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10 Myths Surrounding Alternative Investments

Nancy Everett and Mark Taborsky

Although many still think of alternative investments as exotic investments reserved for ultra-high-net-worth individuals and sophisticated institutions, the reality is that alternatives have become mainstream. Due to a number of innovations, alternative investments today come in a variety of packages, span a range of strategies and are available to nearly all investors. However, despite the attractive aspects of alternatives, they are often not well understood and some investors hesitate over including them in their portfolios. In the following pages, Nancy Everett and Mark Taborsky address some of the common myths associated with alternative investing and discuss how alternatives can be an integral part of nearly every investor's portfolio.

Nancy Everett, CFA, Managing Director, Head of the US Client Solutions group within BlackRock Solutions (BRS).

Mark Taborsky, CFA, Managing Director, Senior Portfolio Manager in the Client Solutions group within BRS.

1 **Myth:** Alternative investments are their own unique asset class. **Reality:** Alternatives represent different approaches to investing across a variety of markets and asset classes.

Many consider investments such as hedge funds and private equity as stand-alone asset classes that have little to do with more traditional asset classes such as stocks or bonds. However, alternatives actually represent different approaches to investing across a variety of markets and asset classes.

A useful way to think about alternative investments is to differentiate between what we would term "contents" and "containers." Certain investments, such as currency and real estate investments, are truly alternative assets in that they have little relation to the performance of traditional stock or bond investments. Then there are alternative strategies—those that trade in predominantly the same markets as traditional investments, but approach the markets in a unique way, using, for instance, long/short strategies. Either way, it is the "contents" (as a product of their unique mix of underlying risk factors) that determine how these investments contribute to the diversification of an overall portfolio.

Alternatives represent different approaches to investing across a variety of markets and asset classes. It is the unique mix of underlying risk factors that determine how individual investments are expected to perform relative to traditional asset classes.

The "containers" differentiation refers to the types of vehicles in which these investments might be found, such as hedge funds, private equity funds and mutual funds—all of which are structured differently for a variety of management, liquidity, legal or regulatory reasons. These vehicles may include similar investments, but can encompass many styles and methods of investing across different markets. Hedge funds, for example, are categorized as such because of their less-regulated legal structure and their focus on producing returns that have lower correlation to traditional equity and fixed income markets – not because their underlying "contents" are all the same.

Accessing Alternative Investments: Contents Versus Containers

Contents:
Selection based on anticipated behavior – e.g., correlation; risk/return

Alternative Assets

Currency
Commodities
Real Estate
Infrastructure
Real Assets

Alternative Strategies

Long/Short
(e.g., equity/credit)

Arbitrage
(e.g., fixed income)

Containers:
Selection based on fund type / legal structure – often dictates access to capital

Private Equity

Funds and direct investments in private companies

Hedge Funds

Invest and trade in a variety of securities and markets using leverage and/or short-selling

Mutual Funds

Invest in relatively liquid strategies and assets

These categorizations can help investors diversify their portfolios not only by investment type, but by investment vehicle. Through the various "contents," investors can diversify the forms of risk in their portfolios and gain exposure to different areas of the market. Meanwhile, the different "containers" can be a useful way to think about investing for different needs (e.g., liquidity needs, transparency needs, ease of access, etc.).

2 **Myth:** Only institutional investors and ultra-high-net-worth individuals can access alternative investments.

Reality: Individual investors have greater access to alternatives than ever before due to recent innovations in product structures.

While institutional investors do tend to be frequent users of alternatives, many individuals have also long relied on alternatives for their diversification benefits. However, in the past, available options were limited and it could be costly to diversify. Fortunately, a variety of alternatives are increasingly becoming an option for more and more investors, particularly with the advent of comprehensive strategies that combine numerous investments in a single portfolio and because of the increased availability of mutual funds focused on alternative investing.

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Individual investors should seek the guidance of a professional manager to achieve the right level of oversight and careful strategic planning when determining how to invest in alternatives. For some, a single-portfolio solution will be the only allocation they need, one that combines different types of "contents" into a single investment "container." For others, more tailored solutions that build around existing portfolio assets with a specific objective in mind (for instance, reducing equity market volatility or managing interest rate risk) may help to provide the appropriate mix of risk exposures in individual portfolios.

