

Fact Sheet

Pan Asia Opportunities Fund Ltd

About the Fund

The Pan Asia Opportunities Fund Ltd. (the “Fund”) offers investors exposure to equity long/short alpha production in the Asian market (ex-Japan). Developed by BlackRock, our investment process directs the strategy using advanced techniques to identify mis-valuations across Pan Asia stocks and markets. These alpha opportunities are captured by taking long and short positions in individual equities while allowing for a minimal amount of dynamic beta and controlling incremental risk. This process is enhanced by a fundamental overlay that seeks to pro-actively allocate risk capital across our insights and market exposures. The goal is to create a consistent stream of high quality, uncorrelated alpha.

Fund objective

The Fund aims to deliver returns above the US Fed Funds target rate, while maintaining a return volatility of 10% – 15% per annum net of fees and expenses. The benchmark is a cash benchmark represented by the rate of return on the high end of the fed funds target rate.

Investment approach

The Scientific Active Equity team integrates our insights and an advanced optimisation process to select stocks in the Fund. At the heart of the strategy is a set of investment models that our research has shown to have the most influence in predicting active returns in the equity markets. We seek to systematically exploit our insights while minimising uncompensated risks and transaction costs:

- ▶ **Return:** Our insights are derived from fundamentally-based, economically-sound security and market analysis. We focus on Relative Value, Earnings Quality, Sentiment and shorter horizon investment themes.
- ▶ **Risk:** Proprietary portfolio and risk management systems produce diversified portfolios that limit uncompensated risks.
- ▶ **Cost:** Incorporate proprietary transaction cost models into portfolio construction to maximise net alpha for our clients. These include borrowing costs for short sales as well as the opportunity costs of trading.

We use proprietary optimisation and modified risk models to combine these return forecasts and to balance investment opportunities, while taking into account risk and costs of implementation.

Portfolio construction

The resulting long/short portfolio is highly diversified. We typically hold between 600 and 800 active positions within the Fund. We target industry and asset bounds to generally within +/- 3.0% of the net exposure. Country bounds are targeted to generally +/-2.0% of net exposure. Market exposure is targeted using a dynamic approach and is typically within +/- 0.3.

While the stock selection process is systematic, investment professionals are involved in every step, deciding on risk budgeting and performing quality checks to ensure the integrity of the process.

Stock selection model

The stock selection model for the Fund aims to predict the relative outperformance and underperformance of stocks in the Asia ex-Japan equity markets. Essentially, we want to buy firms with improving fundamentals at reasonable prices. The model consists of a number of independent components each of which has a strong rationale based on our understanding of the institutional framework and behavioural patterns of investors, and includes:

- ▶ **Relative valuation:** we build valuation models taking into account, where appropriate, asset value, sales, earnings and cash flow forecasts over short and long term horizons. Our research shows relative valuation anomalies pervade the Asia ex-Japan equity market and continue to provide attractive investment opportunities.
- ▶ **Earning quality:** we employ investment models that assess the quality of earnings and corporate management. We look for companies with improving fundamentals with low earnings volatility. These models are especially applicable given that corporate managers may exploit less stringent accounting standards and corporate governance in Asian markets.
- ▶ **Sentiment:** changes in company earnings expectations are reflected in brokerage analyst estimates. After adjusting appropriately for other factors, we find that there is under reaction to these changes, allowing us to predict subsequent relative performance, and that this effect is particularly strong in Asia ex-Japan.
- ▶ **Short horizon:** we also attempt to take advantage of shorter horizon investment opportunities that may arise. These include short term reversals, co-movements of securities as well as following investor flow.

One of the unique aspect of the Asia ex-Japan stock selection model is its cross border stock selection process which increases our breadth of active bets. We are able to make industry bets between countries, while remaining relatively neutral to each industry and country.

The systematic bottom-up stock-selection is augmented with a fundamental overlay that seeks to pro-actively allocate risk capital within our stock-selection insights as well as between stock-selection and market exposure.

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 |
| Cumulative Return:* | 112.83% | | | | | | | | | | | | |
| Annualised Return: | 19.45% | | | | | | | | | | | | |
| Annualised Volatility: | 10.88% | | | | | | | | | | | | |

*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.

Risk control and cost management

The portfolio construction process controls the overall level of risk of the Fund as well as exposures to any risk where we have no associated return forecast. We also control the exposure to any individual industry, company or country.

In addition to the risk controls that are integral to our portfolio construction process, we utilise the resources of BlackRock's Risk and Quantitative Analysis (RQA) group to provide an additional layer of risk oversight that they provide to all of BlackRock's portfolios. Members of RQA regularly meet with our portfolio managers to review results of risk reports and stress testing on various possible economic and political scenarios.

Finally, we assess the various components of trading costs in the Asia ex-Japan market, so that the portfolio construction process generates trade lists that are easily traded with minimal impact on market prices. We also model the cost of borrowing stocks for the short positions and take these into account in portfolio construction. These trades are implemented by a dedicated trading team to ensure efficient execution.

Summary of key product 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

| 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 |

March 2, 2011

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None of the shares of the Fund has been or will be registered under the United States Securities Act of 1933, as amended, ("33 Act") and the shares of the Fund may not be offered or sold, directly or indirectly, in the United States or to any U.S. Person, as such terms are defined in the Confidential Memorandum, without an applicable exemption from registration under the 33 Act. The Fund has not been registered under the United States Investment Company Act of 1940, as amended. Neither the United States Securities and Exchange Commission, nor any state securities administration has passed on, or endorsed, the merits of the shares of the Fund. Any representation to the contrary is unlawful.

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 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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