

**BLACKROCK**



**BlackRock Alternative  
Investors**

Hedge Fund Snapshot

# BlackRock Alternative Investors – Hedge Fund Snapshot

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## Introduction – Alternative Investments

BlackRock offers access to a full spectrum of alternative investments – including hedge funds, private equity and real estate – all organised under BlackRock Alternative Investors. We take a consultative approach to helping corporate and public pension and superannuation funds, central banks, sovereign wealth funds, endowments and foundations worldwide build alternatives portfolios.

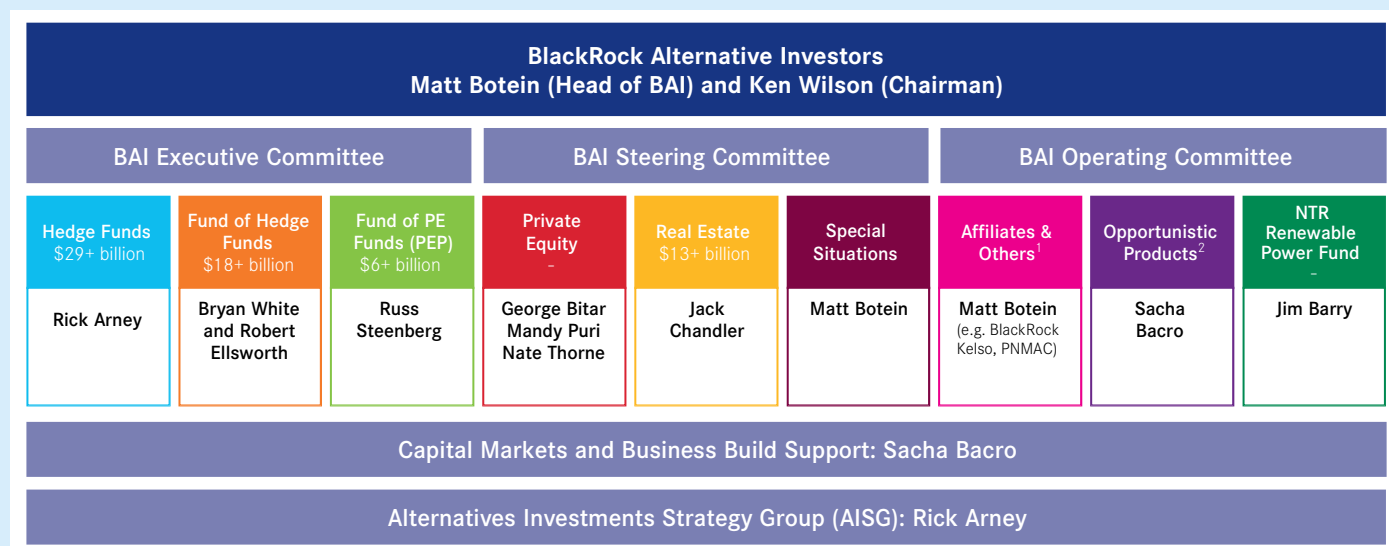
BlackRock’s alternative investment managers are supported by our firm’s global resources in their pursuit of alpha. Our institutional-quality products address the investment, operational and organisational issues of concern to today’s alternatives investor, and we continually seek opportunities to enhance and expand our capabilities to meet clients’ needs.

A key component of BlackRock Alternative Investors (BAI) is our fund of hedge funds platform, BlackRock Alternative Advisors (BAA). BAA provides expertise across the spectrum of multi-hedge fund strategies. BAA manages approximately \$18 billion in core, focus and custom funds.

This document provides an overview of the BAI platform. We also focus on a small selection of BlackRock Alternative Investor hedge fund strategies which we believe highlights the diversity and quality of the strategies available to Australian institutional investors.

## Why choose BlackRock Alternative Investors?

- ▶ **Experience and autonomy:** Many years of experience in the alternatives industry provides us with both the context and insight to continually refine our processes and our investment approach. Investment professionals who are specialists in their specific strategies, and autonomous investment teams means we have the agility to act quickly on market opportunities.
- ▶ **Client focus:** Our interests are aligned with those of our clients and we partner to build diversified alternative investment portfolios. We offer flexibility in our structures and terms. In addition, we act as a fiduciary for our funds.
- ▶ **Risk management excellence:** We dedicate substantial resources to ensure our risk management professionals, platforms (including BlackRock Solutions®) and processes are among the best in the industry. Our independent Risk and Quantitative Analysis group work alongside investment professionals to monitor and manage all aspects of risk.
- ▶ **Global presence and connectivity:** As a stand-alone asset manager with offices in more than 20 countries, we offer the advantages of a global firm: enviable market access, regulatory insights, and competitive pricing, terms and trade execution. The broad spectrum of alternative investment strategies allows investment teams to capture unique opportunities in client portfolios.



Data as of 31 Dec 2010. 1. Includes ~\$40+ billion in Currency and Commodities in addition to Affiliates. 2. The Capital Markets Group has raised \$12 billion since 2007.

## Pan Asia Opportunities Fund

Pan Asia Opportunities is an equity fund offering long/short exposures in Asian markets (ex Japan). Current exposure is in China, Taiwan, Korea, Hong Kong, Singapore, India, Malaysia, Indonesia, Thailand and the Philippines.

The stock selection model uses advanced techniques to identify misvaluations across Pan Asian stocks and markets. The strategy looks to capture alpha by taking long/short positions in individual equities while allowing for a minimal amount of dynamic beta. The investment team blends a fundamental overlay with quantitative rigor when allocating the risk budget for the various components of the Fund.