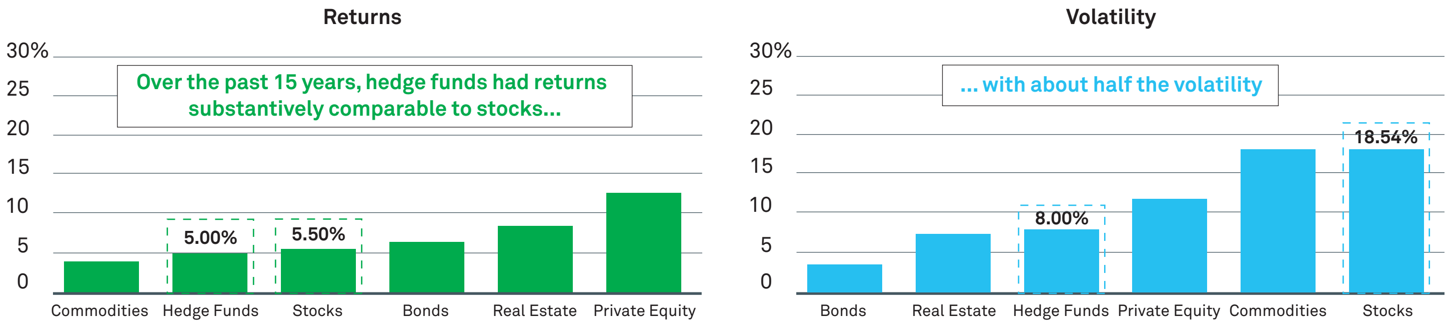
3 Myth: Alternative investments are more volatile than stocks and bonds. Reality: When used as portfolio diversifiers, alternatives have the potential to reduce overall volatility.

Adding alternatives to a diversified portfolio has the potential to provide lower volatility than a portfolio composed exclusively of traditional stocks and bonds.

Some alternative investments can experience higher levels of volatility than traditional stocks and bonds (e.g., commodities), but as a group, they are no more volatile than any other investment. In fact, many alternatives exhibit far less volatility than stock markets, based on the markets they trade in and/or their management styles.

Additionally, because alternatives approach financial markets differently than traditional investments, they can provide returns that exhibit low correlations with the more traditional approaches. As such, adding alternatives to a diversified portfolio has the potential to provide lower volatility than a portfolio composed exclusively of traditional stocks and bonds, as can be seen in the chart below.

Potential for Lower Volatility and Enhanced Returns: Returns and volatility of major asset classes (1997–2011)



Source: Bloomberg, Barclays Live, HFRI, NCREIF, Cambridge Associates. Investing involves risk. Past performance does not guarantee or indicate future results. For information on indices used, please see the Important Notes. It is not possible to invest directly in an index. The performance information above is based on annualized quarterly returns from 1997 to 2011. Use of other beginning or ending points, or of a longer or shorter period, would result in different relative performance among the asset classes. Indices of managed products, and hedge funds and private equity in particular, have material inherent limitations and should not be used as a basis for investment decisions.

4 Myth: Alternatives invest in derivatives, which in turn, increases their risk. Reality: Derivatives are commonly used investment tools designed to manage or hedge out risks.

Many investments, not just alternatives, invest in derivatives as a way of gaining access to or hedging out very specific risks. In fact, many traditional stock and bond mutual funds invest in derivatives. Certain types of derivatives, such as futures contracts, can often be more efficient and cost effective than purchasing assets such as currencies or commodities directly.

By themselves, derivatives do not necessarily increase the "risk" of a portfolio, although it is true that derivatives are often associated with increased leverage (a common component of many alternative investments). Alternative investments do, of course, entail some different risks compared to those inherent in more traditional investments, and we would encourage investors to discuss these risks with their financial professionals.

5 **Myth:** Investors do not have access to their capital if they invest in alternatives.

Reality: Liquidity levels vary among alternatives and are specific to each investment type.

When appropriately incorporated into a broader investment plan, the tradeoff of lower liquidity against additional diversification and potential return can be well worth it for the long-term investor.

Many alternatives are less liquid than traditional investments, but as with everything else, the level of liquidity is very specific to the investment itself. As with all aspects of investing, there is a tradeoff between risk and expected return and liquidity is no different. When investing in less liquid assets investors should, of course, expect to be compensated for that illiquidity (defined as an "illiquidity premium") through improved risk-adjusted returns.

