The CFA Society of Austin Presents
2010 Annual Forecast Dinner

CURRENCIES, COMMODITIES, & EMERGING MARKETS

7:00 pm – 9:00 pm

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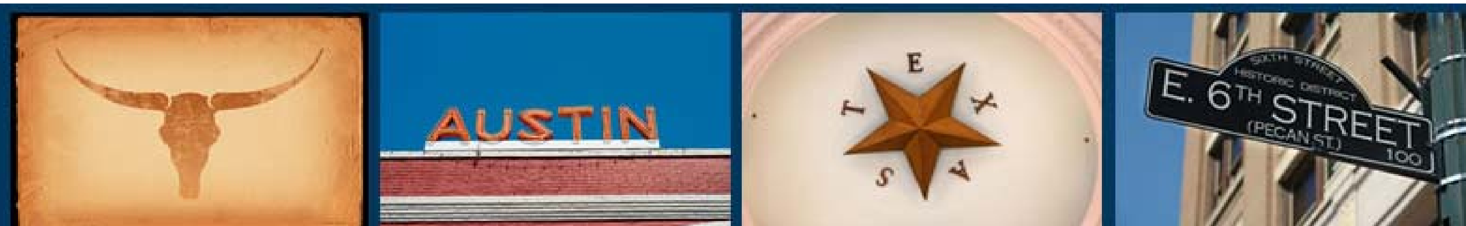

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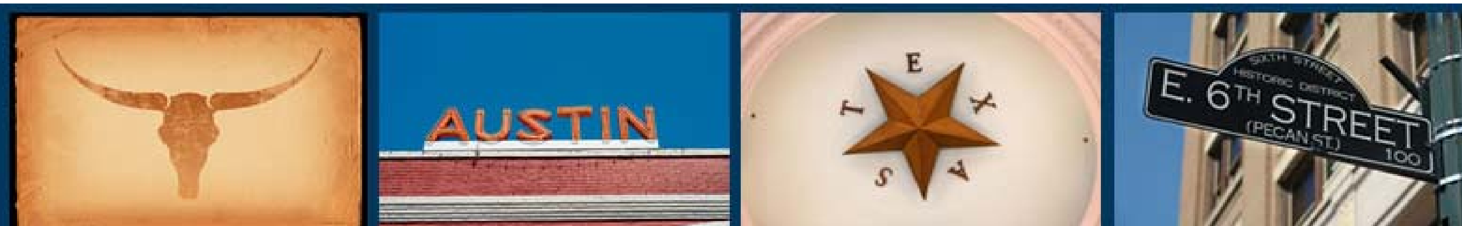

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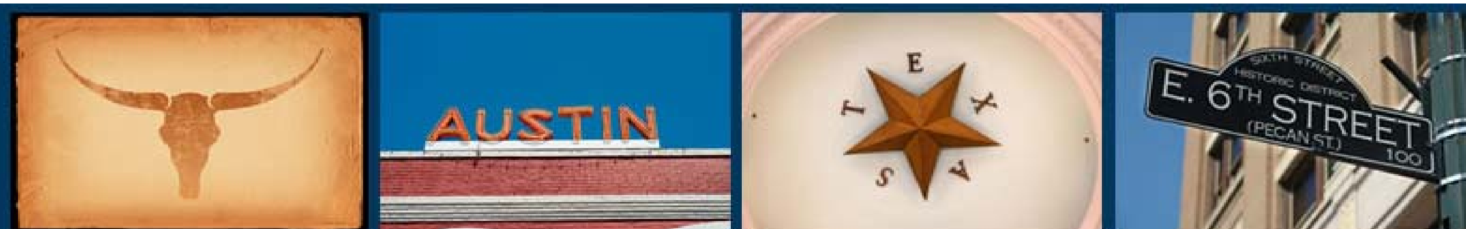
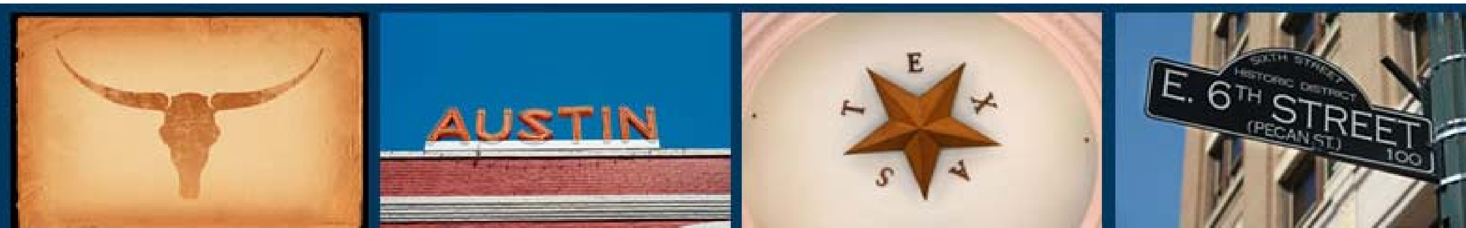


Forecast Dinner Committee Volunteers

- Sara Seely – Committee Chair
- Nick Ballard
- Brad Gurasich
- Matthew Jachimiak
- Richard Piotrowski
- Amy Schneeberger
- Ashley Strange



Presentation Timeline

- Panel introduction
- Panelist opening remarks
- Question and answer
- Panelist closing remarks

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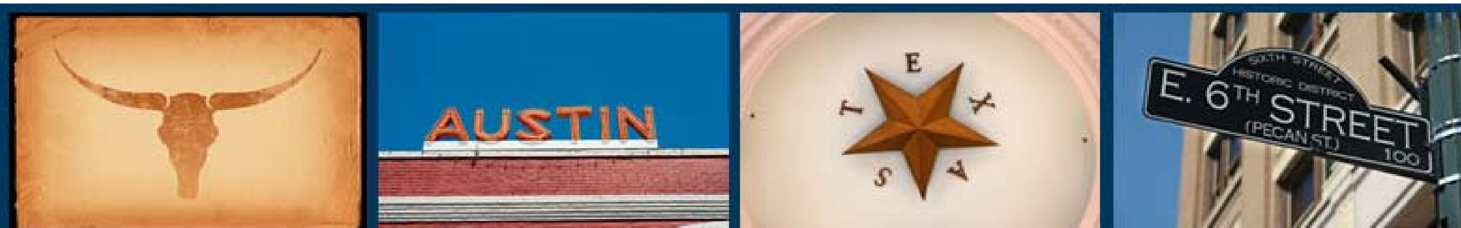