### Key features

- ▶ The Scientific Active Equity (SAE) team manages long/short and benchmark-relative strategies across a wide range of regions and benchmarks
- ▶ Broadly diversified bottom-up stock selection within industries/sectors across several hundred active positions in the Asia ex-Japan equities markets
- ▶ Investment universe of approximately 2500 names across 10 countries
- ▶ Limits downside risk by controlling for a diverse set of risk factors
- ▶ Dynamic beta model to adjust market exposure based on economic environment and market sentiment. Beta +/- 0.3
- ▶ Combines quantitative rigor and fundamental insight
- ▶ Dedicated researchers located in Asia (Hong Kong), in addition to London, San Francisco, New York, Sydney and Tokyo
- ▶ BlackRock SAE have been successfully managing assets in Asia since 2003
- ▶ Significant opportunities exist for experienced systematic managers in Asia

### Key facts

BlackRock Pan Asia Opportunities Fund Ltd	
Fund style	Long/short equities hedge fund
Inception date	June 2006
Performance target	10% – 15% per annum (net of fees and expenses)
Target risk	10% – 15%
Benchmark	Deliver returns above the Fed Funds target rate
Management fee	2% per annum plus GST
Performance fee	20% of fund performance above benchmark
AUM (mm)	\$698
Currencies available	USD
Status	Open
Liquidity	Monthly (30 calendar days notice) 3% early redemption fee within 1 year
Minimum investment	\$1 million
Domicile	Cayman Islands
Prime Brokers	Credit Suisse, Goldman Sachs
Administrator	Citi HFS
Auditor	PricewaterhouseCoopers

### Monthly performance summary (% since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	2.31	1.18	-0.04	1.63	2.56								5.17
2010	-0.90	1.39	3.20	2.47	3.54	2.73	1.09	0.47	0.22	2.20	0.52	1.47	19.92
2009	1.18	3.21	-2.86	-0.41	-5.13	0.38	2.20	5.72	-2.04	-0.41	1.99	-0.02	1.18
2008	1.05	4.41	3.19	-1.42	-0.06	5.21	3.15	-0.54	-1.18	-3.02	-4.52	-1.31	4.54
2007	-	-	0.04	5.64	5.06	8.30	7.23	6.61	0.55	10.17	3.33	-3.27	52.20
<b>Cumulative Return:*</b>	<b>112.83%</b>												
<b>Annualised Return:</b>	<b>19.45%</b>												
<b>Annualised Volatility:</b>	<b>10.88%</b>												

\*Since inception of performance calculation, March 2007

Performance shown is net of all fees unless otherwise noted. Past performance is not a reliable indicator of future performance.

## Obsidian Fund

The Obsidian Fund is a diversified relative value fixed income hedge fund designed to take advantage of opportunities across global fixed income sectors based on a fundamental investment process

Within a risk-controlled framework, the Fund employs a relative value and security selection approach that tactically shifts risk based on the opportunity set. Investment universe spans: US rates and agency MBS/non-US rates, sovereigns & currencies/investment grade corporates/leveraged finance/secured assets.

### Key features

- ▶ An opportunistic fixed income product that may perform well in both a rising and falling rate environment and can also be used as an alpha source for clients looking to moderately increase the alpha target on their fixed income portfolio (complement to FI beta)
- ▶ Deep and stable portfolio team experienced in weathering periods of market stress
- ▶ Diversified sources of alpha across broad investment universe – limits dependence on any one sector
- ▶ Seasoned track record with proven ability to generate alpha in up and down markets
- ▶ Annualised return of +12% over 14-year history with an information ratio of >1

- ▶ Low correlation to competitive universe and other asset classes
- ▶ Disciplined risk and liquidity management: Fund has always met redemption requests in full and on time even during the crises of 1998 and 2008
- ▶ Nominated for Best Fixed Income & Mortgage-Backed Fund of the Year by Absolute Return Magazine in 2010

### Key facts

BlackRock Obsidian Fund	
<b>Fund style</b>	Fundamental fixed income hedge fund
<b>Inception date</b>	July 1996
<b>Performance target</b>	10% – 15% per annum (net of fees and expenses)
<b>Benchmark</b>	Deliver returns above the Fed Funds target rate
<b>Management fee</b>	1%
<b>Performance fee</b>	20% over cumulative high water mark
<b>AUM (mm)</b>	\$812
<b>Currencies available</b>	USD
<b>Status</b>	Open
<b>Liquidity</b>	Monthly (60 calendar days notice)
<b>Notice period</b>	60 calendar days
<b>Minimum investment</b>	\$1 million
<b>Domicile</b>	Cayman Islands