Historically, the typical structure for many alternative investments has been the limited partnership, which imposes limits on the investor's ability to withdraw capital. Those restrictions can be as short as 30 days (typical for many hedge funds) or as long as 15 years (for some private equity partnerships). When appropriately incorporated into a broader investment plan, the tradeoff of lower liquidity against additional diversification and potential return can be well worth it for the long-term investor. Investors should, of course, only allocate that portion of their portfolio that they are comfortable investing for the long term into such investments.

There are also newer alternative investment vehicles (i.e., "containers") that are designed to provide more liquidity than can typically be found in limited partnerships. Alternative mutual funds and exchange traded funds, for example, can trade daily or on an intraday basis, just like their traditional counterparts. However, structures that allow increased liquidity do tend to come with regulatory restrictions that can limit the available investable universe.

Additionally, investors can look for alternative funds that are designed to manage less liquid investments directly alongside strategies that have some higher degree of liquidity. Such funds can provide more frequent liquidity to investors than many limited partnerships (although such vehicles are often also subject to withdrawal limits).

A Wide Range of Options: Considerations in Investment Selection

ACCESS, TRANSPARENCY, LIQUIDITY ⟷ GREATER INVESTMENT OPPORTUNITY AND POTENTIAL FOR EXCESS RETURNS

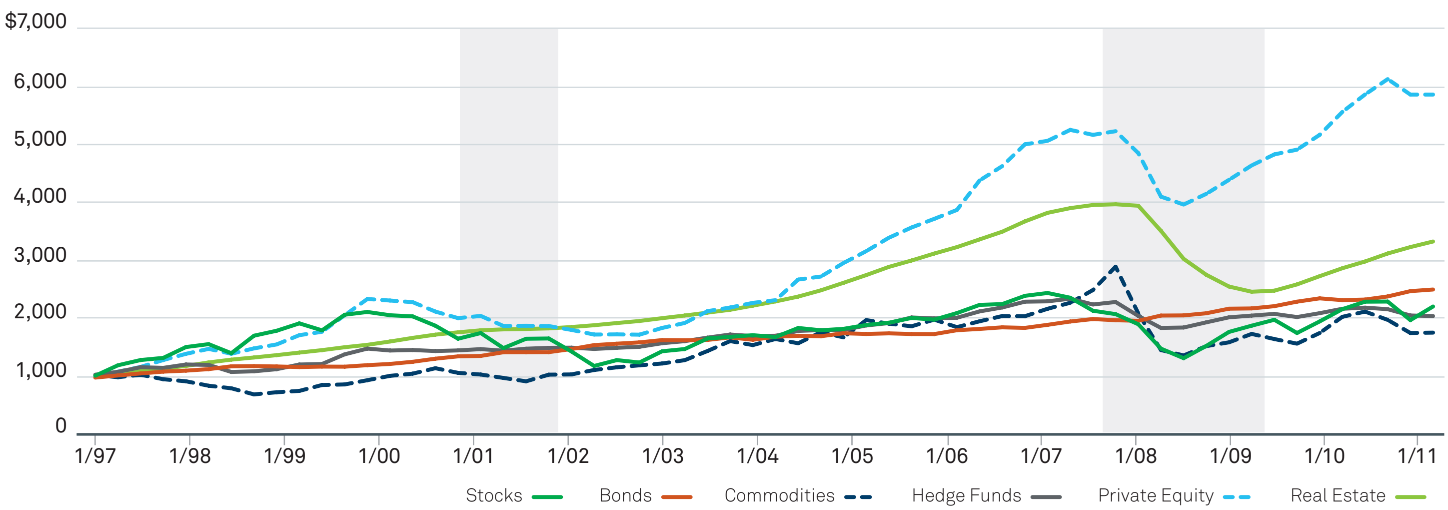
	Open-End Mutual Funds	Registered Closed-End Funds	Unregistered Private Funds
Accessibility (Investor qualifications)	No / low barriers to investing	Typically requires the investor to be an "Accredited Investor" (Has $1 million or more in net worth and/or a pre-specified annual income)	Usually requires the investor to be a "Qualified Purchaser" (Has $5 million or more in investable assets)
Investment Universe	More constrained by regulatory restrictions	Broader opportunity set	Largest opportunity set
Transparency	High	Moderate to high	Typically limited
Minimums	Low (Typically starting at $1,000)	Moderate (Typically $10,000–$50,000)	High (Typically $100,000 or more)
Liquidity	Daily	Periodic (Typically monthly to quarterly)	Periodic (Typically quarterly or longer; additionally capital may be "locked up" for a specified length of time)
Fees	Management fee + other expenses	Management fee + other expenses; may be distribution and/or performance fees	Management fee + other expenses; likely to be distribution and performance fees
Tax reporting	Form 1099	Form 1099 or Schedule K-1 (varies by product)	Schedule K-1

