and appropriate to the needs of the business. The Risk and Quantitative Analysis Team also measure and monitor all BlackRock Group funds.
- **Legal and Compliance** Responsible for the identification, communication and control of applicable legislation and restrictions. Compliance staff also conduct periodic compliance reviews of key processes and work closely with management to develop suitable controls.

- **Internal Audit** Responsible for the review of internal processes and controls.
- **Counterparty and Concentration Risk Group** Responsible for managing counterparty risk across the BlackRock Group. The Counterparty and Concentration Risk Group monitors and assesses counterparty exposures arising from a wide range of financial instruments.

Additional information

Further information about the key service providers and appointed investment managers of some of the BlackRock Underlying Funds is provided in *Information on BlackRock Underlying Funds* available on the BlackRock Fund's website.

3. Fund structure

What does BlackRock Fund invest in?

BlackRock Fund and the BlackRock Underlying Funds may also invest in direct assets in addition to the key entities shown in BlackRock Fund's structure diagram in this section.

BlackRock Fund may invest in physical instruments (including equities, listed property trusts, limited partnerships, currency, fixed income, exchange traded funds, cash and commodities), derivatives (including futures, options, swaps and forward foreign exchange contracts) and structured instruments (which may include a combination of physical instruments and derivatives). Asset class exposures and the implementation of investment strategies are gained either by investing directly in physical instruments, through derivative overlays, or by investing in BlackRock Underlying Funds.

BlackRock Underlying Funds generally invest in Australian equities and fixed income, international equities and fixed income and other asset markets (which may include a combination of physical instruments and derivatives).

Each fund within the investment structure may also hold cash (or cash equivalents, including other BlackRock Group funds) for cash flow management purposes or as collateral for derivative/short positions.

The diagram in this section shows the key entities involved in BlackRock Fund's investment structure and the flow of investment money through the structure.

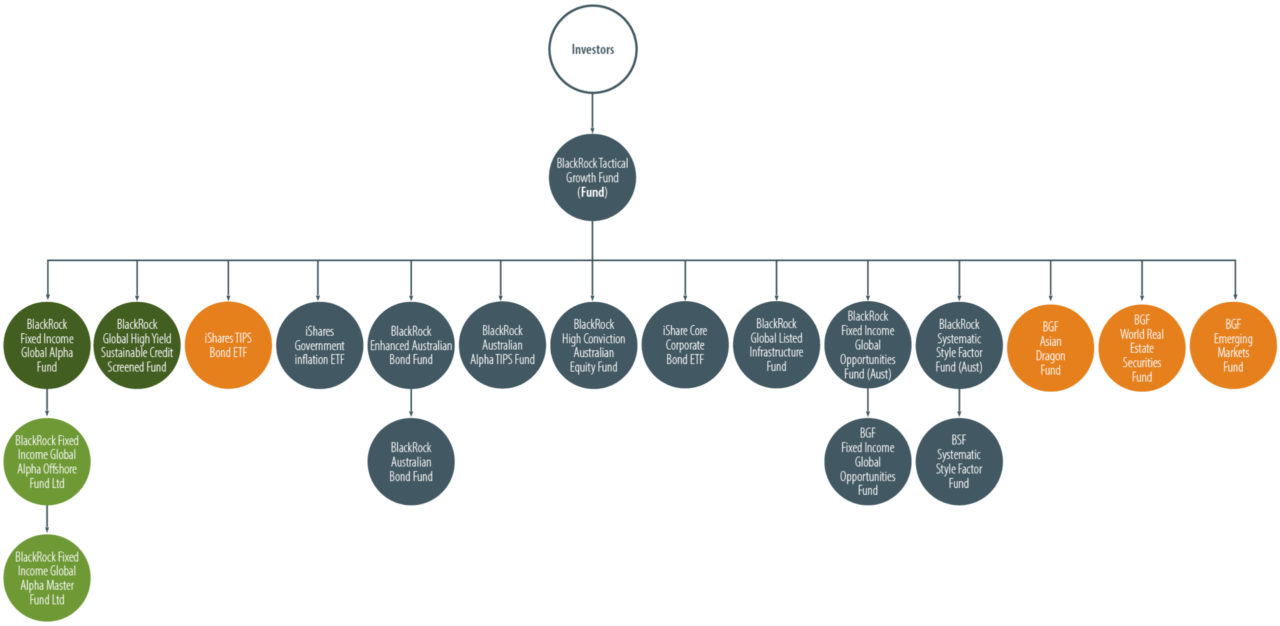
Information about the BlackRock Underlying Funds is available in BlackRock Fund's PDS and can be obtained by contacting BlackRock Fund directly (refer to BlackRock Fund website for contact details). We will also provide BlackRock Fund's PDS free of charge, on request.

