



Council of New Jersey Grantmakers

Material to Supplement “Alternative Investments: Are They Right for Your Organization’s Portfolio?” Session

November 7th, 2018



BLACKROCK®

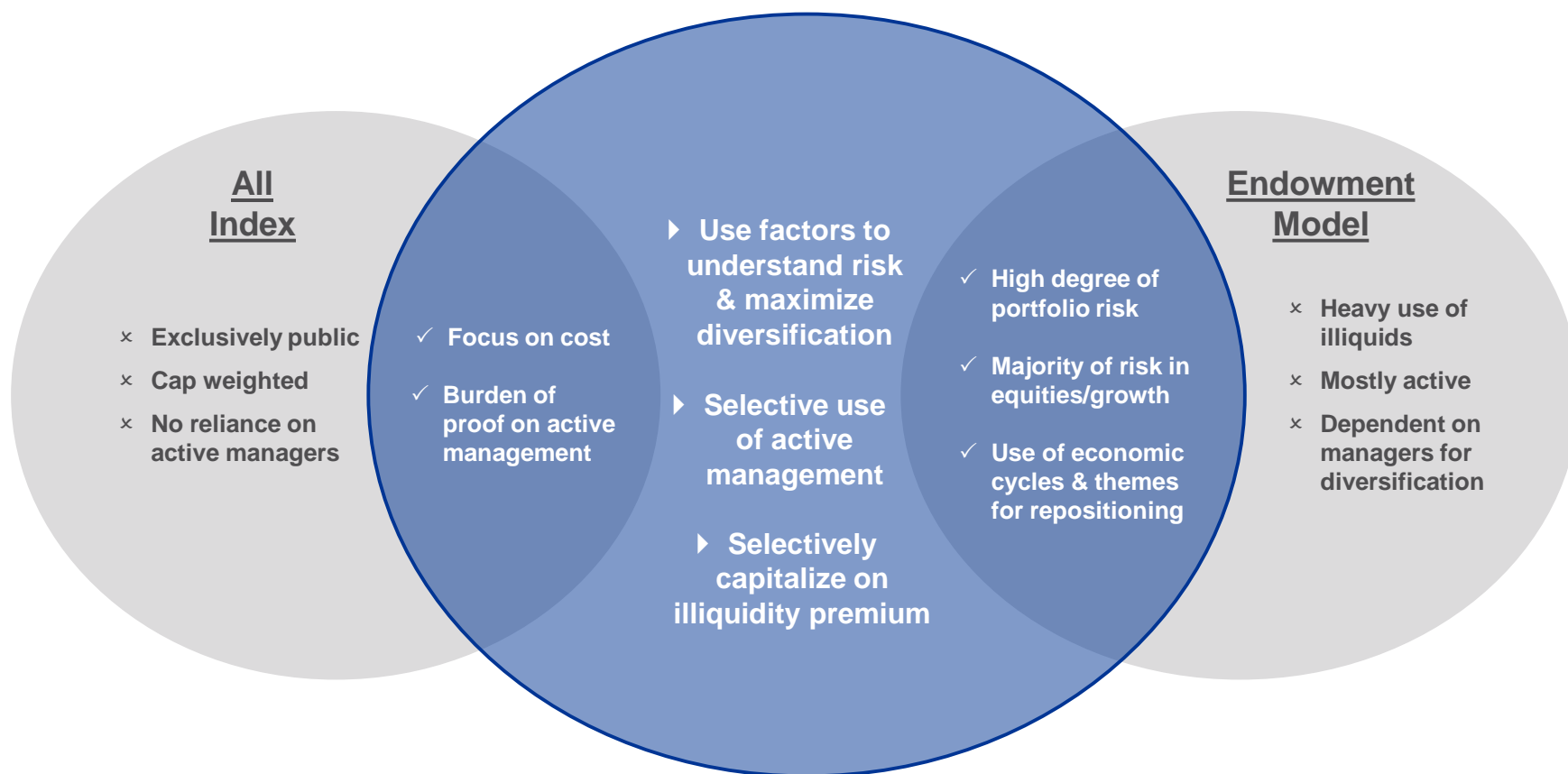
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BlackRock E&F OCIO Investment Philosophy