### Monthly performance summary (% since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2011</b>	2.38	1.90	-0.40	2.19	0.00								5.98
<b>2010</b>	3.70	1.92	4.56	2.24	-1.10	0.09	4.51	1.33	2.35	3.69	2.03	0.00	28.25
<b>2009</b>	1.61	-1.72	1.79	1.15	5.72	3.61	7.87	4.32	5.47	6.73	4.27	5.53	56.98
<b>2008</b>	2.14	-3.94	2.03	-1.86	1.37	-1.87	-0.68	2.40	-3.80	-5.34	-8.24	-2.63	-19.12
<b>2007</b>	-0.63	0.55	0.03	-0.28	0.48	4.17	12.66	5.27	2.56	-3.51	6.68	-0.62	29.81
<b>2006</b>	-0.35	-0.38	-0.22	-1.11	3.34	0.97	-2.77	-3.38	-0.76	0.35	-0.52	3.13	-1.91
<b>2005</b>	-0.24	2.15	1.63	-2.16	-0.66	-0.79	2.11	0.29	2.55	0.49	-2.49	-0.07	2.68
<b>2004</b>	0.41	-0.81	-1.17	6.86	2.31	1.20	1.00	-1.16	-0.93	0.08	2.57	-0.43	10.07
<b>2003</b>	2.71	1.28	-1.01	2.34	0.07	0.74	-1.60	4.39	-1.47	-0.20	-0.65	1.14	7.84
<b>2002</b>	3.77	1.66	-1.41	2.98	-2.05	-7.82	-8.81	1.52	-2.70	1.35	2.51	0.05	-9.45
<b>2001</b>	5.28	1.18	1.25	0.14	0.09	-0.92	2.00	2.20	-2.98	2.66	-1.33	0.89	10.69
<b>2000</b>	1.52	1.08	0.87	3.26	1.84	2.79	1.73	1.39	3.23	2.23	1.17	0.41	23.70
<b>1999</b>	2.72	3.73	0.86	1.13	-0.16	0.02	-1.52	2.51	4.36	-0.29	0.45	0.61	15.21
<b>1998</b>	1.00	0.58	1.19	0.35	0.62	0.39	0.77	1.20	-0.10	-0.95	4.89	2.10	12.61
<b>1997</b>	0.88	2.51	0.57	0.40	1.46	1.69	2.08	0.67	2.56	0.86	0.96	0.88	16.64
<b>1996</b>	-	-	-	-	-	-	1.16	0.60	0.22	1.83	0.88	2.99	7.90

**Cumulative Return:\*** 443.43%  
**Annualised Return:** 12.02%  
**Annualised Volatility:** 9.08%

\*Since inception of performance calculation, July 1996.

Performance shown is net of all fees unless otherwise noted. Past performance is not a reliable indicator of future performance.

## Global Ascent Fund

The Global Ascent Fund is a multi-strategy global macro fund that seeks to exploit inefficiencies across global markets through the systematic application of BlackRock's investment insights. The strategy provides diversified exposure to currency, equity, fixed income and commodity alpha sources.

Continuous research into the drivers of asset prices is combined with rigorous risk management and transaction cost analysis to structure a long/short portfolio implemented primarily with liquid instruments; such as futures, forwards and swaps. Research efforts aim to develop and systematically apply investment insights which fall into three broad categories; fundamental value, economic environment and market sentiment.

### Key features

- ▶ The strategy may form part of an investor's core alternative allocation or as a portable alpha overlay. It provides an efficient means of capturing active returns from an asset allocation strategy
- ▶ Diversified portfolio: over 80 global markets with multiple investment horizons, and over 100 portfolio insights
- ▶ Low correlation to equity returns, interest rate moves and other active return sources
- ▶ Standalone team of nearly 50 dedicated investment professionals – over 20 researchers, 7 finance professors, 15 PhD's dedicated to on-going research
- ▶ The team looks to continually develop new and innovative insights aiming to deliver performance in evolving markets
- ▶ Highly liquid strategy
- ▶ Track record – Global Ascent has a consistent track record of success and we navigated the 2008 crisis with no lockups and no gates for our investors

### Key facts

BlackRock Global Ascent Fund	
Fund style	Multi-strategy global macro hedge fund
Inception date	February 2003
Performance target	15% per annum (gross)
Target risk	12% – 15%
Benchmark	Reserve Bank of Australia's Cash Rate Target
Management fee	2% p.a.
Performance fee	20% of performance in excess of the benchmark plus GST
AUM (mm)	\$315
Currencies available	AUD
Status	Open
Liquidity	Monthly (10 calendar days notice)
Notice period	10 days
Minimum investment	\$1 million
Domicile	Australia

### Monthly performance summary (% since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	0.83	2.57	-1.68	0.39	-1.09								0.97
2010	-0.19	2.54	3.96	0.52	-2.55	-0.67	3.78	-2.88	4.33	1.63	2.44	1.84	15.44
2009	4.87	1.54	-2.60	1.38	2.73	0.26	1.70	-0.27	0.95	1.64	0.32	3.09	16.57
2008	-2.00	1.35	-1.56	1.21	0.79	6.29	1.73	-1.02	-6.18	-11.37	3.81	1.10	-6.85
2007	3.98	-2.84	4.76	4.91	3.61	-0.33	-1.54	-1.14	5.05	3.12	-9.55	-0.51	8.77
2006	3.15	2.16	3.19	0.85	-7.14	-0.79	2.33	-0.62	-2.30	4.48	-1.44	9.62	13.34
2005	0.13	3.22	-0.52	1.74	6.84	6.38	1.98	-7.92	7.31	3.69	1.37	-2.36	22.94
2004	8.11	-4.16	4.31	-3.48	-2.34	-1.54	-1.79	-2.99	-0.26	2.79	-0.58	4.39	1.69
2003	-	-0.34	3.03	11.39	11.59	7.79	-4.01	3.95	6.74	8.16	1.55	2.28	64.61

Cumulative Return:\* 221.05%  
 Annualised Return: 15.57%  
 Annualised Volatility: 13.66%

\*Since inception of performance calculation, February 2003.

Performance shown is net of all fees unless otherwise noted. Past performance is not a reliable indicator of future performance.

## Multi Opportunity Fund

The BlackRock Multi Opportunity Fund is a multi-strategy hedge fund that seeks to benefit from BlackRock's ability to systematically exploit inefficiencies across a broad range of global investment markets. The Fund's goal is to provide investors with a source of consistent, risk-controlled, absolute returns that are over time, expected to have low correlations with the returns of major asset classes.