Panel

- **David Abramson** Bank Credit Analyst Research Group
- **Jon Najarian** CNBC’s Fast Money
- **Dan J. Rice III** BlackRock
- **Ruchir Sharma** Morgan Stanley Investment Mgmt

Moderator

- **Michael Santoli** Barron’s

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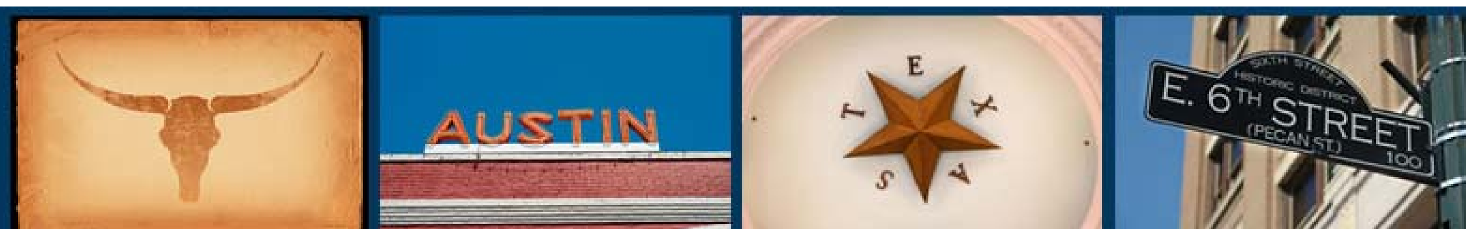


BCA RESEARCH

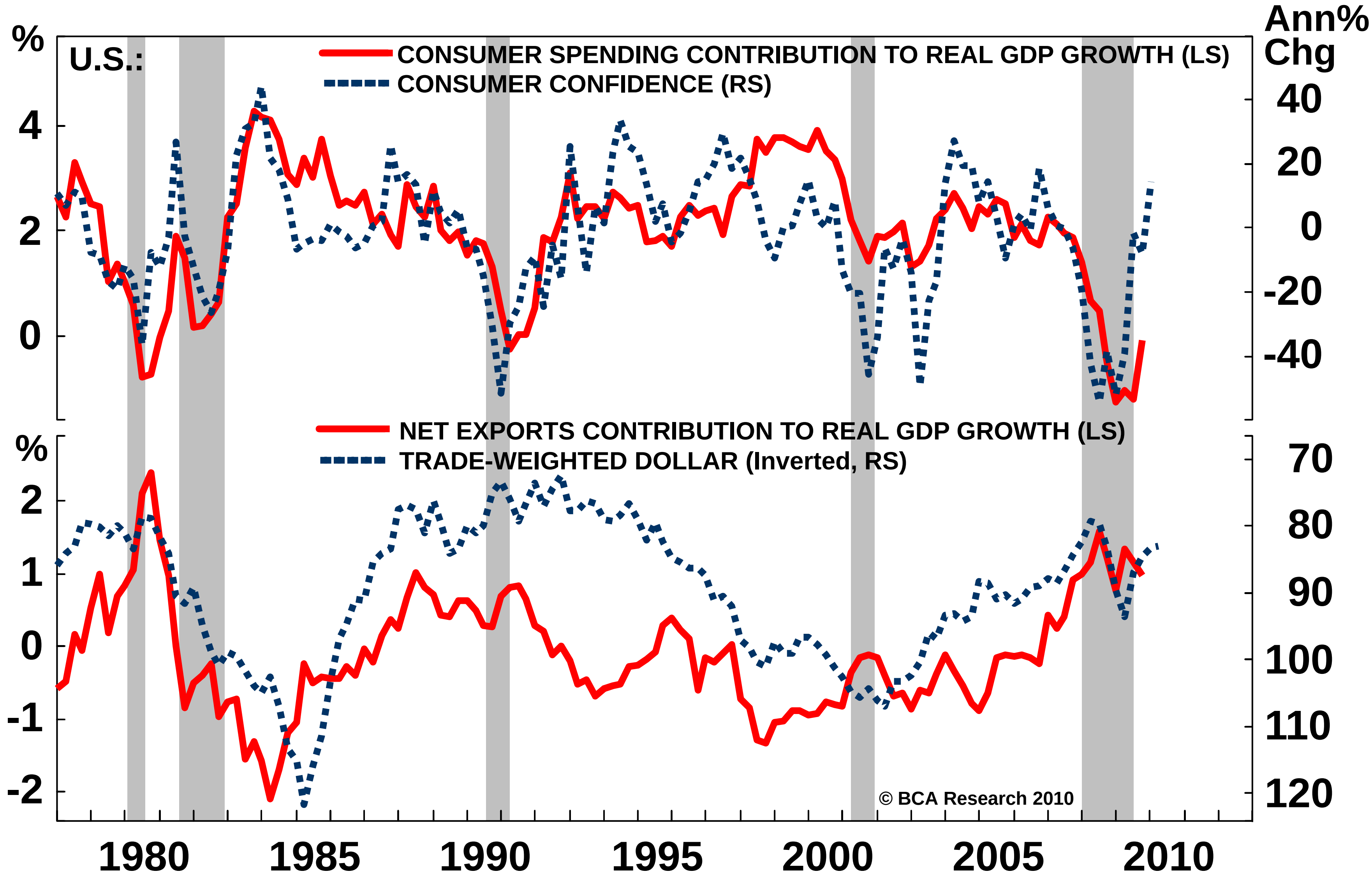
Independent Investment Research Since 1949