BlackRock OCIO combines elements of the Endowment Model and Index approaches with our own **evidenced-based** investment philosophy to seek outperformance for clients

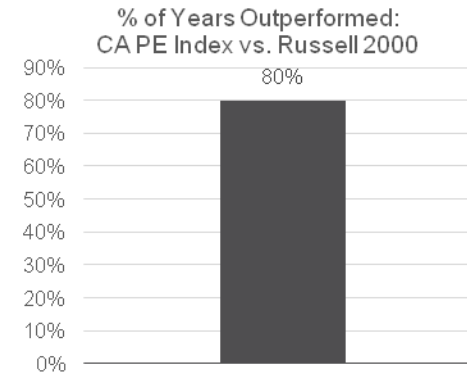
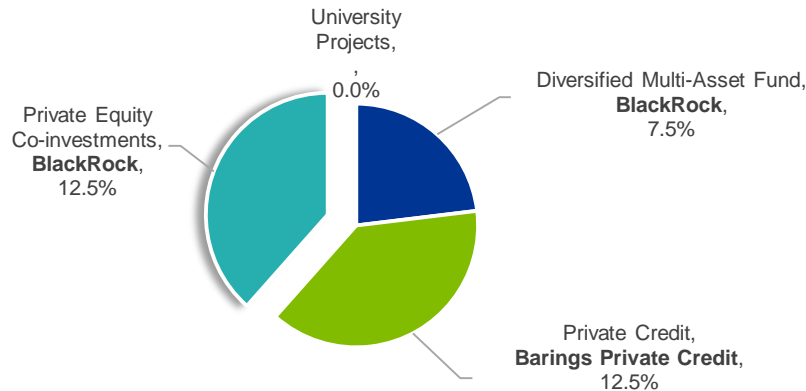
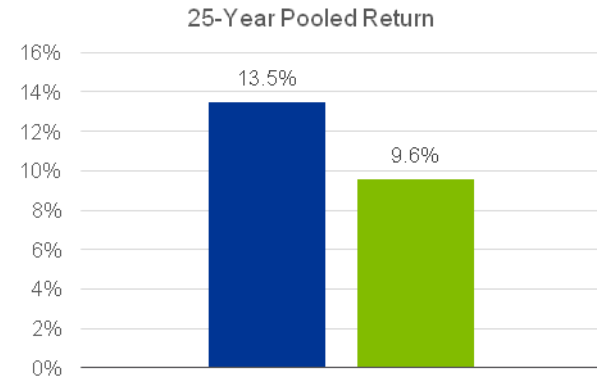
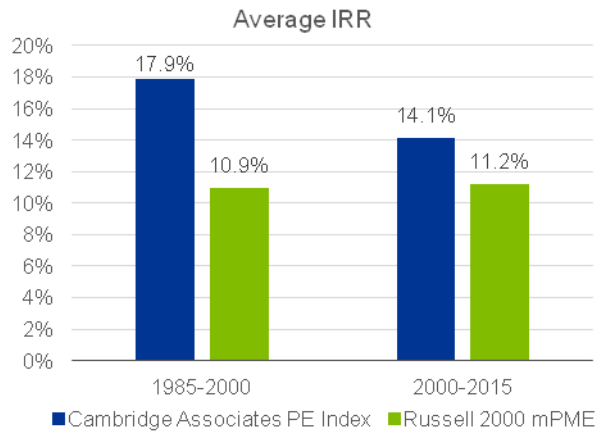
BlackRock E&F OCIO



For illustrative purposes only.

Asset Class Deep Dive – Private Equity

We believe that private equity is attractive due to the potential for return enhancement, opportunity for alpha, and potential for downside risk mitigation.