The Fund gains exposure to a diversified group of absolute return strategies which currently include:

- ▶ Australian and International Equity Long/Short
- ▶ Global Fixed Income Long/Short
- ▶ Global Macro
- ▶ Commodity Alpha
- ▶ Alpha Transport

### Key features

- ▶ **Access** to BlackRock's best ideas and latest research
- ▶ **Source** of consistent, risk-controlled, absolute returns that are over time, expected to have low correlations with the returns of major asset classes
- ▶ **Diverse** exposure across a broad array of asset classes and strategies
- ▶ **Attractive** fund characteristics; single layer of fees, transparent risk reporting and monthly liquidity

### Key facts

BlackRock Multi Opportunity Fund	
Fund style	Multi-strategy hedge fund
Inception date	30 July 2004
Performance target	8% p.a. before fees above the benchmark
Target risk	4 – 6% per annum
Benchmark	RBA Cash Rate Target
Reference currency	AUD
Management fee	1.25% per annum plus GST
Performance fee	20% of fund performance above benchmark
AUM (mm)	\$317
Fund openings	Monthly
Lock-Up period	None
Entry/Exit charge	Subscription 0.5%/ 0.75% Redemption
Notice period	12 business days
Minimum investment	\$1 million
Domicile	Australian Unit Trust

### Monthly performance summary (% since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	1.43	1.25	0.82	1.40	1.04								6.08
2010	0.32	0.90	1.64	0.83	-0.79	1.19	1.32	0.60	1.46	1.95	1.17	1.18	12.38
2009	1.98	0.39	-1.04	-0.51	2.86	0.85	2.07	0.70	0.73	1.34	0.89	0.89	11.67
2008	-0.57	1.66	-0.59	0.17	1.85	4.34	0.15	-0.28	-6.67	-2.71	0.44	0.00	-2.56
2007	1.23	-0.08	1.37	1.50	1.64	0.48	-0.55	-0.55	1.33	1.89	-3.29	-0.27	4.68
2006	1.59	0.37	1.05	1.15	-0.56	0.30	1.03	-0.36	0.09	0.94	-0.41	1.92	7.31
2005	0.74	1.34	0.56	0.72	1.91	1.65	0.62	-0.64	2.05	1.24	1.04	-0.19	11.57
2004	-	-	-	-	-	-	0.00	0.34	0.95	1.04	0.39	1.22	4.00

Cumulative Return:\* 69.06%  
 Annualised Return: 7.98%  
 Annualised Volatility: 4.66%

\*Since inception of performance calculation, July 2004

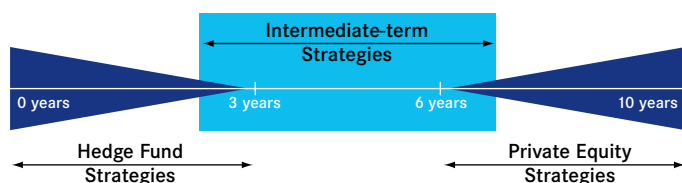
Performance shown is net of all fees unless otherwise noted. Past performance is not a reliable indicator of future performance.

## Co-Investment Fund III

The BlackRock Co-Investment Fund III (BCF III) is a continuation of BlackRock's Alternative Advisors (BAA) hedge fund co-investment program and will be a closed-end fund formed to invest in co-investments primarily sourced from the general partners and investment managers underlying BAA's hedge fund platform.

BCF III will have an opportunistically invested portfolio, diversified across investment type, geography, and industry.

BAA believes that pockets of inefficiency exist in the intermediate-term opportunities that straddle the public and private securities markets. Such opportunities offer the potential for attractive risk-adjusted returns.



### Key features

- ▶ **Strong deal flow provided through broad professional network:** Over the years, BAA has successfully leveraged its established relationships in the hedge fund industry to source over 250 co-investment transactions from more than 80 underlying managers across a broad range of intermediate-term opportunities. BAA has invested over \$750 million in aggregate across more than 45 separate co-investment deals.
- ▶ **Experienced personnel and significant infrastructure:** BAA employs more than 60 investment professionals with significant experience and expertise in evaluating and constructing portfolios of a wide array of absolute return strategies co-investments. In addition, BAA is supported by a large dedicated team of legal and operations personnel specialising in hedge fund related investments including structuring, settlement and valuation. Finally, BAA benefits from BlackRock's negotiation leverage and capital markets expertise to secure favorable financing and efficient trade execution.
- ▶ **Established co-investment process:** BAA follows an investment process specifically designed to facilitate the evaluation and construction of hedge fund co-investment portfolios, while leveraging best practices from its hedge fund investment due diligence process.
- ▶ **A proven track record:** BCF III's predecessor funds, the Q-BLK Co-investment Fund, L.P. and the Q-BLK Co-investment Fund II, L/P. exhibit strong performance relative to benchmarks across equities, fixed income and alternative investment strategies.

### Key facts

BlackRock Co-Investment Fund III	
Investment team	BlackRock Alternative Advisors
Portfolio management	David Barenborg, Robert Ellsworth, Mark Everitt, Dave Matter, Bryan White
Target size	\$300 million
Minimum subscription	\$5 million
Commitment period	Three years following BCF III's final close
Investment term	Seven years following BCF III's final close
Management fees	75 basis points for capital commitments < \$35 million; 50 basis points for capital commitments ≥ \$35 million
Carried interest	15%
Preferred return	8% per annum simple interest

### Performance and characteristics

#### Performance summary (most current available as at September 2010)

	QCF I : Non-US Series	S&P 500 Index	Citigroup Government/ Corporate Index	HFRI FOF Composite Index	Venture Economics (All PE)
Net DPI	0.59x	0.65x	0.65x	0.65x	0.07x
Net TVPI	1.07x	0.85x	1.13x	0.96x	0.94x
Net IRR	3.7%	0.0%	6.0%	-2.0%	-2.7%
	QCF II : Non-US Series	S&P 500 Index	Citigroup Government/ Corporate Index	HFRI FOF Composite Index	Venture Economics (All PE)
Net DPI	0.53x	0.53x	0.53x	0.53x	0.07x
Net TVPI	1.19x	1.09x	1.04x	1.03x	1.00x
Net IRR	49.4%	25.2%	11.1%	7.7%	0.2%

See definitions and disclosures at the end of this document for important information  
Past performance is not a reliable indicator of future performance.