Diversification guidelines and asset allocation

While BlackRock Fund does not have formal diversification guidelines or specific asset allocation ranges or limits, BlackRock Fund is generally managed in line with its strategic benchmark (see '1. Investment strategy' in this section). BlackRock also considers and monitors diversification as part of its management of the investment strategy of BlackRock Fund.

Fund structure

This diagram shows the Fund's investment structure. For information about the structure of the BlackRock Underlying Funds, refer to BlackRock Fund's website and **PDS**.



4. Valuation, location and custody of assets

BlackRock Fund is an Australian registered managed investment scheme and is denominated in Australian dollars.

BlackRock Fund and the BlackRock Underlying Funds do not seek to restrict the underlying funds into which they invest with regard to the permitted geographic location of any such underlying fund, its manager, or the focus of its investing. These considerations are taken into account as part of the due diligence review of a BlackRock Underlying Fund and as part of the oversight and management of the each fund in the investment structure.

Valuation of assets

Where assets of BlackRock Fund and the BlackRock Underlying Funds are not listed on a securities exchange, they are generally valued by an independent administrator or an independent valuation service provider.

Location of assets

As a global fund with a broad investment universe, physical instruments held by BlackRock Fund may be denominated in any global currency and may be located in any country of the world. BlackRock Underlying Funds are generally domiciled in Australia, the Cayman Islands, Luxembourg or Ireland and are generally denominated in either US or Australian Dollars. BlackRock Underlying Funds generally invest in Australian equities and fixed income, international equities and fixed income and other asset markets.

Custody of assets

BlackRock Fund and the BlackRock Underlying Funds have each engaged an independent custodian.

5. Liquidity

Under normal market conditions BlackRock reasonably expects, should the need arise, to be able to realise at least 80% of BlackRock Fund's assets, including investment in the BlackRock Underlying Funds, at the value ascribed to those assets in calculating BlackRock Fund's NAV, within 10 days.

BlackRock Fund and the BlackRock Underlying Funds do not set any specific restrictions in terms of the liquidity of the underlying funds into which they invest. The liquidity characteristics of portfolio holdings is considered as part of the due diligence review of an underlying fund and as part of the oversight and management of each fund in the investment structure.

The BlackRock Group's risk management practices include the regular monitoring of the liquidity characteristics of BlackRock Group funds and the assets in which they invest, to seek to ensure funds remain within permitted investment parameters.

See Section 4.4 for information about liquidity risk and how this risk will be managed.

6. Leverage

BlackRock Fund does not enter into borrowing arrangements for investment purposes, other than temporary overdrafts which may be used as a means of managing certain cash flows. BlackRock Fund will, however, gain leveraged exposure through its use of derivatives and short-selling and its exposure to some BlackRock Underlying Funds, which may utilise leverage in their investment program. Leverage may be used by the Fund and some BlackRock Underlying Funds to increase buying power or to take advantage of market opportunities, where consistent with the investment strategy of BlackRock Fund.

While there is no explicit maximum level of gross leverage that BlackRock Fund may be exposed, the gross level of leverage is expected to range between approximately one and five times NAV.

The leverage of BlackRock Fund may fluctuate from time to time depending on changes to the embedded leverage to which BlackRock Fund is exposed as a result of its exposure to leveraged BlackRock Underlying Funds. Such embedded leverage may change due to variations in the investment activity and security exposures of a BlackRock Underlying Fund. For example, greater investment by a BlackRock Underlying Fund in shorter dated, lower volatility, fixed income securities may require the BlackRock Underlying Fund to increase its leverage exposure in order to achieve its stated investment objectives. Conversely, greater investment by a BlackRock Underlying Fund in higher volatility securities, like equities or commodities, may require that BlackRock Underlying Fund to reduce its leverage exposure in order to achieve its stated investment objectives.