6 **Myth:** Alternatives will always outperform stocks.
Reality: Just like traditional assets, alternatives are subject to inherent risks and will outperform (or underperform) at different periods in time.

While alternatives are often thought of as higher-risk/higher-return investments, that is not necessarily the case. A well-constructed portfolio comprised of a diversified basket of alternative strategies may achieve returns similar to that of equity markets over time, often with the benefit of substantially lower levels of volatility. The tradeoff, however, is that during shorter periods when equity markets are particularly strong, alternatives may, and often do, temporarily underperform. Significantly, when equity markets are underperforming, alternatives may do much better on a relative basis because of their tendency to assume less equity market risk, typically resulting in lower volatility.

These sorts of performance differences can be particularly pronounced during times of economic stress. Historically, the performance of alternative investments has had a lower level of correlation with the state of the overall economy than have investments such as stocks. During times of recession, in particular, stocks have experienced significant periods of negative returns (i.e. drawdowns), while alternatives tended to fare relatively better, as can be seen in the following chart. As such, it can be a prudent strategy to incorporate both alternative and traditional investments into a well-rounded portfolio.

Alternatives Tend to Outperform During Times of Economic Stress: Cumulative growth of $1,000 (1997 to 2011)



Source: Bloomberg, Barclays Live, HFRI, NCREIF, Cambridge Associates. Investing involves risk. Past performance does not guarantee or indicate future results. For information on indices used, please see the Important Notes. It is not possible to invest directly in an index. The performance information above is based on annualized quarterly returns from 1997 to 2011. Use of other beginning or ending points, or of a longer or shorter period, would result in different relative performance among the asset classes. Indices of managed products, and hedge funds and private equity in particular, have material inherent limitations and should not be used as a basis for investment decisions.

2001 Recession Maximum Drawdown	
Commodities:	-19.51%
Stocks:	**-14.68%**
Private Equity:	-8.42%
Hedge Funds:	-1.83%
Bonds:	0.0%
Real Estate:	0.0%

2008 Recession Maximum Drawdown	
Commodities:	-52.61%
Stocks:	**-45.79%**
Private Equity:	-30.52%
Hedge Funds:	-24.12%
Bonds:	-19.43%
Real Estate:	-1.50%

7 **Myth:** It is easy to pick the right alternative—all I need to do is look at historical performance.

Reality: Investors need to consider a wide array of factors beyond performance when selecting which alternatives are best suited for them.

We believe most investors would be well served to partner with a professional investor in determining how to gain access to alternatives and would benefit from professional selection and ongoing monitoring of managers and alternative funds.

Every investor has heard the phrase "past performance is no guarantee of future results," but performance alone does not paint a complete picture of what the investor is buying. Past performance may not be repeatable for a variety of reasons including size, opportunity set, concentration, and one-off events that are unlikely to be repeated. In assessing any investment, investors need to consider such factors as the quality of the management team, their investment process, the current and potential investment opportunity set and features that might differentiate or set apart similar products. Many times, alternative funds that struggle to perform do so because of structural issues within their business models. For that reason, when considering alternatives, investors also should weigh the strength of the fund's operational abilities and the liquidity considerations discussed earlier.

We believe most investors would be well served to partner with a professional investor in determining how to gain access to alternatives and would benefit from professional selection and ongoing monitoring of managers and alternative funds.