# BlackRock Alternative Investment Strategies

The following table provides a summary of the alternative investment strategies available through the BlackRock Alternative Investor platform.

HEDGE FUNDS	MULTI-STRATEGY	Global Macro	<ul style="list-style-type: none"> <li>▶ Multi-asset</li> <li>▶ Emerging markets macro</li> </ul>
		Commodity	<ul style="list-style-type: none"> <li>▶ Long/short commodities</li> </ul>
		Fixed Income	<ul style="list-style-type: none"> <li>▶ Diversified               <ul style="list-style-type: none"> <li>- Global diversified</li> </ul> </li> <li>▶ Long/short credit               <ul style="list-style-type: none"> <li>- Global credit</li> <li>- European credit</li> </ul> </li> <li>▶ Relative Value – Multi-Strategy               <ul style="list-style-type: none"> <li>- Equity, debt and capital structure</li> </ul> </li> </ul>
	EQUITY HEDGE	Fundamental	<ul style="list-style-type: none"> <li>▶ UK equity</li> <li>▶ Frontier equity</li> <li>▶ Health sciences</li> <li>▶ Natural resources</li> <li>▶ Agriculture</li> <li>▶ Swiss equity</li> </ul>
		Scientific Equity	<ul style="list-style-type: none"> <li>▶ Global market neutral</li> <li>▶ European market neutral</li> <li>▶ Australian market neutral</li> <li>▶ Pan-Asia equity</li> </ul>
	FUND OF HEDGE FUNDS	CORE	Provides broad exposure to a diversified portfolio of hedge fund strategies and managers
OPPORTUNISTIC		Provides focused exposure to specific hedge fund strategies that seek to capitalise on current market opportunities, provide portfolio completion or exposure to specific geographies within the hedge fund landscape	
CUSTOM		Provides portfolios and advisory relationships that are tailored to specific client objectives and constraints	
FUNDS OF PRIVATE EQUITY	CORE FUND OF FUNDS		
	FOCUSED FUNDS	<ul style="list-style-type: none"> <li>▶ Venture capital and growth-oriented funds of funds</li> <li>▶ Direct co-investment funds</li> <li>▶ Strategy-specific funds of funds</li> </ul>	
	SEPARATE ACCOUNTS		
CAPITAL MARKETS			<ul style="list-style-type: none"> <li>▶ Advisory assignments</li> <li>▶ Credit strategies</li> <li>▶ Government-financed strategies</li> <li>▶ Mortgage strategies</li> <li>▶ Sector-focused strategies</li> <li>▶ Structured credit</li> </ul>
REAL ESTATE	VEHICLES		<ul style="list-style-type: none"> <li>▶ Real estate equity               <ul style="list-style-type: none"> <li>- Separate accounts</li> <li>- Commingled strategies</li> </ul> </li> <li>▶ High-yield and subordinate debt               <ul style="list-style-type: none"> <li>- Separate accounts</li> <li>- Commingled strategies</li> </ul> </li> </ul>
	STRATEGIES	Equity only	<ul style="list-style-type: none"> <li>▶ Core</li> <li>▶ Enhanced core</li> <li>▶ Value added</li> <li>▶ Opportunistic</li> </ul>
	PROPERTY TYPE		<ul style="list-style-type: none"> <li>▶ Office</li> <li>▶ Industrial</li> <li>▶ Retail</li> <li>▶ Multihousing</li> <li>▶ Other types available in debt</li> </ul>
	REGIONS		<ul style="list-style-type: none"> <li>▶ United States</li> <li>▶ United Kingdom</li> <li>▶ Australia</li> <li>▶ Europe (debt only)</li> </ul>
SUSTAINABLE INVESTING			<ul style="list-style-type: none"> <li>▶ NTR Renewable Power Fund</li> </ul>

## Contact us

For more information about BlackRock's alternatives strategies please contact your Relationship Manager, or:

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## Disclaimers

### Pan Asia Opportunities Fund

AN INVESTMENT IN PAN ASIA OPPORTUNITIES FUND LTD. (THE “FUND”), AN EXEMPTED COMPANY ORGANIZED UNDER THE LAWS OF THE CAYMAN ISLANDS, IS SPECULATIVE AND INCLUDES A HIGH DEGREE OF RISK, INCLUDING THE RISK OF A TOTAL LOSS OF CAPITAL. THE FUND IS ILLIQUID, SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFER AND INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE RISKS ASSOCIATED WITH HOLDING SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. ALL INVESTORS SHOULD CAREFULLY REVIEW THE CONFIDENTIAL MEMORANDUM AND OTHER OFFERING DOCUMENTS FOR THE FUND PRIOR TO MAKING AN INVESTMENT DECISION. ANY INVESTMENT DECISION WITH RESPECT TO THE FUND MUST BE MADE SOLELY ON THE DEFINITIVE AND FINAL VERSION OF THE FUND’S CONFIDENTIAL MEMORANDUM, THE GOVERNING AGREEMENTS, SUBSCRIPTION AGREEMENTS AND OTHER ANCILLARY DOCUMENTS.