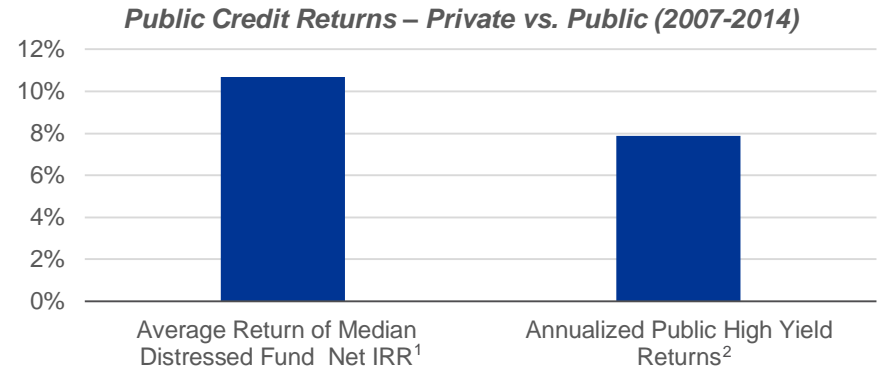
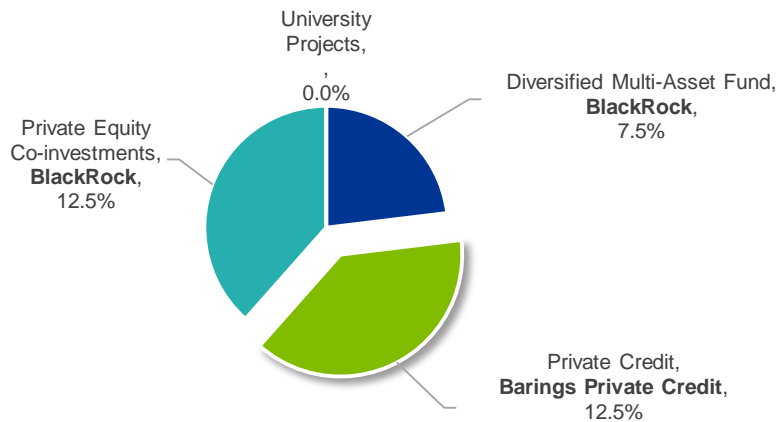


Source: Cambridge Associates LLC US Private Equity Index, as of September 30, 2017 Cambridge Associates Benchmark based on data compiled from 1,378 U.S. private equity funds (buyout, growth equity, private equity energy and subordinated capital funds), including fully liquidated partnerships, formed between 1986 and 2015. Internal rates of returns are net of fees, expenses and carried interest. Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME NAV is a function of mPME cash flows and public index returns.

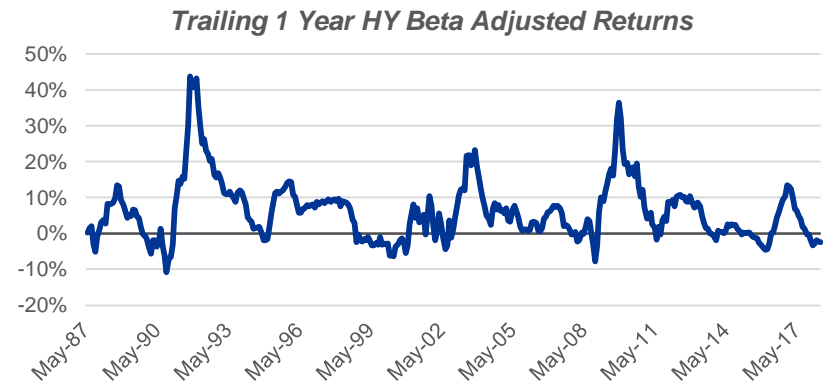
Asset class Deep Dive – Private Credit

Why Private Credit?

- Asset class with different fundamental drivers than our largely growth oriented portfolio but also a high expected return
- Observable illiquidity premium (typically 2 – 3% premium over public high yield)
- Access to elements of economic activity not readily investable elsewhere



¹ Preqin Global Private Debt Report.
² Bloomberg Barclays High Yield Index.



Source: Bloomberg, as of 5/31/2018. Chart represents the excess returns of the Bloomberg Barclays High Yield Index with the 1-year beta to the S&P 500 hedged out.