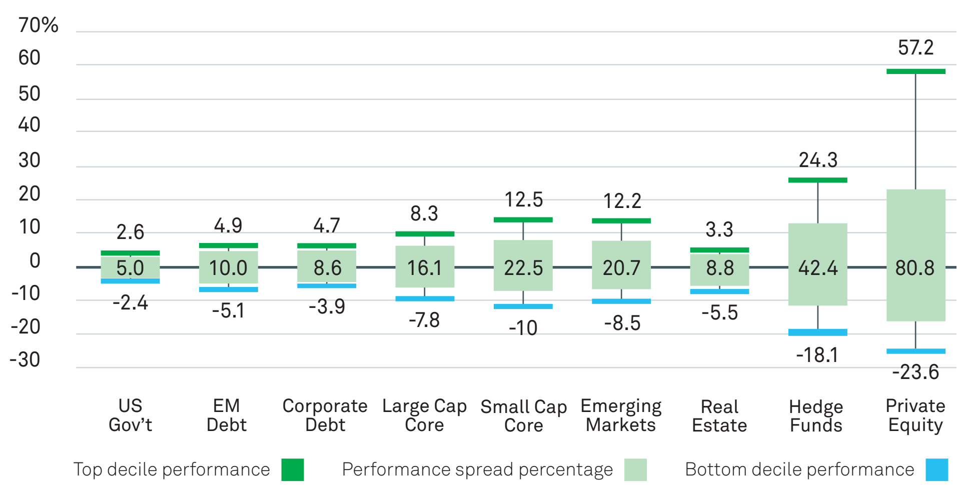
8 **Myth:** Investing in one type of hedge fund or private equity fund will diversify my portfolio.

Reality: Investing in only one type of alternative strategy may provide some diversification benefits, but can also concentrate risk exposures.

Just as it is impractical to achieve diversification by investing in a single stock (or mutual fund) we believe ample diversification in the alternatives space cannot be accomplished by investing in a single alternative strategy.

Selection Matters

Performance spread between top and bottom-decile managers in traditional and alternative assets from 2002 to 2011



Sources: Morningstar, TASS Database, Thompson ONE/VentureXpert, NCREIF. Investing involves risk. Past performance does not guarantee future results. The performance information above reflects relative performance only for the period indicated. Use of other beginning or ending points, or of a longer or shorter period, would result in different relative performance among managers. For illustrative purposes only and not meant to represent the performance of any specific investment. Fixed income and equity fund performance from Morningstar. Hedge fund performance from TASS Database, private equity performance from Thompson ONE/VentureXpert, and real estate fund performance from NCREIF Core funds.

While this is generally true of all investments, it is magnified when it comes to alternatives because of the complex landscape in which alternative managers operate. This can make selecting the right alternative vehicles a significant challenge. More commonly than for traditional strategies, there is often a wide dispersion between top-performing and bottom-performing alternatives such as hedge funds and private equity funds.

Given these statistics, we believe it would be risky to put all of your exposure into a single type of alternative investment. This is an additional reason why it may be worth considering investments in a wide variety of alternative products.

9 **Myth:** Alternatives failed to protect investors during the financial crisis. **Reality:** In general, investors with exposure to alternatives fared better during the financial crisis than those with traditional portfolios.