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Risks associated with an investment in the Fund include, but are not limited to, the following: (i) the Fund is speculative and its investments are subject to a risk of total loss, (ii) the Fund may borrow funds for purposes of leveraging its portfolio, which may magnify the effect of portfolio losses, there is no restriction

on the amount of leverage that the Fund may utilize, and the investment manager anticipates that the amount of leverage utilized by the Fund, which may magnify the effect of portfolio losses, will be significant, (iii) the performance of the Fund may be volatile, (iv) the board of directors of the Fund will retain ultimate authority over the Fund’s assets and investment decisions, (v) there is no secondary market for the investor ownership interests in the Fund and none is expected to develop, (vi) the fees and expenses of the Fund may offset any profits of the Fund, (vii) investing in the Fund may involve complex tax structures and delays in distributing important tax information, (viii) the Fund is not subject to the same regulatory requirements as mutual funds, and (ix) a portion of the trades and investments entered into by the Fund may take place on foreign exchanges. Investors should also be aware that as a global provider of investment management, risk management and advisory services to institutional and retail clients, BlackRock engages in a broad spectrum of activities. Although the relationships and activities of BlackRock may help offer attractive opportunities and service to the Fund, such relationships and activities create certain inherent conflicts of interest between BlackRock and the Fund and/or the Fund’s investors. Prior to making any investment decisions, the applicable fiduciaries of prospective investors subject to the Employee Retirement Income Security Act of 1974, as well as other U.S. and non-U.S. benefit plan investors and plans subject to Section 4975 of the Internal Revenue Code of 1986, should take into account, among other considerations, whether such fiduciary has the authority to make an investment in the Fund, whether the investment may constitute a prohibited transaction or give rise to prohibited transactions, the diversification by type of asset and the general fiduciary standards of prudence and diversification.

In addition to the above, further risks associated with instruments utilized by the Fund include, but are not limited to, the following: (i) Derivatives: Investing in derivatives entails specific risks that may reduce returns and/or increase volatility (ii) Foreign/International Markets: International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments (iii) Emerging Markets: The above risks are often heightened for investments in emerging/developing markets or smaller capital markets. The Fund will invest a substantial portion of its assets in government and corporate securities, currencies and related instruments in emerging markets (iv) Nondiversification of investments means that more assets are potentially invested in fewer securities than if investments were diversified. Therefore, risk is increased because each investment has a greater effect on performance (v) Short Selling: The Fund may actively engage in short selling, which entails special risks. If the Fund makes short sales in securities that increase in value, the Fund will lose value. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments (vi) Market Conditions: The success of the Fund will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, investment opportunity, changes in laws (including laws relating to taxation of the Fund’s investments), trade barriers, currency exchange controls, and national and international political circumstances. Volatility or illiquidity could impair the Fund’s profitability or result in losses and (vii) Counterparties: An inability by the Fund to establish or maintain relationships to trade and clear futures and options, transact in OTC derivatives, obtain financing, and to utilize derivative intermediation and prime brokerage services could limit the Fund’s trading activities, could create losses, and/or prevent the Fund from trading at optimal rates and/or terms. In addition, the lack of evaluation and oversight of OTC markets exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss.

While the Fund may trade commodity futures and/or commodity option contracts, BlackRock as investment manager of the Fund is exempt from registration as a commodity pool operator (“CPO”) with the United States Commodity Futures Trading Commission (“CFTC”). Therefore, unlike registered CPOs, BlackRock is not required to provide investors a disclosure document and certified annual reports meeting the requirements of the CFTC rules otherwise applicable to registered CPOs. The CFTC rules require, among other things, that each investor meet certain sophistication criteria, be a Non-U.S. Person as defined in the CFTC rules, or be one of several other eligible investors. The rules also require that an

investment manager file a notice of exemption with the U.S. National Futures Association and that the Fund be exempt from registration under the 33 Act, and be sold and offered without marketing to the public in the United States.

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### Obsidian Fund

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The Fund is organized as a master/feeder structure and the master fund is the trading vehicle in which portfolio assets are held. Interests in the offshore feeder fund of the Fund are offered solely to (i) persons who are not U.S. Persons (as generally defined in Rule 902 in Regulation S promulgated by the SEC under the Securities Act) and (ii) to certain U.S. Persons that are (x) “accredited investors” (as defined in Regulation D under the Securities Act of 1933) and (y) “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940). Interests in the domestic feeder fund of the Fund are offered solely to U.S. Persons that are (x) “accredited investors” (as defined in Regulation D under the Securities Act of 1933) and (y) “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940). The Fund is not registered as an “investment company” under the Investment Company Act of 1940.

Risks associated with an investment in the Fund include, but are not limited to, the following: (i) the Fund is speculative and its investments are subject to a risk of total loss, (ii) the Fund may borrow funds for purposes of leveraging its portfolio, which may magnify the effect of portfolio losses, (iii) the performance of the Fund may be volatile, (iv) the general partner of the Fund will retain ultimate authority over the Fund’s assets and investment decisions, (v) there is no secondary market for the investor ownership interests in the Fund and none is expected to develop, (vi) the fees and expenses of the Fund may offset any profits of the Fund, (vii) investing the Fund may involve complex tax structures and delays in distributing important tax information, (viii) the Fund is not subject to the same regulatory requirements as mutual funds, (ix) the Fund may not be required to provide periodic pricing or valuation information to investors, and (x) a portion of the trades and investments entered into by the Fund may take place on foreign exchanges. Investors should also be aware that as a global provider of investment management, risk management and advisory services to institutional and retail

clients, BlackRock engages in a broad spectrum of activities. Although the relationships and activities of BlackRock may help offer attractive opportunities and service to the Fund, such relationships and activities create certain inherent conflicts of interest between BlackRock and the Fund and/or the Fund’s investors. Prior to making any investment decisions, the applicable fiduciaries of prospective investors subject to the Employee Retirement Income Security Act of 1974, as well as other U.S. and non-U.S. benefit plan investors and plans subject to Section 4975 of the Internal Revenue Code of 1986, should take into account, among other considerations, whether such fiduciary has the authority to make an investment in the Funds, whether the investment may constitute a prohibited transaction or give rise to prohibited transactions, the diversification by type of asset and the general fiduciary standards of prudence and diversification.