CFA Society of Austin
Austin, Texas - January 2010

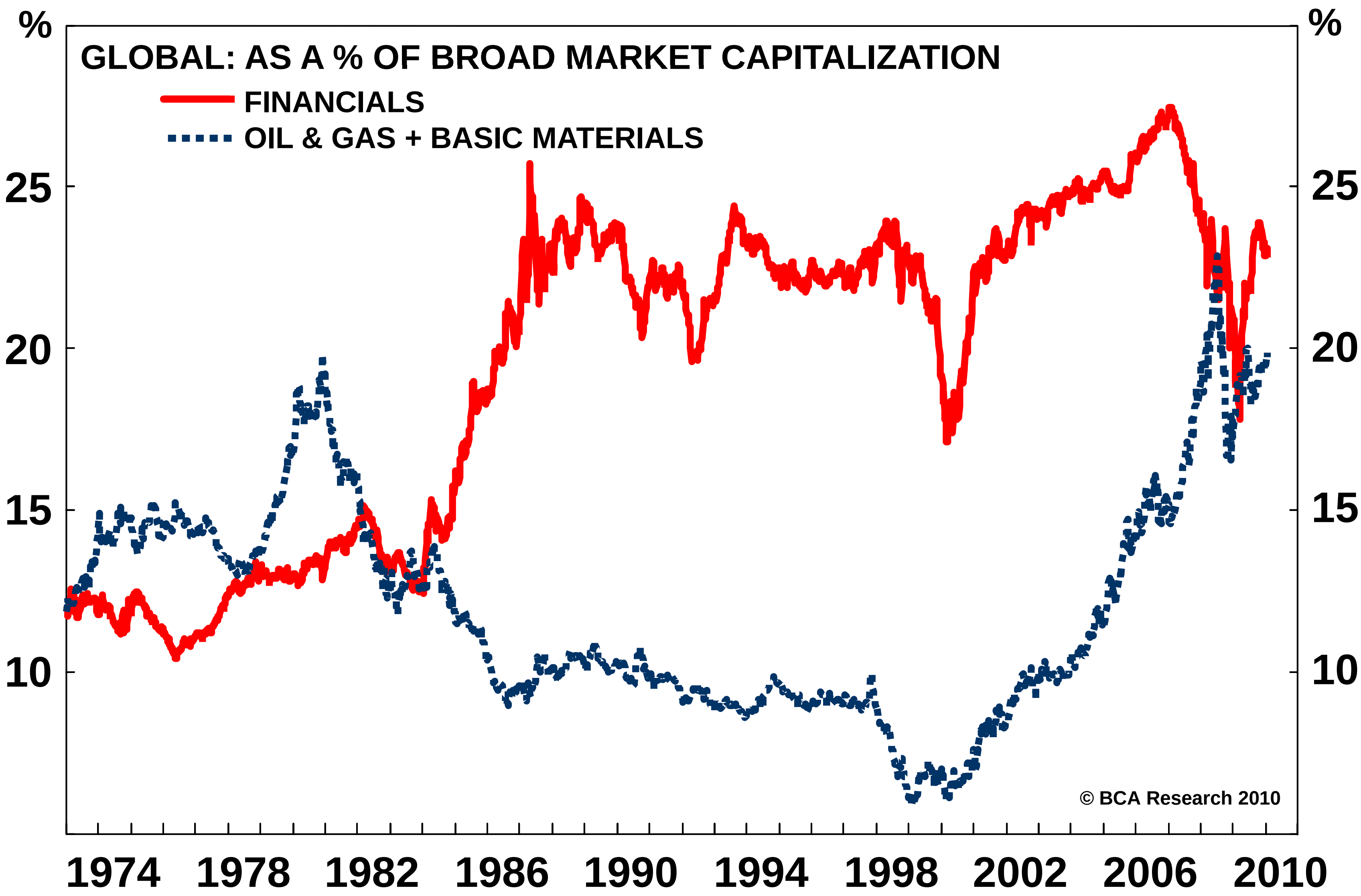
Soft Landing, China And The Dollar

David Abramson
Managing Editor
Commodity and Energy Strategy

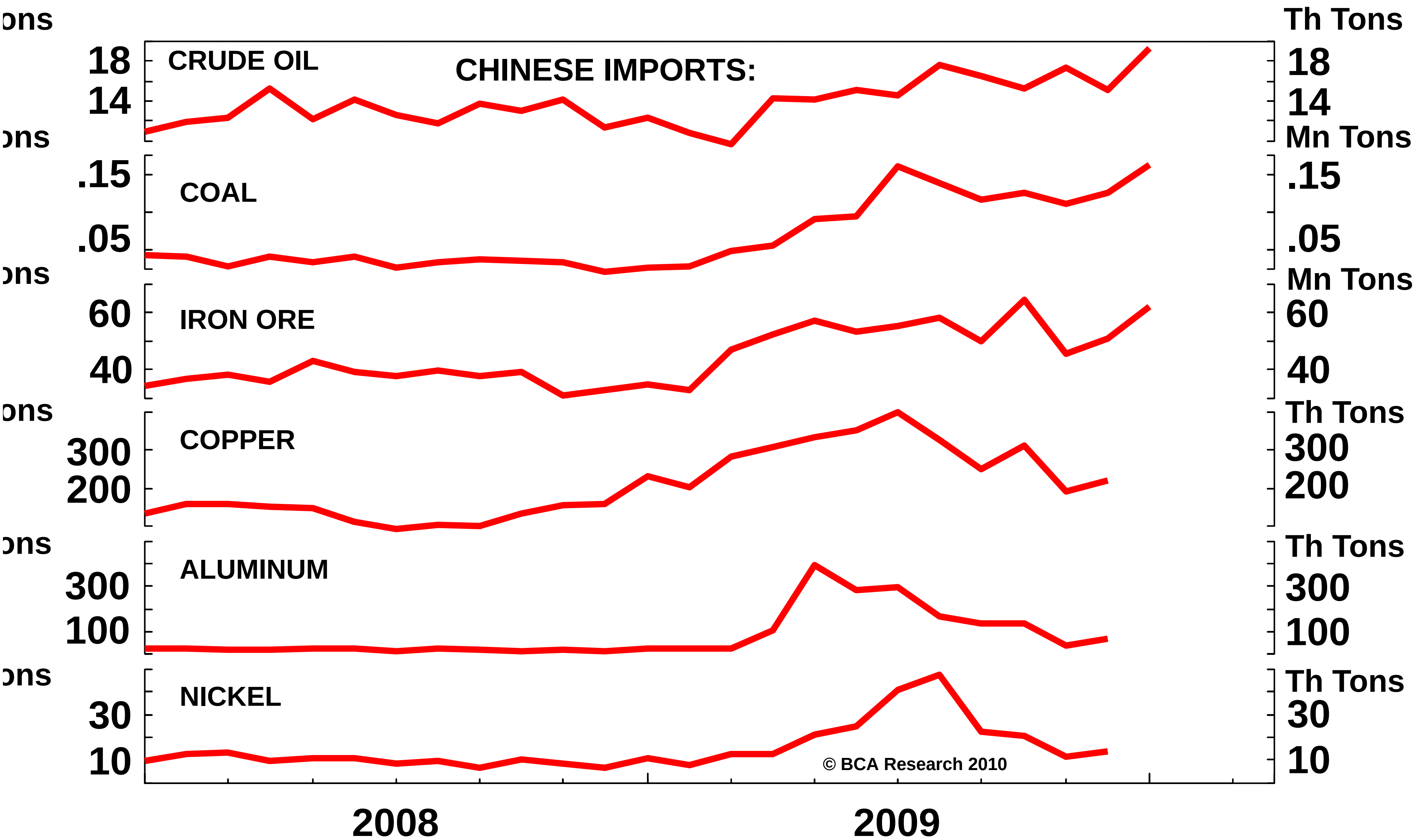
WHAT WOULD A SOFT LANDING LOOK LIKE?