Where BlackRock Fund is exposed to leverage through its investment in a BlackRock Underlying Fund, any potential loss is generally limited to the capital allocated to that BlackRock Underlying Fund.

BlackRock Fund and leveraged BlackRock Underlying Funds may obtain leverage from brokers, banks and other counterparties. Where permitted, leverage may be achieved through, among other methods, borrowing, purchasing financial instruments on margin and investing in derivative instruments that are inherently leveraged.

BlackRock Fund and the BlackRock Underlying Funds do not specify any particular acceptable types of leverage to be used by the underlying funds into which they invest or set any limits in terms of the gross level of leverage used. Leverage exposure is controlled at each level of the investment structure, through the oversight and management of each fund's investment strategy.

When BlackRock Fund or a BlackRock Underlying Fund enters into a leverage arrangement (for example where BlackRock Fund enters into an over the counter (OTC) derivative transaction) or where a BlackRock Underlying Fund has engaged a prime broker, fund assets may be used as collateral or as a security interest, which may be otherwise encumbered or subject to set-off rights in the event of insolvency (or other events of default). In such circumstances, amounts owing may be set off between the parties and the non-insolvent/non-defaulting party may rank as an unsecured creditor in respect of amounts owing by the insolvent/defaulting party.

Examples of the use of leverage

Provided below are examples of how leverage applied to relative value trades can affect Fund performance.

The examples have been simplified for illustrative purposes and do not take into account all the costs and fees associated with short-selling.

See Section 4.4 for information about the risks associated with the use of leverage.

Example 1: No leverage, portfolio holds Stock A (long)

This example illustrates that a long only portfolio has just one source of positive returns. Positive returns will be experienced only where a stock increases in value. Negative returns will be experienced where a stock decreases in value.

	Stock A appreciates 5%	Stock A depreciates 5%
Value of stock position before appreciation/depreciation		
Stock A (long)	$1,000	$1,000
Value of stock position after appreciation/depreciation		
Stock A (long)	$1,050	$950
Gain/Loss	$50	-$50

Example 2: Portfolio engages in relative value trading and holds Stock A (long) relative to Stock B (short). Gross leverage 5 times. Strategy is performing as expected.

This example illustrates that a portfolio utilising relative value trading has two sources of positive returns and may experience positive returns where the value of stocks rise and fall. Positive returns will be experienced where:

1. Stock A held long increases in value by a greater amount than that of Stock B held short, or
2. Stock A held long decreases in value by a lesser amount than that of Stock B held short.

	Stock A appreciates 7%, while Stock B appreciates 2%	Stock A depreciates 2%, while Stock B depreciates 7%
Value of stock position before appreciation/depreciation		
Stock A (long)	$2,500	$2,500
Stock B (short)	-$2,500	-$2,500
Value of stock position after appreciation/depreciation		
Stock A (long)	$2,675	$2,450
Stock B (short)	-$2,550	-$2,325
Gain/(Loss)	$125	$125

Example 3: Portfolio engages in relative value trading and holds Stock A (long) relative to Stock B (short). Gross leverage 5 times. Strategy is not performing as expected.

This example illustrates that a portfolio utilising relative value trading may also experience negative returns. Negative returns will be experienced where:

1. Stock A held long increases in value by a lesser amount than that of Stock B held short, or
2. Stock A held long decreases in value by a greater amount than that of Stock B held short.

	Stock A appreciates 2%, while Stock B appreciates 7%	Stock A depreciates 7%, while Stock B depreciates 2%
Value of stock position before appreciation/depreciation		
Stock A (long)	$2,500	$2,500
Stock B (short)	-$2,500	-$2,500
Value of stock position after appreciation/depreciation		
Stock A (long)	$2,550	$2,450
Stock B (short)	-$2,675	-$2,325
Gain/(Loss)	-$125	-$125

7. Derivatives

Derivatives are financial instruments whose value is derived from another security, commodity, currency, or index. The use of these instruments can reduce the costs of managing exposure to investment markets and makes possible a wider universe of investment opportunities. Asset allocation positions of BlackRock

Fund may be implemented through derivatives, along with investments in BlackRock Underlying Funds. Derivatives are also used to ensure that underlying asset exposures of BlackRock Fund are consistent with the Fund's strategic benchmark. Derivatives may also be used to deviate from BlackRock Fund's strategic benchmark from time to time to manage total portfolio risk.