In addition to the above, further risks associated with instruments utilized by the Fund include, but are not limited to, the following: (i) Credit & Interest Rate: The two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments. (ii) Mortgage Prepayment: The principal on mortgage-or asset-backed securities may normally be prepaid at any time, which will reduce the yield and market value of these securities. Obligations of U.S. Government agencies and authorities are supported by varying degrees of credit but generally are not backed by the full faith and credit of the U.S. Government. (iii) U.S. Government Securities: The Fund invests in securities guaranteed by the U.S. Government; however, an investment in the Fund is not guaranteed, and its return and yield will fluctuate with market conditions. (iv) High-Yield Bonds or Junk Bonds: Investments in non-investment-grade debt securities (“high-yield bonds” or “junk bonds”) may be subject to greater market fluctuations and risk of default or loss of income and principal than securities in higher rating categories. (v) Derivatives: Investing in derivatives entails specific risks that may reduce returns and/or increase volatility. (vi) Foreign/International Markets: International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments. (vii) Emerging Markets: The above risks are often heightened for investments in emerging/developing markets or smaller capital markets. (viii) Non-diversification of investments means that more assets are potentially invested in fewer securities than if investments were diversified. Therefore, risk is increased because each investment has a greater effect on performance. (ix) Short Selling: The fund may actively engage in short selling, which entails special risks. If the fund makes short sales in securities that increase in value, the fund will lose value. Any loss on short positions may or may not be offset by investing short-sale proceeds in other investments. The Fund’s investment portfolio may include one or more investments which is or becomes difficult to value for portfolio valuation purposes. The percentage of the Fund’s portfolio which consists of hard to value assets is expected to fluctuate, perhaps materially, over time. In the event that the Fund’s investment portfolio contains an illiquid or otherwise hard to value asset, it will be valued in accordance with BlackRock’s Global Institutional Pricing Practices (the “Policy”). Among other factors, the Policy follows a hierarchy of pricing methodology, including use of dealer quotes and, where such quotes are unavailable or unreliable, fair valuing such assets. A copy of the Policy is available to investors, at no cost to them, upon their request. Certain information contained herein has been obtained from published sources, agencies of the U.S. government and from third-parties, including without limitation, market forecasts, internal and external surveys, market research, publicly available information and industry publications. In addition, certain information contained herein has been obtained from companies in which investments have been made by entities affiliated with BlackRock. Although such information is believed to be reliable for the purposes used herein, none of the Fund or BlackRock assumes any responsibility for the accuracy or completeness of such information. Similarly, internal surveys, forecasts or market research, while believed to be reliable, have not been independently verified and none of the Fund or BlackRock makes any representation as to the accuracy or completeness of such information. All information is provided on an “AS IS” basis only. By using this information, the Reader agrees that BlackRock shall not have any liability for the accuracy of the information contained herein, for delays or omissions therein, or for any results based on your use of the information which are not consistent with your objectives.

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### **BlackRock Co-Investment Fund III**

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**BlackRock Co-Investment Fund III, L.P.** (“BCF III” or the “Fund”) is organized as a Delaware series limited partnership. The Fund's objective is to generate returns for investors through concentrated exposure to co-investments primarily with the general partners and investment managers underlying BlackRock's absolute return strategies funds of funds.

**Q-BLK Co-Investment Fund II, L.P.** (“QCF II”) is organized as a Delaware series limited partnership. QCF II's objective is to generate returns for investors through concentrated exposure to co-investments primarily with the general partners and investment managers underlying BlackRock's absolute return and private capital funds of funds. QCF II is closed to new investors.

**Q-BLK Co-Investment Fund, L.P.** (“QCF I”) is organized as a Delaware series limited partnership. QCF I's objective is to generate returns for investors through concentrated exposure to co-investments and special purpose fund investments primarily with the general partners and investment managers underlying BlackRock's absolute return and private capital funds of funds. QCF I is closed to new investors.

### **Certain Risk Factors**

**Past results are not necessarily indicative of future results.** There can be no assurances that BCF III will generate investment returns commensurate with the performance of prior funds, including QCF I and QCF II. Gains and losses are impacted to varying degrees by investment acumen, market volatility, corporate activity, securities selections, regulatory oversight, trading volume and money flows. These elements and/or their rate of change may not be present in the future, and thus future performance may be impacted. Any investment in a fund involves a high degree of risk. An investment in BCF III is expected to be highly illiquid. There is no secondary market nor is one expected to develop for investments in the Fund and there will be restrictions on transferring Fund investments. Investments may involve complex tax structures and delays in distributing important tax information.

Interests in BCF III will not be readily marketable and will generally be neither redeemable nor transferable without the prior written consent of the general partner. Except in extremely limited circumstances, voluntary withdrawals from the Fund will not be permitted. Consequently, investors may not be able to liquidate their investments prior to the end of the Fund's term and must be prepared to bear the risks of an investment in the Fund for an extended period of time.