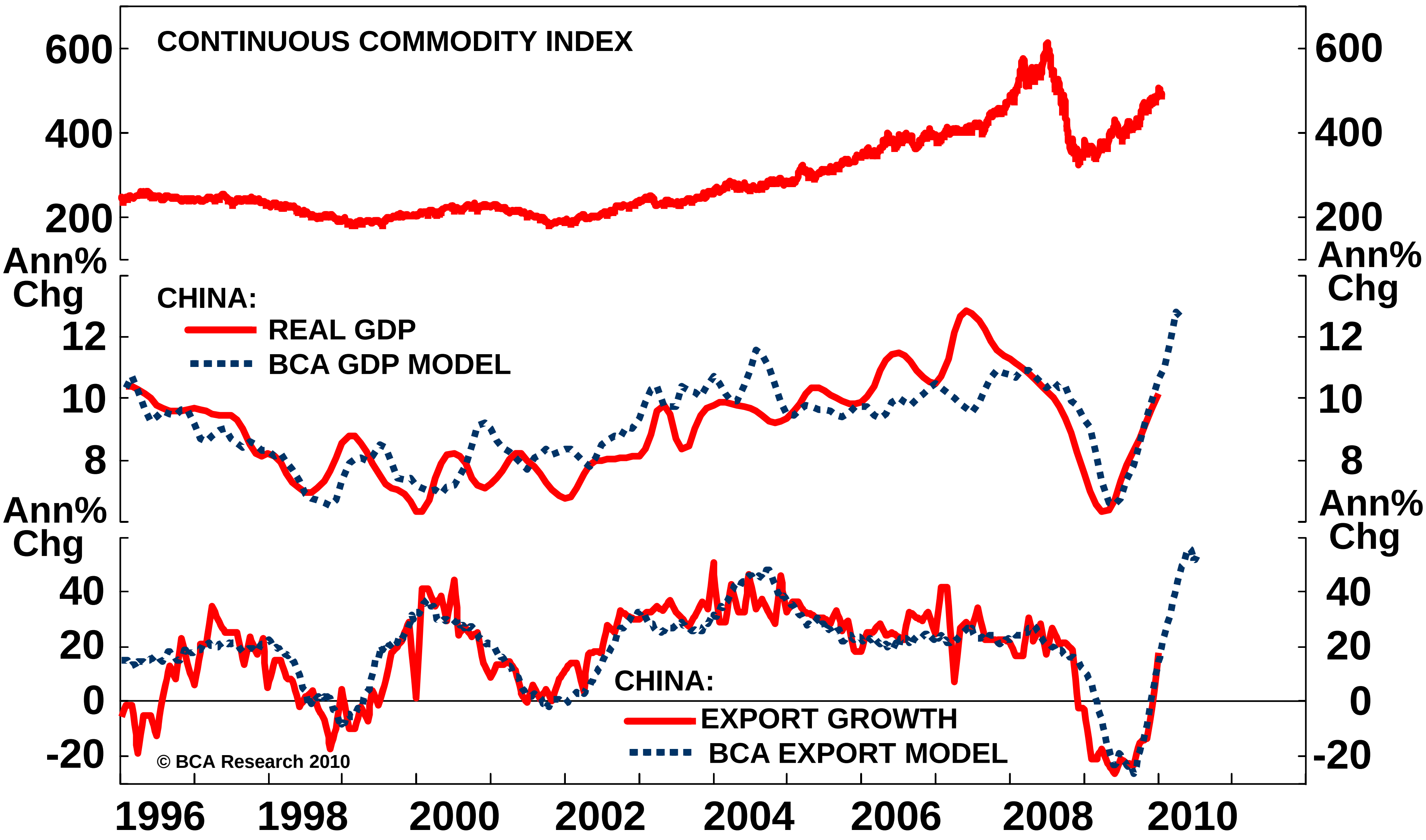
EQUITY UPTREND COULD FAVOR GLOBAL PLAYS



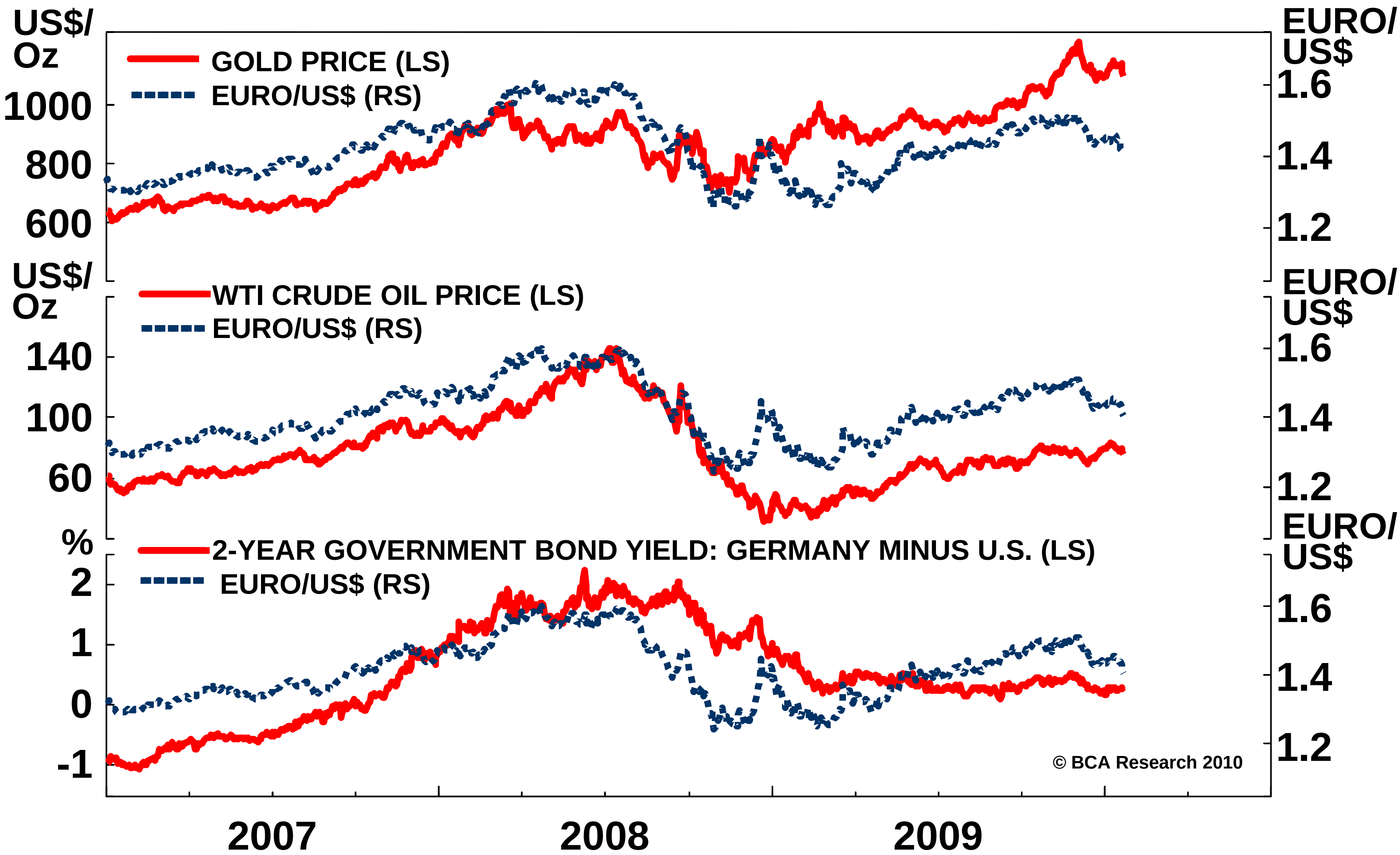
HOW LONG WILL THE CHINESE IMPORT SURGE LAST?



CHINA: NO SLOWDOWN WITHOUT POLICY SHIFT



DOLLAR AFFECTS COMMODITY BAROMETERS



Jon Najarian

CNBC Fast Money
OptionMonster

