

## Fact Sheet

### BlackRock Co-Investment Fund III

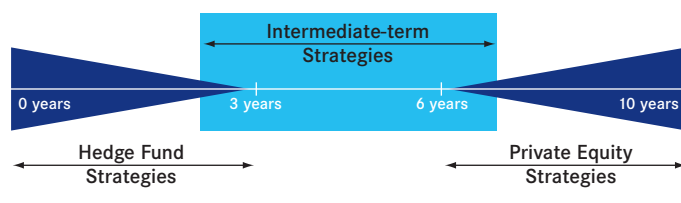
#### About the Fund

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.

#### Investment rationale

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.



Examples of potential BCF III investments include, but are not limited to:

- ▶ Asset-backed investments
- ▶ Bank portfolio liquidations
- ▶ Control/activist investments
- ▶ Direct lending
- ▶ Distressed investments
- ▶ Private investments in private companies
- ▶ Private investments in public equities

#### About BlackRock Alternative Advisors

The BCF III is managed by BlackRock Alternative Advisors. BAA provides hedge fund solutions across the spectrum of absolute return strategies.

BAA's organisational structure combines the benefits of a boutique and a well-regarded global firm, providing a strong basis for investment decision making. BAA has more than 15 years of experience in identifying alternative investment opportunities and structuring tailored solutions and leverages its position in the hedge fund industry to achieve better terms for clients.

BAA believes that a fundamental, multi-faceted approach to risk management can provide a greater understanding of strategies and risk.

We believe that BAA is well positioned to successfully execute this program for the following reasons:

- ▶ **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.

#### 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.

## Summary of key product features

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

The summary above does not purport to be a complete summary of the terms of BCF III. This summary should be read in conjunction with BCF III's Confidential Private Offering Memorandum, which should be read in its entirety.

AN INVESTMENT IN THE FUND IS SPECULATIVE AND INCLUDES A HIGH DEGREE OF RISK, INCLUDING THE RISK OF A TOTAL LOSS OF CAPITAL. THE FUND AND/OR ITS UNDERLYING INVESTMENTS WILL BE ILLIQUID AND SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFER, AND INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE RISKS ASSOCIATED WITH SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. ALL INVESTORS SHOULD CAREFULLY REVIEW THE CONFIDENTIAL PRIVATE OFFERING MEMORANDUM AND GOVERNING DOCUMENTS FOR THE FUND PRIOR TO MAKING AN INVESTMENT DECISION. ANY INVESTMENT DECISION WITH RESPECT TO THE FUND MUST BE BASED SOLELY ON THE DEFINITIVE AND FINAL VERSION OF THE FUND'S CONFIDENTIAL PRIVATE OFFERING MEMORANDUM, GOVERNING DOCUMENTS AND SUBSCRIPTION AGREEMENT. THERE IS NO ASSURANCE THE FUND WILL ACHIEVE ITS OBJECTIVES.

The information in this document is provided solely with respect to consideration of an actual or contemplated investment in a fund and pursuant to the terms of a confidentiality agreement or understanding. No recipient is permitted to use this information in any way that would violate the securities-related laws, rules or regulations of any jurisdiction.

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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.

Information used herein is based on information provided by the underlying manager or estimated by BlackRock. Although BlackRock believes such sources to be reliable, no assurance of completeness or accuracy can be made.

Opinions and estimates offered herein constitute the judgment of BlackRock and are subject to change. All opinions and estimates are based on assumptions, all of which are difficult to predict and many of which are beyond the control of BlackRock. In addition, any calculations used to generate the estimates were not prepared with a view towards public disclosure or compliance with any published guidelines. In preparing this document, BlackRock has relied upon and assumed, without independent verification, the accuracy and completeness of information provided by third parties. BlackRock believes that the information provided herein is reliable; however, it does not warrant its accuracy or completeness.

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#### Further information

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