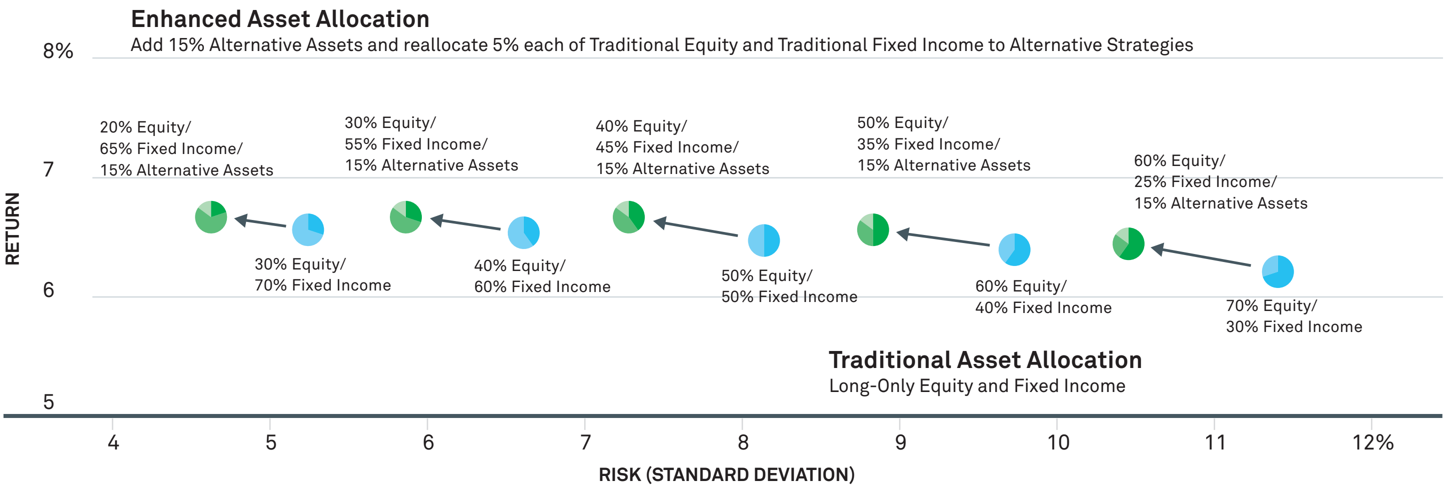
It is true that correlations across nearly all investments converged during the financial crisis, as they tend to do during periods of significant market stress. Even during these periods, however, history shows that alternatives have not typically fallen as far as equities, providing an important cushion for those investors who maintained a position in alternatives. The reality is that during the 2008–2009 financial crisis, an investor who had exposure to a broad range of alternatives would have been better off than an investor who was restricted to traditional long-only equity and fixed income investments. For instance, from August 2008 to February 2009, hedge funds (as represented by the HFRI Fund Weighted Composite Index) fell 15.9%. During that same period, the S&P 500 Index fell 41.8% and a 60/40 portfolio of US equities and bonds fell 24.3%.

The reality is that during the 2008–2009 financial crisis, an investor who had exposure to a broad range of alternatives would have been better off than an investor who was restricted to traditional long-only equity and fixed income investments.

This reaffirms our view that investors should consider adding a strategic allocation to alternatives in their core portfolios. A look at the classic "efficient frontier"—a curve showing the optimal portfolios for generating the highest returns for defined levels of risk—shows the potential of alternatives. Adding a variety of alternative assets and strategies to a traditional portfolio has the potential to enhance returns while reducing risk over the long term, as the following chart shows.

Alternatives Improve Risk/Reward Profiles

Expanding the Efficient Frontier Over the Last 15 Years (1997–2011)



Sources: BlackRock; Informa Investment Solutions. Past performance is no guarantee of future results. Standard deviation is a measurement of risk depicting the dispersion of returns from the average return. The higher the degree of dispersion, the higher the standard deviation. The information provided is for illustrative purposes only and is not meant to represent the performance of any particular investment. The data assumes reinvestment of all income and does not account for taxes or transaction costs. It is not possible to invest directly in an index. **Long-Only Equity** is represented by the S&P 500 Index. **Long-Only Fixed Income** is represented by the Barclays Capital Aggregate Bond Index. Enhanced portfolios include a 15% allocation to alternative assets, a 5% allocation to alternative equity strategies within the equity allocation and a 5% allocation to alternative fixed income strategies within the fixed income allocation. To fund these additional allocations, the equity allocation of each traditional portfolio is reduced by 15% and the fixed income allocation is reduced by 10%. The 15% allocation to alternative assets is represented by a 5% allocation to the S&P Goldman Sachs Commodity Index, a 5% allocation to the Barclays Currency Traders Index and a 5% allocation to the NAREIT Equity Index. The 5% allocation to equity alternative strategies is represented by the Dow Jones/Credit Suisse Long Short Equity Index. The 5% allocation to fixed income alternative strategies is represented by the Dow Jones/Credit Suisse Fixed Income Arbitrage Index.

10 **Myth:** Alternatives are too expensive.

Reality: Although fees for alternatives are typically higher than they are for traditional investments, the fees pay for broader access to investments and are intended to align manager and investor interests.

Depending on the particular investment vehicle, alternative investments certainly can carry different/higher fees than traditional investments. However, the bulk of these fees are often related to positive performance so as to ensure manager and investor interests are fully aligned.