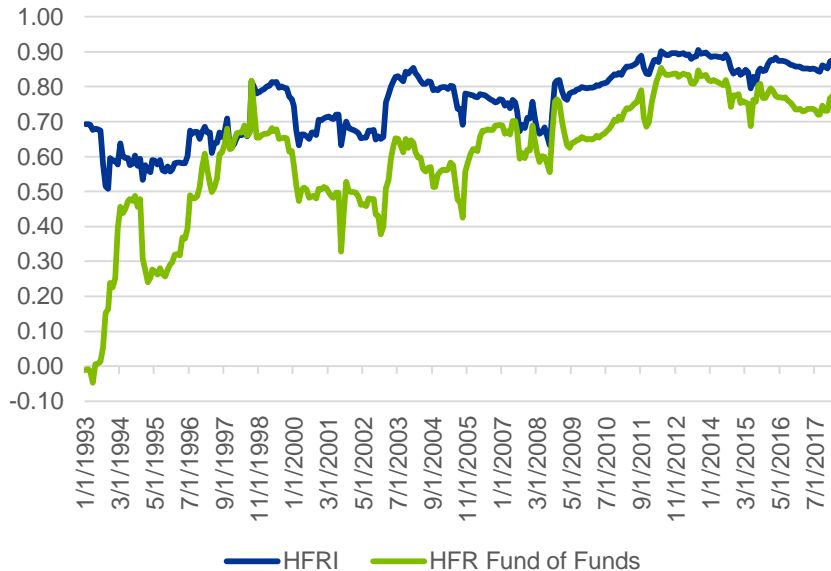
Past performance not indicative of future results. Indexes are unmanaged and it is not possible to invest directly in an index.

Asset Class Deep Dive – Hedge Funds

Hedge Funds

Trailing 3-Year Correlation – S&P 500 and Hedge Funds

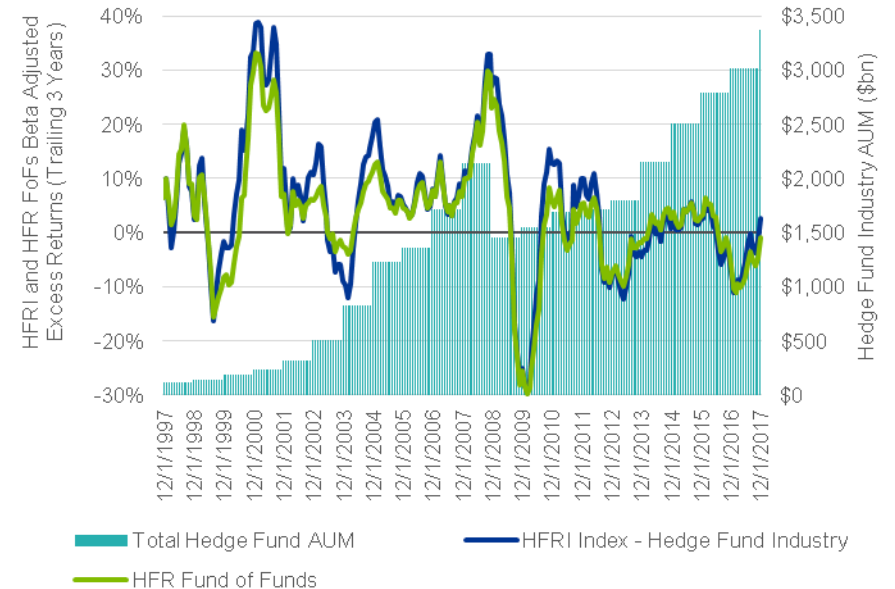
In the recent past, hedge funds have not provided meaningful diversification



Source: Bloomberg, as of 12/31/2017. Index data provided for illustrative purposes only. Indexes are unmanaged and it is not possible to invest directly in an index. Past performance is not indicative of future results.