BlackRock Fund and the BlackRock Underlying Funds may use derivatives, both exchange traded and OTC and in some instances derivative use may be extensive. Derivatives including, but not limited to futures, options, swaps and forwards, may be used for, but not limited to, the following reasons:

- hedge an asset of BlackRock Fund against, or minimise liability from a fluctuation in market values
- reduce volatility and/or assist with managing total portfolio risk
- achieve a targeted exposure to a particular underlying asset and adjusting asset exposures such as swapping one asset exposure with another
- reduce the transaction cost of achieving a targeted exposure
- obtain prices that may not be available in the physical market
- achieve transactional efficiency, for example by assisting in the achievement of the best execution of security transactions
- control the impact on portfolio valuations of market movements caused by significant transactions
- achieve a desired level of leverage (where applicable).

BlackRock Fund may also use structured investment instruments from time to time in pursuit of its investment objective.

BlackRock Fund and the BlackRock Underlying Funds do not specify any particular approved types of derivatives to be used by underlying funds into which they invest or set any limits on derivative exposure. Derivative exposure is controlled at each level of the investment structure, through the oversight and management of each fund's investment strategy.

Derivative counterparty oversight

In accordance with standard industry practice when purchasing derivative instruments a fund may be required to secure its obligations to a counterparty. This may involve the placing of margin deposits or equivalent with the counterparty which may or may not be segregated from the counterparty's own assets. A fund may have a right to the return of equivalent assets. These deposits or equivalent may exceed the value of BlackRock Fund's obligations to the counterparty as the counterparty may require excess margin or collateral.

All counterparties of the BlackRock Group are formally approved by the BlackRock Group's Counterparty and Concentration Risk Group, 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.

The BlackRock Group prefers to have multiple counterparties for liquidity, risk management and best execution purposes. The counterparties with which the BlackRock Group trade must have broad market coverage. Positions are marked-to-market on a regular basis and exposure to each counterparty is monitored. Transaction documentation is implemented where appropriate to minimise exposure to individual counterparties. To monitor post-trade counterparty risk, the BlackRock Group has implemented strong technological infrastructure and proprietary internal review processes. The BlackRock Group also has a number of reporting tools that allow it to manage counterparty exposure, balancing net exposures to its different counterparties. Where necessary, credit risk exposure to counterparties can be adjusted, both at the individual portfolio level and at the aggregate firm-wide level.

See Section 4.4 for information about derivative and counterparty risks.

8. Short-selling

Long/short investing

BlackRock Fund and a number of the BlackRock Underlying Funds may engage in short-selling. BlackRock Fund and the BlackRock Underlying Funds do not seek to restrict the investment strategies of the underlying funds into which they invest with regard to their use of short selling including the level of short-selling that may be undertaken. Short-selling exposure is controlled at each level of the investment structure, through the oversight and management of each fund's investment strategy.

Unlike 'long only' investments, which have just one source of return, that is buying securities that are expected to rise in value, long/short strategies have two sources of potential return. A fund that employs a long/short investment strategy can generate returns by owning securities that the manager expects will rise in value (long). At the same time a fund can sell (short) securities that are expected to decrease in value. This latter process is known as 'short-selling'.

BlackRock Fund may be exposed to investment strategies that engage in short selling either directly through borrowing and selling physical securities or synthetically through derivatives.

To implement short selling using direct securities, a fund will borrow securities from a counterparty that is a securities lender, with the promise to return equivalent securities at a specified time in the future to that counterparty. The borrowed securities will then be sold by the Fund on the open market. If the security falls in value, BlackRock Fund will purchase the security and return those securities to the lender, thus generating a profit. However, if the security increases in value, this will generate a loss for BlackRock Fund.

To implement short-selling using derivatives a fund may utilise futures, options or other instruments, which derive their value from another reference rate or asset. For example, a fund may sell exchange traded bond futures. If the futures decline in value this has a positive performance impact on BlackRock Fund. However if the futures increase in value, this has a negative performance impact on BlackRock Fund.