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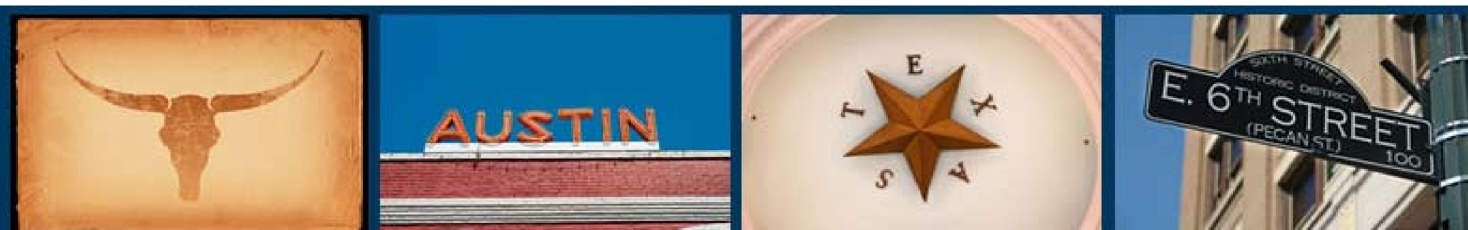


Energy Market Overview

Dan Rice, CPA

Managing Director

Co-head of BlackRock Energy Team

January 28th, 2010

BLACKROCK

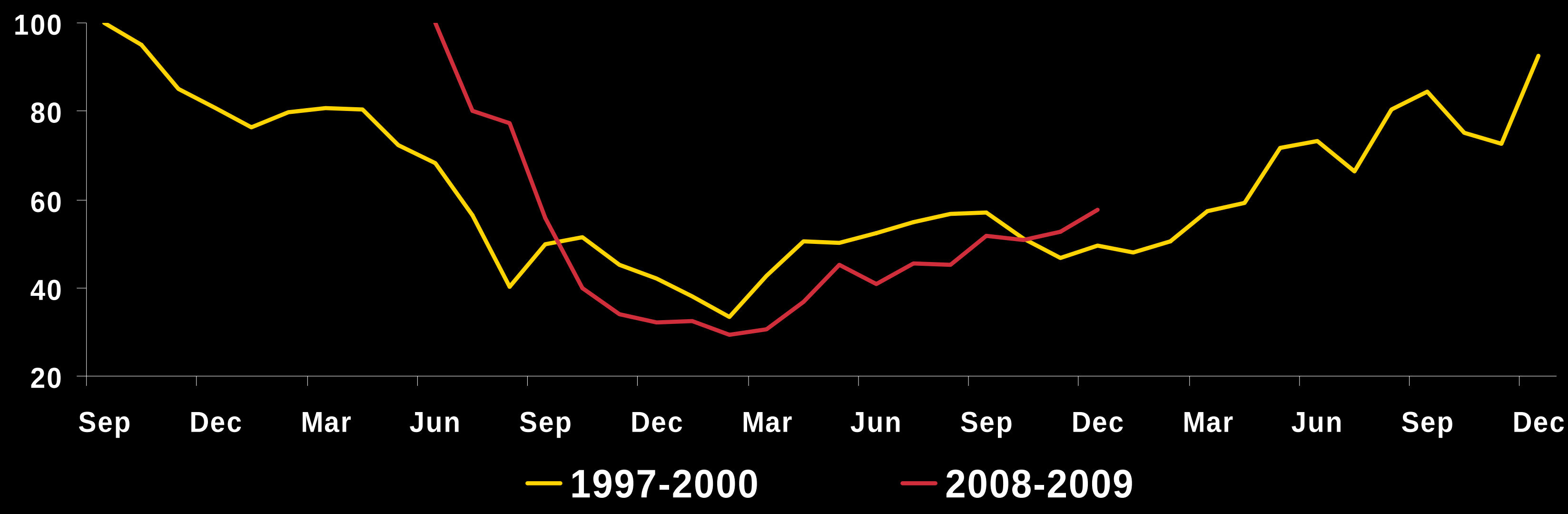
Post-2008 Collapse: We Have Seen This Before