The Fund cannot provide assurance that it will be able to choose, make and realize investments in any particular company or portfolio of companies. There is no assurance that the Fund will be able to generate returns for its investors or that the returns will be commensurate with the risks associated with its investments. There can be no assurance that expected returns for the Fund will be achieved or that an investor will receive a return of its capital. An investment in the fund should only be considered by persons who can afford a loss of their entire investment.

The Fund is expected co-invest in companies or other transactions with funds managed by third-party investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of the fund or may be in a position to take action contrary to the Fund's investment objectives. In addition, the Fund may in certain circumstances be liable for actions of its third party co-ventures or partners.

### Performance Record

**Distributions/Paid-in Capital (DPI)** is the total of all distributions (in either cash or freely tradable public securities) returned to investors, divided by total capital paid-in by investors. This multiple indicates actual cash-on-cash returns or realized results and is expressed as a multiple (for example, 2.5x).

**Total Value/Paid-in Capital (TVPI)** is a calculation that adds both the realized and unrealized value of a fund's assets and divides that figure by the total capital paid-in by investors. It is a measure of total value relative to each dollar invested and is also expressed as a multiple.

**Internal Rate of Return (IRR)** is a dollar-weighted measure of investment performance, designed to account for the uncertain timing and size of cash inflows and outflows associated with private capital investments. The internal rate of return calculation varies from time-weighted return measures normally applied to investment portfolios of public securities. The two performance measures are not directly comparable.

It is important to evaluate all three metrics when considering the performance of a fund because the IRR and TVPI calculations includes both realized and unrealized investment results whereas the DPI calculation represents actual cash-on-cash returns. Short measurement periods can produce a significant and potentially misleading impact on the calculation of dollar weighted return measures. As a result, we believe these performance measures become more meaningful as the co-investment funds mature.

Net performance represents the return to a full fee-paying limited partner who entered the QCF I Non-US Series or QCF II Non-US Series at the initial closing and includes both realized and unrealized investment results. Net performance includes the effects of all management fees, carried interest and expenses. Because the internal rate of return represents an annualized performance measure, cash flow results for periods of less than one year are extrapolated, and in such cases, performance may be significantly exaggerated.

Minor variances in column, row and sectional totals are the result of rounding and have been allowed to maintain the integrity of the underlying financial data.

### Indices

Index performance is taken from Bloomberg Financial Markets or the index's proprietary website and is included for comparison only, and, although useful for general observations, differences between the composition and construction of such indices and the Fund's portfolio may limit their usefulness for direct comparisons. For example, it should be noted that hedge fund indices will vary, in some cases significantly, from the composition of the Fund's portfolio in terms of the number of positions, types of hedge fund strategies included and distribution within such hedge fund strategies and other characteristics. Comparison of the Fund's results to indices that represent asset classes other than hedge funds or funds of hedge funds are further limited by the significant inherent differences between such asset classes, for example in terms of risk/return, correlations and other characteristics. Moreover, index information may or may not reflect the deduction of fees and expenses (refer to specific definitions), which could further limit the comparative value of such information relative to the Fund.

Characteristics of securities included within the indices are subject to change between rebalancing periods. These characteristics are applicable when securities are evaluated at rebalancing points but may be higher or lower during

interim periods. Additionally, index providers may have varying methodologies for measuring and implementing constituent changes and differing rebalancing periods.

For purposes of calculating the dollar-weighted returns for each index, excluding Venture Economics, we assumed that commitments and distributions occurred at month-end. The performance is calculated over the period from the date of QCF I and QCF II's first drawdown (2 June 2006 and 15 May 2008, respectively) to 30 September 2010. The performance presented here is only that of the Non-US Series of each fund. Each fund has multiple series whose performance may differ materially from that presented here.

S&P 500 Index ("S&P 500 Index") is a capital-weighted index that includes 500 stocks representing all major industries. Returns are denominated in USD and include dividends. The Index is a proxy of the performance of the broad US economy through changes in aggregate market value.

Citigroup Government/Corporate Index ("Citigroup Govt./Corp. Index") is a market value-weighted index that includes fixed-rate US Treasury, government-sponsored, and corporate bonds with a minimum investment-grade of Baa3, at least one year to maturity and a minimum outstanding of USD 50 million. Returns are denominated in USD. The Index is a proxy for the broad US fixed income market.

HFRI Fund of Funds Conservative Index ("HFRI FOF Conservative Index") is an equal-weighted index representing funds of funds that invest with multiple managers focused on consistent performance and lower volatility via absolute return strategies. The Index includes funds of funds tracked by Hedge Fund Research, Inc. and is revised several times each month to reflect updated fund return information. The Index is a proxy for the performance of the universe of conservative funds of funds focused on absolute return strategies. Returns are net of fees and are denominated in USD. Source: Hedge Fund Research, Inc., © HFR, Inc. 15 February 2011 [www.hedgefundresearch.com](http://www.hedgefundresearch.com).

Venture Economics data represents the pooled average for US-based private capital funds.

### Additional Information Concerning Portfolio Characteristics

**Portfolio Characteristics and Co-Investment Classifications** are subjectively determined by BlackRock after consideration of a number of factors including the investment thesis, stated objectives, and underlying holdings of each co-investment transaction, are calculated using the original portfolio commitment amounts rather than carrying value, and include commitment amounts attributable to realized co-investment transactions. As a result, these statistics may not be representative of the Fund's current portfolio composition. The information used by BlackRock in making these determinations and calculations were, in most instances, provided by third parties, and although BlackRock believes such information to be reliable, no assurance of its completeness or accuracy can be made.

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