BlackRock Fund is not limited in using exchange traded bond futures to implement its short-selling strategies and may use derivatives which are not exchange-traded.

See Section 4.4 for information about the risks associated with short-selling.

Example of short-selling

A fund manager may have been tracking a mining company, Company A, and believes that due to slowing global demand, raw materials prices will soften. The fund manager therefore believes that Company A's share price is also likely to fall.

To act on this belief the fund manager decides that they want to short sell Company A's shares in September that year, when they are valued at $20.00 per share. However, BlackRock Fund does not hold any of Company A's shares. The fund therefore borrows 10,000 Company A shares from a stock lender (such as an investment bank or a broker), who lends BlackRock Fund the Company A shares for a fee (in the same way banks charge borrowers). BlackRock Fund then sells the Company A shares and deposits the sale proceeds, $200,000, into an interest earning bank account. The fund buys back the 10,000 shares of Company A in December that year, when they are valued at $15.00 per share, at a cost of $150,000. The Company A shares are returned to the stock lender.

BlackRock Fund profits from the difference between the price at which they sold and brought back the Company A shares, being $50,000 ($200,000 minus $150,000). BlackRock Fund also benefits from any interest earned on the $200,000 while it was on deposit in the bank account. The fund will, however, have to pay the stock lender's fee, as well as any dividends paid on Company A's shares during the period in which BlackRock Fund was short the Company A shares. There may be other costs of maintaining a short position, for example franking benefits payable.

If on the other hand, the outlook for Company A improves, the share price of Company A may continue to increase, resulting in a loss for BlackRock Fund. In December that year the share price of Company A rises to $25.00 and BlackRock Fund manager believes this will continue. BlackRock Fund therefore buys back the 10,000 shares at a cost of $250,000. This results in a loss of $50,000 ($200,000 minus $250,000) for BlackRock Fund.

4.4 Risks of investing

The BlackRock Fund's investment strategy (including its exposure to short-selling, derivatives, liquidity and leverage) and investment structure all have specific risks which investors should consider before making an investment decision. These risks are described below.

General risks* associated with investing in hedge funds are described in the OneAnswer **Investment Funds Guide** which can be obtained online at **onepathsuperinvest.com.au/forms-and-brochures** or by contacting Customer Services.

* Please note that in the OneAnswer **Investment Funds Guide**, information about leverage risk is provided under the heading '**Gearing**'.

Risks specific to the BlackRock Fund and the BlackRock Underlying Funds

Asset-backed and mortgage-backed securities risk

The BlackRock Fund may be exposed to asset-backed securities (ABS) and mortgage-backed securities (MBS). The obligations associated with these securities may be subject to greater credit, liquidity and interest rate risk compared to other fixed income securities such as government issued bonds. ABS and MBS are often exposed to extension risk (where obligations on the underlying assets are not paid on time) and prepayment risks (where obligations on the underlying assets are paid earlier than expected. These risks may have a substantial impact on the timing and size of the cash flows paid by the securities and may negatively impact the returns of the securities. The average life of each individual security may be affected by a large number of factors such as the existence and frequency of exercise of any optional redemption and mandatory prepayment, the prevailing level of interest rates, the actual default rate of the underlying assets, the timing of recoveries and the level of rotation in the underlying assets.

Commodities related investments risk

The BlackRock Fund may be exposed to the commodities markets, which may cause greater volatility to investment returns than more traditional securities. The value of commodity-linked securities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments.

Conflicts of interest risk

Certain conflicts of interest may arise in the operation of a BlackRock Group fund. Fund structures may involve members of the BlackRock Group acting in more than one capacity, while BlackRock Group funds may hold OTC derivative agreements where a member of the BlackRock Group is acting (in different capacities) on both sides of the agreement. BlackRock Group funds may be invested in by persons associated with the BlackRock Group or by other funds and accounts managed by different members of the BlackRock Group. Investors in a fund may, in some instances, invest on different terms to each other, some of which may be more favourable than others. Each investor in a fund may act in a way which is adverse to the interests of other investors in that fund. Additionally, funds and accounts managed by different members of the BlackRock Group may act as a seed investor in a BlackRock Group fund, which may create a commercial opportunity for the BlackRock Group. For example, a seed investment may allow the BlackRock Group to establish a track record for a fund that can then be sold to other clients. Certain investment strategies of the BlackRock Group may conflict with each other and may affect the price and availability of securities in which to invest. Members of the BlackRock Group may also give advice or take action with respect to any of their clients which may differ from the advice given or the timing or nature of any action taken with respect to the investments of other BlackRock Group funds or accounts.