BlackRock's seasoned portfolio managers have lived through this before

- We maintain long-term investment horizons, tolerating short-term volatility for long-term gains
- Adherence to a strict investment discipline focuses on market perception of long-term prices relative to our long-term forecast results in aggressively positioned portfolios
- Investors have a tendency to 'wait' until visibility improves, while the market tends to look out six to twelve months

Energy & Resources: Then and Now

Growth of $100 in BlackRock Energy & Resources Fund over two distinct time periods



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BLACKROCK

Post-2008 Collapse: We Have Seen This Before

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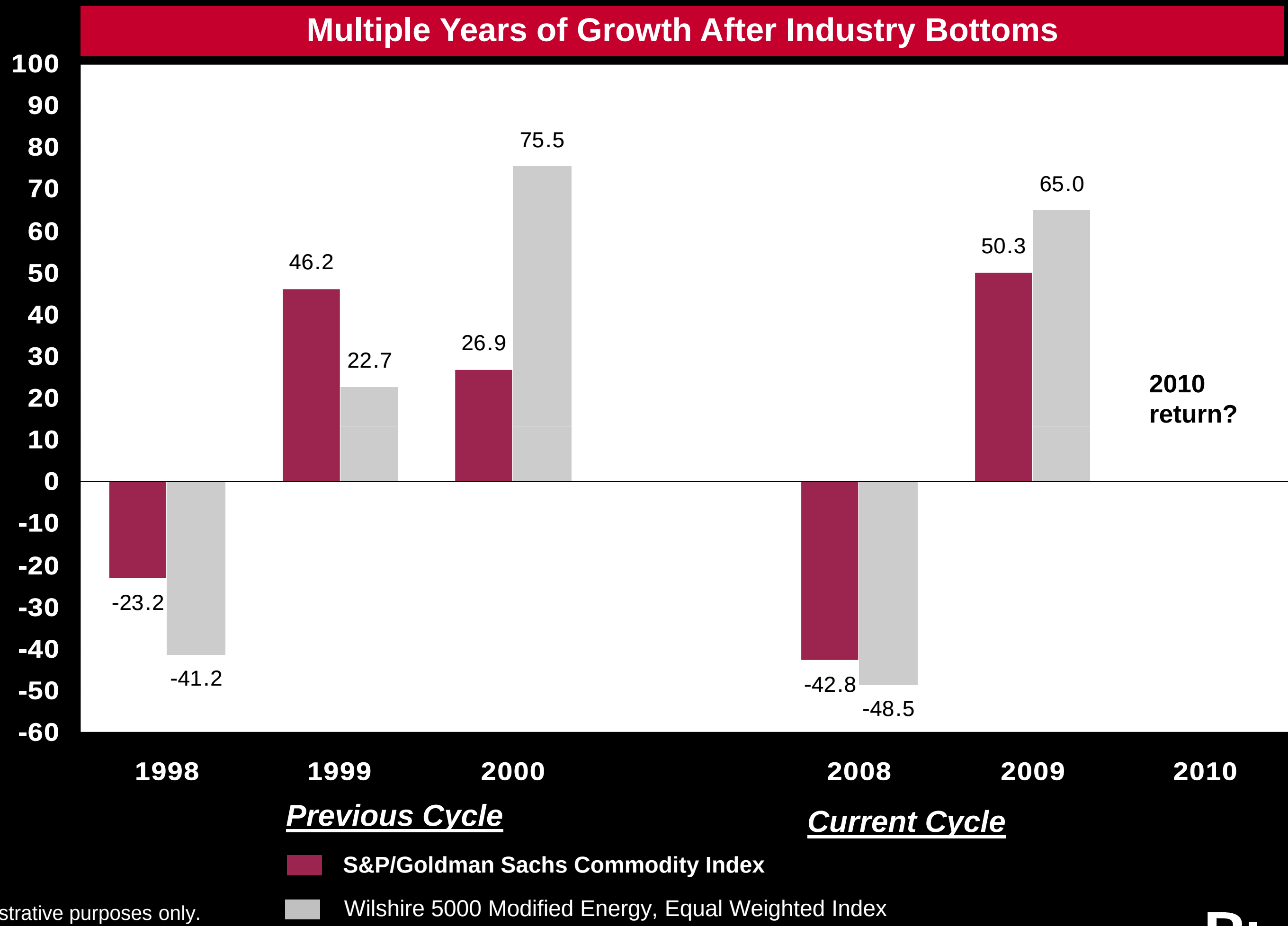


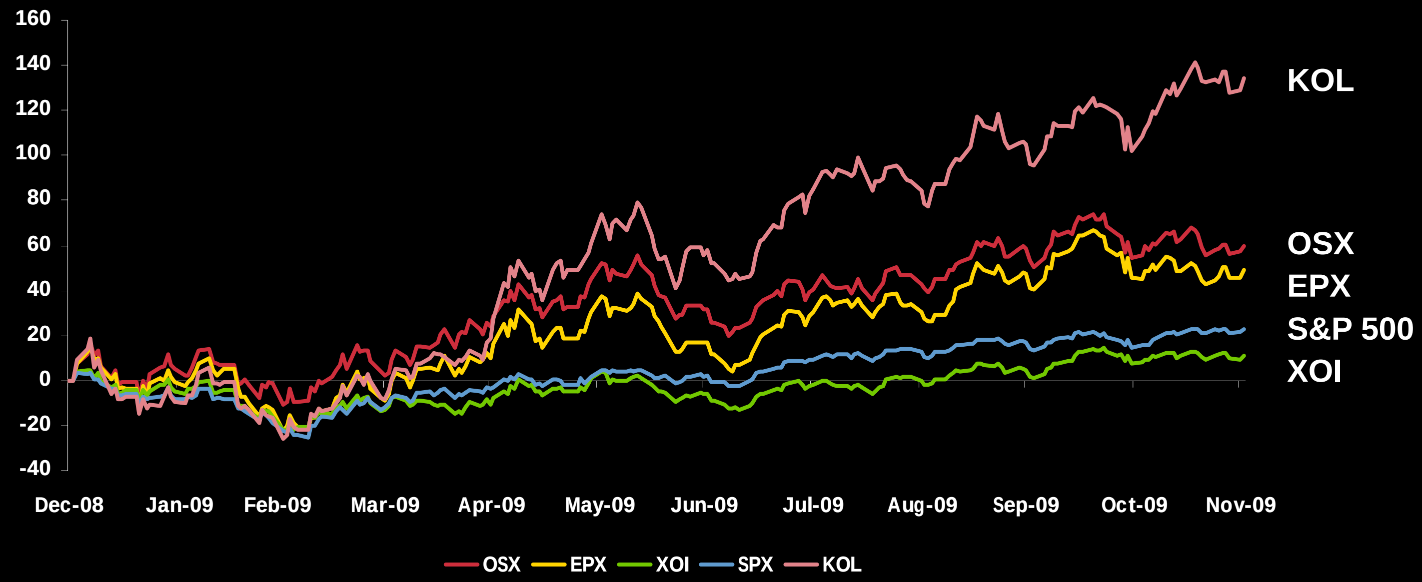
For illustrative purposes only.