The bottom line is that for most alternative investments fees and performance are closely aligned and managers are fully compensated only for meeting (or exceeding) the performance expectations of investors.

In addition to set management fees, many alternative investment funds also include some form of incentive or performance fee in which the manager is rewarded based on the performance of the fund. Importantly, these performance fees (which typically represent the majority of the fees paid) are only earned when the fund, and therefore the investor, is making money. Additionally, many alternative product fee structures have minimum return hurdles and are required to pay back management fees before the manager can earn performance fees.

The bottom line is that for most alternative investments fees and performance are closely aligned and managers are fully compensated only for meeting (or exceeding) the performance expectations of investors. A discussion of fees and how they may impact long-term returns should be an important part of investors' conversations with their financial professionals.

Next Steps: Additional Considerations

Of course, these "10 myths" are only a starting point for a conversation about investing in alternative investments as part of a broadly diversified portfolio (remembering, of course, that diversification does not ensure profit or protect against loss in declining markets).

We would encourage investors to discuss this material and the risks described in the "important notes" section with their financial professional to determine how alternatives may complement their current investment strategy and potentially enhance the diversification and risk/reward potential of their portfolio.

Alternative Investing 101

The choice of alternative investments available to investors is growing, and with it so is the scope to find greater diversification, enhanced returns and reduced risk. The definitions below are designed to provide investors with a better understanding of some of the key concepts discussed in the previous pages.

Correlation: A measure of strength of the return relationship between two assets, correlation can be any value between +1 and -1. A perfect correlation of +1 means assets moved in the same direction when markets changed, while perfect negative correlation of -1 means assets moved in the opposite direction. Greater portfolio diversification can be achieved by combining investments that have lower correlation to each other.

Derivatives: Contracts entered into for the purposes of exchanging value on underlying securities or physical assets. Generally, derivatives are used for operational efficiency or to control transaction costs.

Futures/Futures Contract: A future is a standardized financial contract between two counterparties where the buyer agrees to buy an underlying asset (e.g., financial instruments or physical commodities) at a pre-determined future date and price.

Hedge Funds: Hedge funds are private pools of investment capital with broad flexibility to buy or sell a wide range of assets. One common attribute is that they seek to profit from market inefficiencies, rather than relying purely on economic growth to drive returns. There is no "one-size-fits-all" and the types of investment strategies pursued by individual hedge funds are extremely diverse.

Leverage: Leverage is the use of financial instruments or borrowed funds to amplify performance. In an upward- or downward-trending market, a leveraged investment that is on the correct side of the trend will see magnified gains, while one on the wrong side of the trend will see magnified losses.

Liquidity: Liquidity refers to the frequency at which investors are able to access their investment capital. When investing in alternatives, the liquidity terms of specific funds are aligned to liquidity profiles of the underlying investments. For example, alternative investment mutual funds trade in highly liquid securities (e.g., stocks, bonds), are valued daily and capital is returned within a few days if an investor redeems. Because traditional alternative fund vehicles, such as hedge funds, often invest in more complex and less liquid investments they in turn tend to offer more limited liquidity. For other long-term investments such as private equity, investors remain committed for longer periods of time (e.g., 5 to 10 years or more). Generally, less liquid investments are expected to offer a higher return to compensate for these constraints, often referred to as an "illiquidity premium."

Long/Short Strategy: An investment strategy that uses leverage to buy securities that are expected to increase in value (invest "long") and sell borrowed securities that are expected to decrease in value ("short selling" or "shorting"). The goal of shorting is to buy the same securities back for a lower price at a future date, thereby profiting from the difference. Whereas long-only investing only enables profits from a positive outlook on a security, long/short investing also investors to profit from a negative outlook.

Private Equity: Ownership interest in a company or portion of a company that is not publicly owned, quoted or traded on a stock exchange. From an investment perspective, private equity generally refers to equity-related finance (pools of capital formed through funds or private investors) designed to bring about some sort of change in a private company, such as helping to grow a new business, bringing about operational change, taking a public company private or financing an acquisition.

Standard Deviation: A measure of the total volatility (or risk) of a portfolio, standard deviation tells how widely a portfolio's returns have varied around the average over a period of time. A lower standard deviation means less variance of returns and therefore a lower level of risk.