While conflicts of interest may arise from time to time, the BlackRock Group has established policies and procedures in place to manage any such conflict, which includes ensuring transactions between BlackRock Group entities are conducted on an arm's length commercial basis.

Counterparty risk

Information about this risk is provided in the OneAnswer **Investment Funds Guide**.

Derivative risk

The BlackRock Fund may be exposed to derivative securities. The use of derivatives expose a fund to different risks as opposed to investing directly in a security. For example, derivatives can cause a fund to make greater gains or incur greater losses than the gains and losses of the underlying security in relation to which the derivative derives its value.

Derivative transactions may be subject to the risk that a counterparty to the transaction will wholly or partially fail to perform their contractual obligations under the arrangement

(including failing to meet collateral requirements under the arrangement). Additionally, OTC markets are not guaranteed by an exchange or clearing corporation and generally do not require payment of margin. To the extent that a fund has unrealised gains in such instruments or has deposited collateral with its counterparty that fund is at risk that its counterparty will become bankrupt or otherwise fail to honour its obligations. Derivative transactions may also expose a fund to a risk of potential illiquidity if the derivative instrument is difficult to purchase or sell.

The BlackRock Group attempts to minimise these risks by engaging in derivative transactions only with financial institutions that have substantial capital or that have provided a third-party guarantee or other credit enhancement.

Distressed securities risk

The BlackRock Fund may be exposed to distressed securities which are generally considered speculative and involve substantial risks in addition to the risks of investing in junk bonds. Investors in such securities will generally not receive interest payments on the distressed securities and may incur costs to protect their investment. In addition, distressed securities involve the substantial risk that the principal will not be repaid. These securities may present a substantial risk of default or may be in default at the time of investment. An investor in distressed securities may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal of or interest on its portfolio holdings. In any reorganisation or liquidation proceeding relating to a portfolio company, the investor of distressed securities may lose their entire investment or may be required to accept cash or securities with a value less than its original investment. Distressed securities and any securities received in an exchange for such securities may be subject to restrictions on resale.

Equity security risk

Equity securities are subject to changes in value, and their values may be more volatile than those of other asset classes. Dividend payments from shares may also vary over time.

Fixed income securities risk

The BlackRock Fund may be exposed to fixed income securities. There are a number of risks associated with an investment in fixed income securities, which can result in significant variability in investment returns and a loss of income or capital value. These include:

- **Credit risk** The value of a fund investing in fixed income securities is affected by the perceived or actual credit worthiness of the issuer of the security. A perceived or actual deterioration of credit quality (e.g. an issuer credit downgrade or credit event leading to a revised premium attributable to investment due to credit worthiness downgrade) of a fixed income security will adversely impact the value of such investment.
- **Interest rate risk** An increase in interest rates will cause the values of fixed income securities, in particular fixed rate securities, to decline, which will in turn impact the returns of a fund investing in such securities. Interest rate risk is generally lower for shorter term fixed income investments and higher for longer term fixed income investments.
- **Income risk** A fund investing in fixed income securities may experience a decline in income where market interest rates are falling. This can result when a fund reinvests in securities at a lower yield than the current fund portfolio yield.
- **Issuer risk** Corporate issuers of fixed income securities may willingly or unwillingly default on their obligation to make interest or principal payments. Similarly, sovereign issuers (that is, governments of a country or an agency backed by a government) may refuse to comply with their obligations during economically difficult or politically volatile times. Such events may cause a downgrade in the credit rating of an issuer and/or its fixed income security, which in turn may cause the value of the fixed income security to fall. There is also no assurance that an issuer of fixed income securities will continue to issue the fixed income securities or keep that particular fixed income securities market open.
- **Spread risk** The prevailing rates of compensation for creditworthiness of issuers of instruments (spread) is affected by market factors including sentiment, supply and demand and general economic conditions. A change in these factors, which impact spread, can negatively impact the yield earned by a fund investing in credit instruments.