“Most” of Energy Has Been a Leadership Group

Differentiated year-to-date performance by sub-industry

- Oil service stocks up approximately 60%
- Exploration & production stocks up almost 50%
- Coal stocks up approximately 130%
- Integrated oil & gas stocks up 10%
- S&P 500 Index up approximately 20%

Majority of Energy Sub-Industries Outperform Broad Market Year-to-Date



Source: Bloomberg as of 12/2/09. Investing involves risk. Stated preferences are those of BlackRock as of December 2009 and are subject to change. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index. XOI represents the NYSE ARCA Oil Index, OSX represents the Philadelphia Oil Service Index, EPX represents the Philadelphia Exploration & Production Index and KOL represents the Market Vectors Coal Index.

BLACKROCK

Valuations Remain Favorable

Coal stocks have the most attractive risk/return dynamics

- Discounting $55-$60/ton compared to our long-term expectations of prices above $80/ton

Continue to see opportunities within E&P, just not in all sub-groups

- Oil related producers discounting $65/bbl relative to $80+ long-term expectation
- Conventional gas producers discounting $6.50/mcf vs. long-term expectations of $6.50-$7.50/mcf suggesting limited upside potential
- Shale gas producers have at least a 25% economic advantage that is not currently priced in by the market

Oil service discounting $70/bbl versus $85+ expectations—stock selection matters

Integrated oils… Own if you don't like the sector or the market

Oil Valuations by the Barrel

Date	Typical Oil Stock Discounting ($/bbl)	BLK LT Price Expectation ($/bbl)	Spot WTI Price	1 Yr NYMEX WTI Contract	5 Yr NYMEX WTI contract
12/31/2007	60	75+	96.00	90.97	85.43
6/30/2008	85	90+	140.00	140.84	136.04
12/31/2008	45	85+	44.60	59.51	73.40
6/30/2009	55	85+	69.89	75.14	83.63
12/31/2009	65	85+	79.36	84.44	92.11

Source: BlackRock. Investing involves risk. Stated preferences are those of BlackRock as of December 2009 and are subject to change.