Transparency: Transparency refers to the level of disclosure and access to portfolio reporting, such as underlying holdings and risk metrics (i.e., not just portfolio performance). For certain fund types, such as alternative investment mutual funds, specific transparency and reporting is mandated; for other types of funds, transparency is often optional and at the discretion of the fund manager.

Volatility: Variations in the performance of an investment, commonly measured by standard deviation relative to a mean or benchmark. High volatility is associated with higher risk; large swings in performance can make it more difficult to anticipate the outcome of an investment over the long term.

Index Definitions

Bonds are represented by the Barclays US Aggregate Bond Index, which covers the US investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, be rated investment grade Baa3 or better, be dollar denominated, non-convertible, fixed rate and be publicly issued. Commodities are represented by the Dow Jones–UBS Commodity Index, which is composed of commodities traded on US exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The DJ-UBSCI is calculated on an excess return basis. Hedge funds are represented by HFRI Fund of Funds Composite Index, an equal-weighted index representing funds of hedge funds that invest with multiple managers focused on absolute return strategies. The Index includes funds of hedge funds tracked by Hedge Fund Research, Inc. and is revised several times each month to reflect updated hedge fund return information. The Index is a proxy for the performance of the universe of funds of hedge funds focused on absolute return strategies. Returns are net of fees and are denominated in USD. Private equity is represented by the Cambridge Associates US Private Equity Index, which includes 944 US private equity funds (Buyout, growth equity, private equity energy, and mezzanine funds), including fully liquidated partnerships, formed between 1986 and 2011. Returns are calculated using pooled end-to-end return, net of fees, expenses, and carried interest. End-to-end performance measures the return between two points in time, taking into account the beginning dollar value of the initial investment, subsequent quarterly cash flows and the ending dollar value for the specified time period. All returns greater than one year are annualized. Historic quarterly returns are updated in each year-end report to adjust for changes in the index sample. Real Estate is represented by the NCREIF Fund Index-Open End Diversified Core Equity Index, an index of investment returns reporting on both a historical and current basis the results of 26 open-end commingled funds pursuing a core real estate investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted. NCREIF will calculate the overall aggregated Index return. Stocks are represented by the S&P 500 Index, 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.

Important Notes

Utilizing alternative investments involves substantial risk and presents the opportunity for significant losses including in some cases, losses which exceed the principal amount invested. Alternative investments have experienced periods of extreme volatility and in general, are not suitable for all investors. Alternative investments incorporate speculative strategies which may subject an investor to greater volatility than traditional securities, and in some cases of extreme volatility, market conditions may result in rapid and substantial valuation increases and/or decreases. Alternative investments take on higher costs and risks in return for the potential of higher returns.

Hedge funds and hedge funds of funds may not be suitable for all investors and often engage in speculative investment practices which increase investment risk; are highly illiquid; are not required to provide periodic prices or valuation; may not be subject to the same regulatory requirements as mutual funds; and often employ complex tax structures. Utilizing private equity involves significant risks along with the opportunity for substantial losses.

The indices used herein are for illustrative purposes only to provide an indication of historical performance of various asset classes and are not meant to represent the performance of any particular investment. It is not possible to invest directly in an index. Indices are unmanaged and cannot be used to predict the future results of any investment. An index's returns may not reflect the deduction of any sales charges or other fees and expenses, which could be substantial for alternatives investments and would reduce actual returns.

Indices of managed products, and hedge funds and private equity in particular, have material inherent limitations and should not be used as a basis for investment decisions. Performance of unmanaged indices (such as those representing commodities and real estate) does not include consideration of investment management and/or performance fees that would be attributable to managed accounts. Other indices (such as those representing private equity and hedge funds) are composed of investment funds and performance is calculated net of attributable management and performance fees and expenses. In addition, the basis for calculating performance differs, as between private equity, which is calculated based on dollar-weighted periodic IRRs, and the other asset categories, which are based on time-weighted total returns, and may not provide meaningful comparisons. Indices that purport to present performance for the overall hedge fund, private equity or other alternative investment industries may actually present performance that differs materially from the overall performance of such alternative investment industry due to issues of selection and survivorship bias.

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The Resources You Need for a New World of Investing
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The Best Thinking You Need to Uncover Opportunity
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