Foreign investment risk

Exposure to securities or derivative instruments issued in foreign markets may include certain risks associated with:

- differences in trading, settlement and clearing procedures that may restrict trading (as a result of suspensions or daily quotas), increase default or market operational risks or require securities to be held on a beneficial basis via a depositary nominee
- currency risk, the risk that foreign currencies change in value relative to the Australian dollar, which may affect a fund's investment returns. These movements may either add to or subtract from performance. Passive currency management may be undertaken, however, it may not be possible to perfectly match performance of the hedging relative to that of its benchmark. Additionally, active currency management may be undertaken from to time, with a view to manage risk and return. Currency management can result in capital losses and investment returns are not guaranteed
- countries may be subject to considerable degrees of market volatility, economic, political and social instability, which may reduce or preclude the ability to trade security exposures or negatively affect a security's value
- differences in accounting, financial reporting, taxation, legal, regulatory, liquidity and pricing practices that are subject to change and if so may adversely affect a fund.

Fund risk

The price of units in a fund and the income from them may go down as well as up. Investors may not get back their original investment. There can be no assurance that a fund will achieve its investment objective or that an investor will achieve profits or avoid losses, significant or otherwise. Capital return and income of a fund is based on the capital appreciation and income of the securities invested in, less expenses incurred. Fund returns may fluctuate in response to changes in such capital appreciation or income. The payment of distributions is at the discretion of the fund issuer, taking into account various factors and its own distribution policy. Distributions are not guaranteed and there may be periods for which distributions are higher or lower than expected. Investing in a fund may result in a different tax outcome than investing in securities directly. The application of tax laws and certain events occurring within a fund may result in you receiving some of your investment back as income in the form of a distribution. A fund will generally not be managed with consideration of the individual circumstances, including specific tax considerations, applicable to any single unitholder in the fund. Past performance is not indicative of future performance.

Individual investment risk

Individual securities held by a fund can and do fall in value for many reasons. Both price and levels of income are subject to fluctuation. Returns from individual securities will vary and price movements can be volatile.

International investing

Information about this risk is provided in the OneAnswer **Investment Funds Guide**.

Junk bonds risk

Although junk bonds generally pay higher rates of interest than investment grade bonds, junk bonds are high risk investments that may cause income and principal losses.

Leverage risk

The BlackRock Fund may be exposed to investment strategies that use leverage. The exposure of a leveraged portfolio to movements in the instruments and markets in which it invests can be greater than the value of the assets within the portfolio. Therefore, if a leveraged portfolio generates a positive return, the returns will be greater than the returns generated by an equivalent unleveraged portfolio. Similarly, if the investments generate a negative return, the losses will be greater than the losses generated by an equivalent unleveraged portfolio.

Liquidity risk

The BlackRock Fund may be exposed to securities with limited liquidity, which are in practice infrequently traded or for which typical daily volumes traded are small. It may not be possible to sell such securities when it is desirable to do so or to realise what the manager perceives to be their fair value in the event of a sale. The Fund may also be exposed to other pooled investment vehicles which may, in certain circumstances, limit or suspend redemptions rights. The general level of market liquidity also varies and may deteriorate. Such a deterioration may negatively impact the ability to trade Fund securities and may negatively affect the price at which a trade is executed. These circumstances could impair the Fund's ability to make distributions to a redeeming unit holder in a timely manner and a fund may need to consider suspending redemptions. The BlackRock Group aims to reduce these risks by understanding the liquidity characteristics of securities a fund is exposed to and plans trading so as to minimise the adverse consequences of low liquidity.

Market risk

Information about this risk is provided in the OneAnswer **Investment Funds Guide**.

New fund/investment strategy risk

The BlackRock Fund may be exposed to new funds/investment strategies, which have little or no operating history upon which investors can evaluate the anticipated performance of the investment. Any performance information will therefore be short term in nature. Performance returns over the short term may not be indicative of long-term performance.

Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Adverse impacts may arise internally through human error, technology or infrastructure changes, or through external events such as third party failures or crisis events. The BlackRock Group has procedures in place to manage these risks and, as much as possible, monitor the controls within these procedures to ensure operational risks are adequately managed.

Property risk

The BlackRock Fund may be exposed to property securities. The risk level varies between development property (higher risk) and existing property (lower risk). Property also tends to have a unique cycle, which is different to shares and other asset classes.