Hedge Fund Long-Term Excess Returns

As the hedge fund industry has grown significantly, managers have failed to deliver excess returns

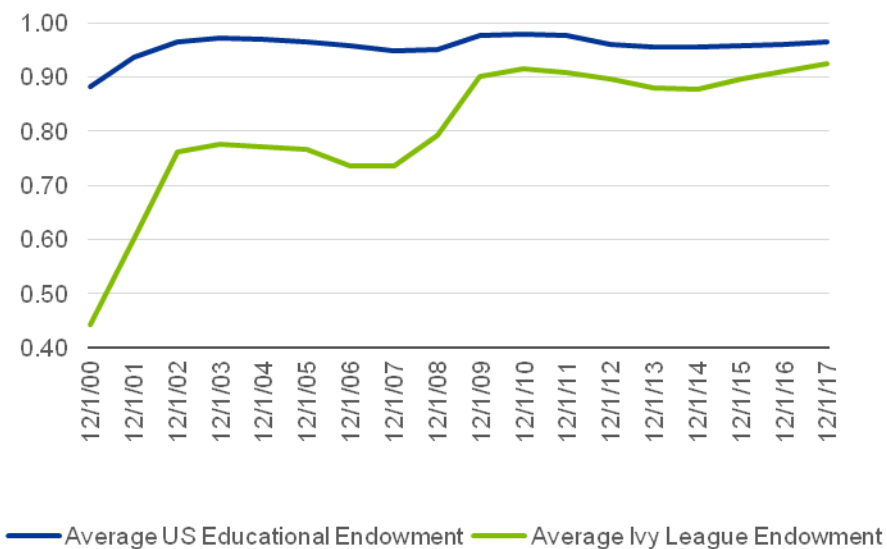


Source: Bloomberg, HFR, as of 12/31/2017. Hedge Fund returns reflect index returns from Hedge Fund Research (HFR), a research firm that produces hedge fund indices. Index levels are publicly available on Bloomberg. Hedge Fund industry AUM figures are also publicly available at www.barclayhedge.com/. Index data provided for illustrative purposes only. Indexes are unmanaged and it is not possible to invest directly in an index. Past performance is not indicative of future results.

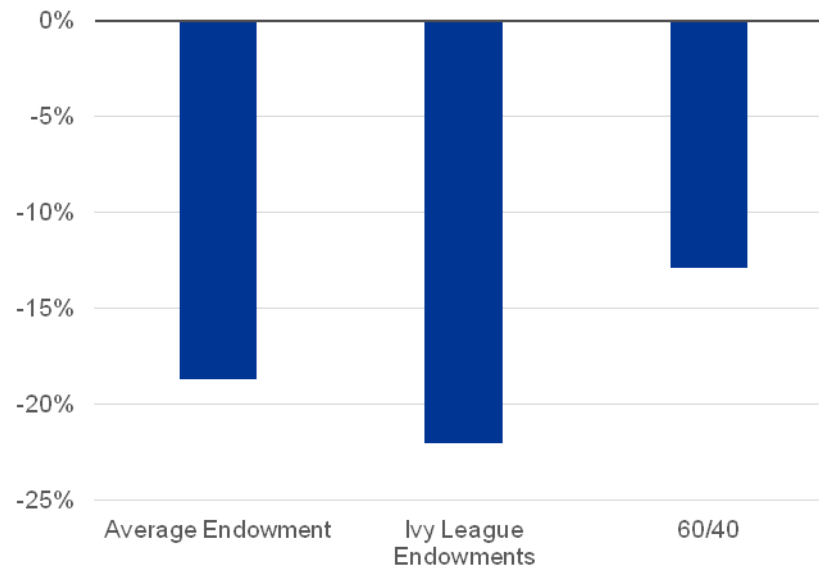
BlackRock E&F OCIO - Evaluation of Long-Term Endowment Performance

Endowments have not exhibited strong diversification, especially over the last decade

