



**It's
time.**

Alternatives: Building resiliency in portfolios

BlackRock

One fixture of the old approach to portfolio construction that we think must evolve is the broad allocation blocks to listed equities and bonds. The increasing correlation of public stocks and bonds means investors are struggling to find reliable diversification and sources of returns. To help make portfolios more resilient for the new regime, investors are increasingly considering exposure to alternatives investments.

Alternatives investments are assets that don't fall into traditional categories such as stocks, bonds, or cash. There are two main types of alternatives investments. Private markets, such as Private Equity, Private Credit, Real Estate and Infrastructure. They are more complex and less frequently traded than public stocks and bonds. Liquid alternatives such as Hedge Funds are the second type.

Alternatives investments can help investors broaden their opportunity set, increase return potential, and enhance portfolio diversification. In some cases, it can also add a healthy dose of potential inflation mitigation.

The long-term nature of private assets means the capital has to be committed over multi-year cycles. This comes with potential benefits such as an illiquidity premium, as well as downsides like a lack of flexibility created by not being able to withdraw your money.

For investors interested in some of the diversification benefits of alternatives investments whilst maintaining more flexibility to remain nimble in their allocation, liquid alternatives such as long/short funds may provide a solution.

1 Private Markets

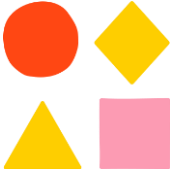
Private markets are no longer an “alternative” asset class. In fact, investors may find they are more crucial to a diversified portfolio than ever before. See [Exploring beyond the 60-40 portfolio](#).

The BlackRock Investment Institute (BII), which generates proprietary research to provide investment insights to BlackRock’s portfolio managers and clients believes that private assets play a tangible role in many investors’ portfolios. BII even suggests adding about 20% of the entire portfolio to private assets, moving past the conventional 60-40 split of stocks and bonds to a 50/30/20 split. See [Exploring beyond the 60-40 portfolio](#).

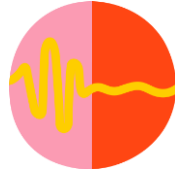
2 Liquid Alternatives

In the new market environment, we find ourselves in, understanding the drivers of portfolio returns and identifying true sources of alpha, beyond factor and market exposures, will be key to building resilient portfolios. We believe liquid alternatives have been built for this time and should be viewed as a core strategic building block. Their goal is to generate differentiated returns while mitigating risks regardless of market movements.

Across a broad range of strategies, they seek to exploit market inefficiencies to deliver:



Portfolio diversification



Portfolio volatility reduction



High risk-adjusted returns due to the idiosyncratic nature of investments



Balanced, consistent, durable returns across market cycles

Opportunities in alternatives

01

Liquid Alternatives

> BSF Asia Pacific Absolute Return Fund

> Tactical Opportunities Fund

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Risk Warnings

Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

Fund-specific risks

Tactical Opportunities Fund

Absolute Return Risk - Style Advantage, Combined Risks (Equity, Credit, ABS/MBS), Counterparty Risk, Credit Risk, Liquidity Risk

BSF BlackRock Asia Pacific Absolute Return Fund

Absolute Return Risk, Counterparty Risk, Currency Risk, Derivatives Risk, Emerging Markets, Equity Risk, Liquidity Risk

Description of Fund Risks

Absolute Return Risk

Due to its investment strategy an 'Absolute Return' fund may not move in line with market trends or fully benefit from a positive market environment.

Absolute Return Risk - Style Advantage

'Absolute Return' funds may not move in line with market trends or fully benefit from a positive market environment. Emerging markets are generally more sensitive to economic and political conditions than developed markets.

Combined Risks (Equity, Credit, ABS/MBS)

Equities and equity-related securities can be affected by daily stock market movements. Fixed Income securities can be affected by changes to interest rates, credit risk and potential or actual credit rating downgrades. Non-investment grade FI securities can be more sensitive to these events. ABS and MBS may have high levels of borrowing and not fully reflect the value of underlying assets. FDIs are highly sensitive to changes in the value of the asset they are based on. The impact is greater where FDIs are used in an extensive or complex way.

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Currency Risk

The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of the investment.

Derivatives Risk

Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

Emerging Markets

Emerging markets are generally more sensitive to economic and political conditions than developed markets. Other factors include greater 'Liquidity Risk', restrictions on investment or transfer of assets and failed/delayed delivery of securities or payments to the Fund.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

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