Particular external factors affecting property include liquidity, interest rates, diversity of direct property holdings, the quality of properties, proximity to competing properties, current and expected income and other economic conditions that may affect supply and demand.

Property exposure in BlackRock Fund may be obtained via holdings in listed property securities or via derivative contracts based on these securities. In addition to the above risks, these vehicles may be subject to refinancing risk associated with any borrowings made in order to acquire properties, may have limited financial resources and may trade less frequently and in limited volume. Listed property securities are valued daily according to their last quoted market price.

Reduced regulatory oversight

The BlackRock Fund may be exposed to other funds domiciled in jurisdictions other than Australia. The laws in such jurisdictions may differ from those in Australia and therefore may not necessarily provide the same level of protection to shareholders as schemes registered in Australia and subject to Australian regulations and conditions. Such differences in regulation could also impact the regulatory obligations of an investment vehicle's key service providers, including, but not limited to, its custodian, administrator and auditor.

Regulatory and business risk

Changes in corporate, taxation or other relevant laws, regulations or rules may adversely affect an investment. For example, such changes may adversely affect a fund's ability to execute certain investment strategies, which could have a material effect on performance. The laws affecting registered managed investment schemes may also change in the future.

Short-selling risk

The BlackRock Fund may be exposed to investment strategies that engage in short-selling. Short-selling allows the holder of a short position to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of covering the short position. Furthermore covering a short position may include activities which increase the price of the security (or the reference security if in a derivative contract) thereby exacerbating any loss.

As part of a short sale transaction, the investor establishing the short position (Borrower) will borrow securities from a securities lender

(Lender). The Borrower is required to transfer collateral, usually in the form of cash or securities (Collateral) to the Lender. The Collateral transferred to the Lender is not required to be segregated from the Lender's other assets and may be dealt with, lent, disposed of, pledged or otherwise used by the Lender for its own purposes. In the event of the insolvency of the Lender, the Borrower will rank as an unsecured creditor of the Lender in relation to any Collateral transferred to the Lender and the Borrower may not be able to recover amounts due to it in respect of such Collateral in full. This means that the Borrower has exposure to counterparty risk with the Lender of any short sale transaction to which it is exposed.

The BlackRock Group seeks to manage the risks associated with short-selling through its portfolio construction processes. Short positions are periodically rebalanced, so as to reduce the risk of substantial changes in the price of the short security and exposure limits may be imposed with regards to single stock positions, in order to mitigate potential losses.

When a short position is established through a derivative contract, the position may give rise to the risks detailed under 'Derivative risk' above.

Speculative investment strategy risk

A number of the investment strategies to which BlackRock Fund may be exposed are speculative and entail substantial risks. Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the investment strategies will be successful. In fact, certain securities, financial instruments and investment practices described in this document can, in some circumstances, increase the potential adverse impact on investment returns.

Tracking error risk

The BlackRock Fund may be exposed to investment strategies that seek to track the returns of a particular index. The return of such strategies may not correlate exactly with the index it is designed to match. Factors such as the fees and expenses of the strategy, imperfect correlation between portfolio security holdings and the securities constituting the index, inability to rebalance portfolio security holdings in response to changes in the constituents of the index, rounding of prices, changes to the index and regulatory policies may affect the ability of the manager of an index tracking strategy to achieve close correlation with the index. Returns may therefore deviate from the index it is designed to match. Index tracking strategies that employ an optimisation strategy may incur tracking error risk to a greater extent than an index tracking strategy that seeks to fully replicate an index.

Underlying fund risk

the BlackRock Fund may implement some or all of its investment strategy through an investment in underlying funds. BlackRock Fund and BlackRock Underlying Funds are managed as separate entities, with separate investment objectives and investment strategies. No guarantee can be given that the underlying funds will meet their investment objective, continue to be managed according to their current investment strategy or be open to investments in the future. Changes to a BlackRock Underlying Fund may be made without unit holder approval. Should a BlackRock Underlying Fund change its investment objective or investment strategy, the Fund will review such changes with consideration to the investment objective and strategy of the Fund. Further, if a BlackRock Underlying Fund were to be suspended, closed or terminated for any reason, BlackRock Fund would be exposed to those changes.

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