Endowment Rolling 10-Year Correlation to S&P 500



Endowment Performance vs. 60/40 During Fiscal 2009



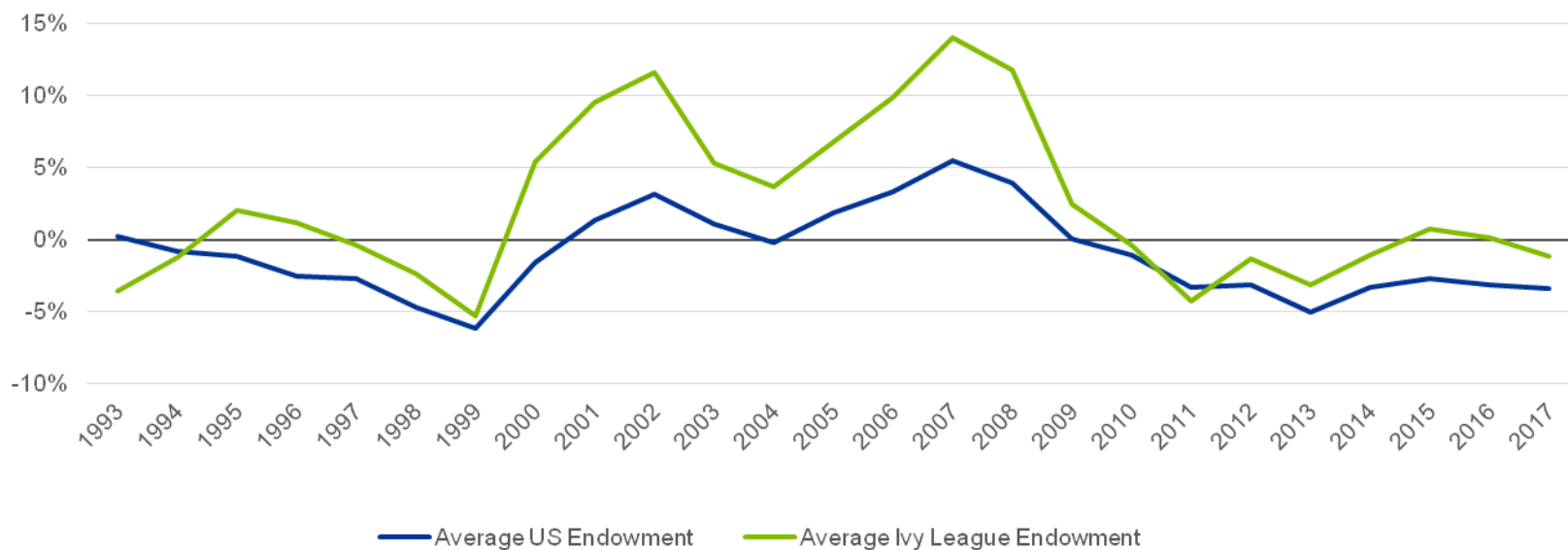
Source: NACUBO Commonfund Study of Endowments 2012-2016 as of February 2017, Financial Analysts Journal, as of January 2013.

The above is for illustrative purposes only and should not be used for investment decisions. All returns are shown net of investment management fees. Average US Endowment universe consists of around 800 public and private universities of varying endowment sizes who responded to a survey done by the National Association of College and University Business Officers. Average US Endowment from 1993-2017 and Average Ivy League Endowment from 1993-2011 are provided by the Financial Analysts Journal. Returns are only available until 2011 for the Ivy League Endowments because the journal article was released in 2013. Average US endowment data is released by NACUBO annually. Ivy League Endowment performance for 2012-2016 is proxied by the average of the returns of the Harvard University, Yale University, Princeton University, Columbia University, Brown University, Cornell University, University of Pennsylvania, and Dartmouth College from 2011-2016. These returns are directly sourced from their respective investment management office. 60/40 represents the historical performance of a portfolio that is 60% Equities (proxied by the S&P 500) and 40% Fixed Income (proxied by the Bloomberg Barclays US Aggregate.) from 1993-2017. Index data provided for illustrative purposes only. Indexes are unmanaged and it is not possible to invest directly in an index. Past performance is not indicative of future results.

BlackRock E&F OCIO – Evaluation of Long-Term Endowment Performance

Endowment performance had been quite strong leading up to the Global Financial Crisis but it has been consistently weak since then

Endowment Excess Returns – Trailing 3-Year Performance vs. 60/40



Source: NACUBO Commonfund Study of Endowments 2012-2016 as of February 2017, Financial Analysts Journal, as of January 2013.

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