

Fact Sheet

Obsidian Fund

About the Fund

The Obsidian Fund ("Fund") is a diversified relative value fixed income hedge fund designed to take advantage of opportunities across global fixed income sectors, while maintaining low correlation to the broader market.

Drawing on a global fixed income research team and state-of-the-art risk management systems, the Fund dynamically shifts risk across global rates, agency mortgages, corporate credit and securitised assets, limiting dependence on opportunities within any particular sector.

Fund objective

The Fund seeks to generate superior returns within a risk-controlled framework, while maintaining low correlation among strategies. Investment guidelines permit broad investment flexibility including:

- ▶ Net duration +/-5-year US Treasury
- ▶ Allocation to unrated or below investment grade securities capped at 50% of net assets
- ▶ Allocation to derivative CMO and stripped mortgage backed securities capped at 100% of net assets
- ▶ Non-US Dollar currency exposure limited to 25% of net assets

The Fund consists of a diversified basket of strategies. Correlation among strategies is closely monitored to achieve diversification.

Investment approach

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
- ▶ securitised assets

Portfolio construction

The Fund consists of a diversified basket of strategies. Correlation among strategies is closely monitored to achieve diversification. The following table provides a summary of some of the sample strategies used for the Fund.

The Obsidian Fund Sample Strategies

Global Rates	Agency Mortgages
<ul style="list-style-type: none"> ▶ Interest rate relative value ▶ Yield curve positioning ▶ Swap spread basis and curve ▶ Inflation-linked securities ▶ Volatility-based strategies ▶ Foreign exchange ▶ Emerging market debt 	<ul style="list-style-type: none"> ▶ Agency mortgage basis ▶ Specified pools RV ▶ Coupon swaps ▶ GN/FN/FH swaps ▶ Mortgage derivatives
Corporate Credit	Securitized Assets
<ul style="list-style-type: none"> ▶ Long/Short cash bonds ▶ CDS single name ▶ IG cash/CDS basis ▶ HY cash/CDS basis ▶ Bank loans ▶ Distressed debt ▶ Municipal credit 	<ul style="list-style-type: none"> ▶ Non-agency mortgages ▶ Commercial mortgage backed securities ▶ Asset back securities ▶ TALF and other government programs

Summary of key product 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

Monthly performance summary (% since inception)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	2.38	1.90	-0.40	2.19	0.00								5.98
2010	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
2009	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
2008	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
2007	-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
2006	-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
2005	-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
2004	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
2003	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
2002	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
2001	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
2000	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
1999	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
1998	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
1997	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
1996	-	-	-	-	-	-	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.

BlackRock Obsidian Fund

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

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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 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, (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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