Morgan Stanley Investment Management

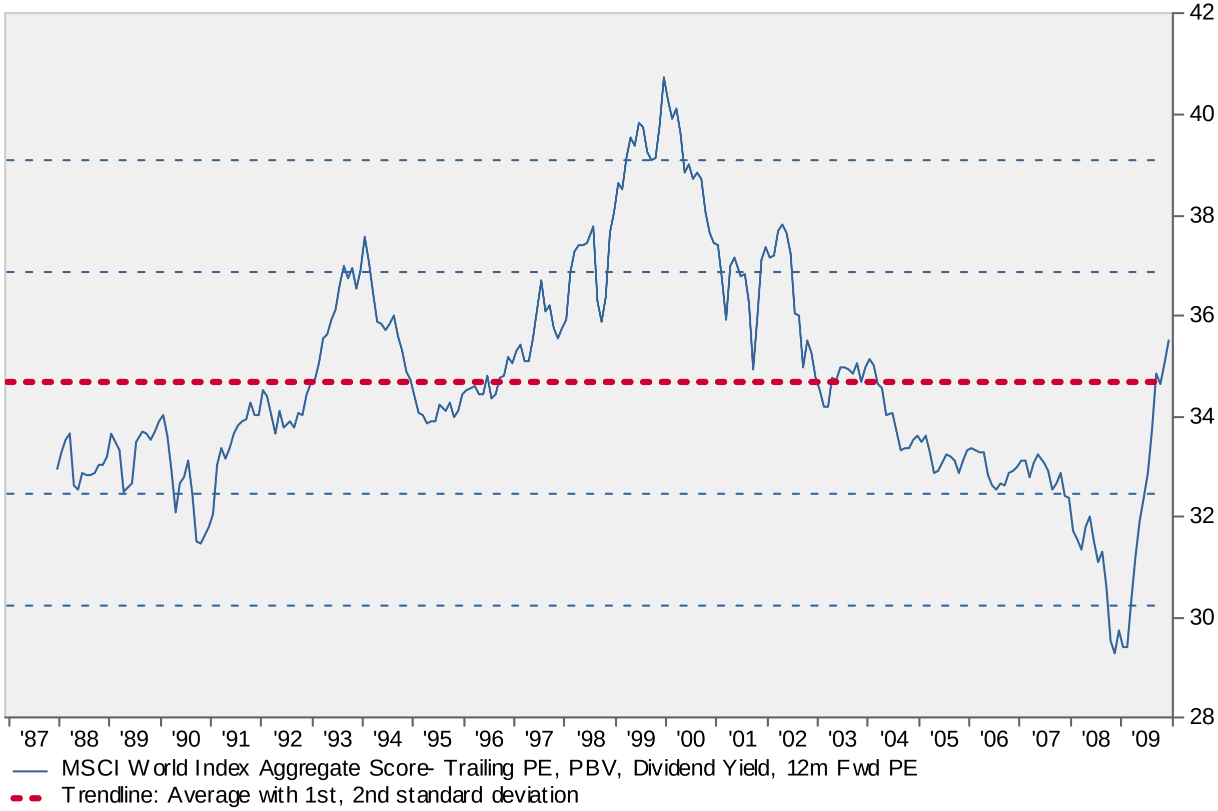
Morgan Stanley

Investing In a Horizontal World

Ruchir Sharma

Morgan Stanley

Global Equities: Back to Fair Value

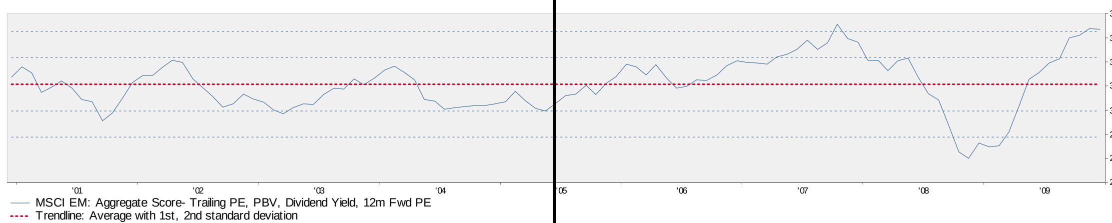


Source: MSIM Emerging Markets Research, FactSet, Data as of December 31, 2009

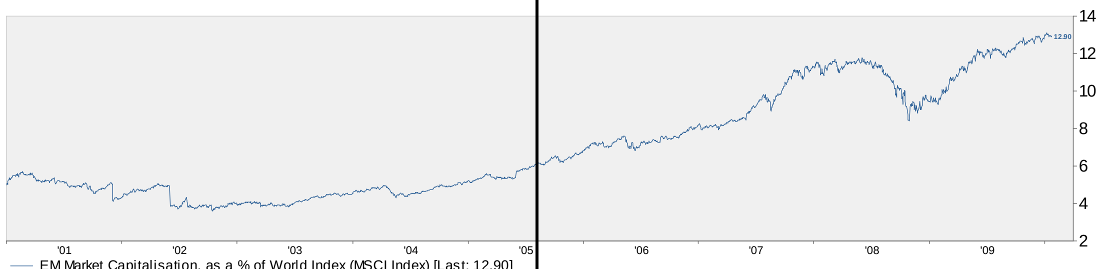
Morgan Stanley

EM Equities: A Much Changed Picture

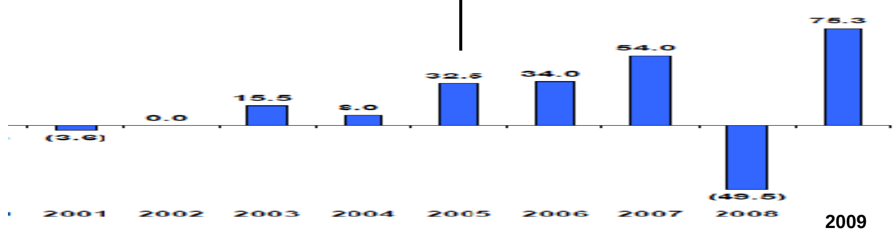
	Beginning of Naughties		Now
Aggregate Valuation Score	CHEAP	→	FAIRLY VALUED



EM Market Cap % of ACWI	SMALL	→	GROWN-UP



Equity Flows (USD Bn) into Global EM Funds	IGNORED	→	WELL RECOGNIZED



Source: FactSet, Valuation Data as of 31 December 2009; Market Cap data as of 21 January 2010; Equity Flows data as of 11 December 2009- Morgan Stanley

Morgan Stanley

Valuations Far From Bubble Territory in EME

- Average trailing PE valuations at past bubble peaks 57x
- EME 170% below bubble territory

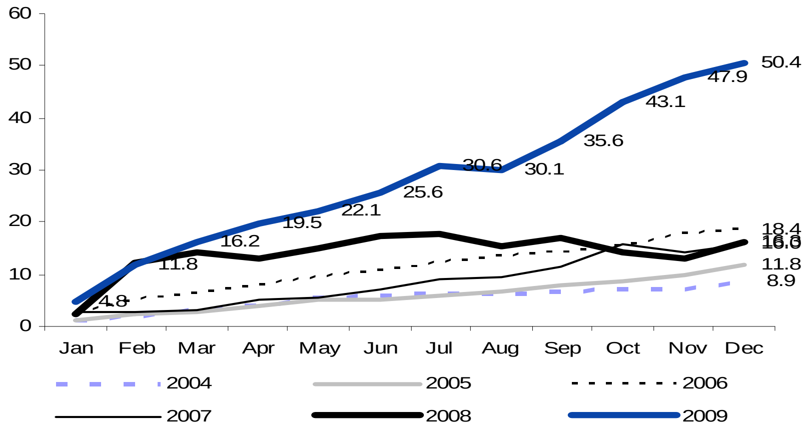
		Peak PE (Trailing)	Avg. PE 5y before
EME	Now	21	14
China	2007	35	24
Saudi	2006	129	38
China	2001	48	40
India	2000	24	15
Korea	2000	50	49
Nasdaq	2000	69	30
Taiwan	1990	64	31
Japan	1989	51	45
Hong Kong	1973	>44	na
AVERAGE		57	34

Source: Morgan Stanley Investment Management, FactSet, Bloomberg
Note: Saudi Trailing PE excluded from Average Bubble PE calculation as it is an outlier

Echo Bubble in Commodities

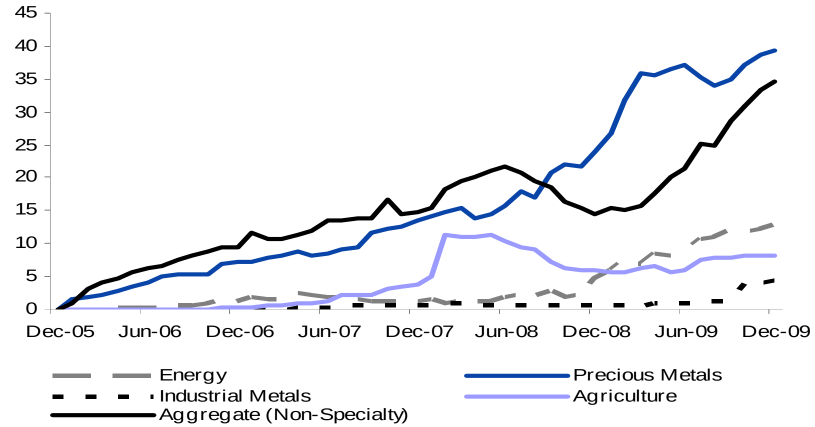
The Paper Chase

Cumulative Inflows into Commodity Funds by Year (USD bn)



Source: JP Morgan, end December 2009

Cumulative Inflows into Commodity Sector (USD bn)



Source: JP Morgan, end December 2009

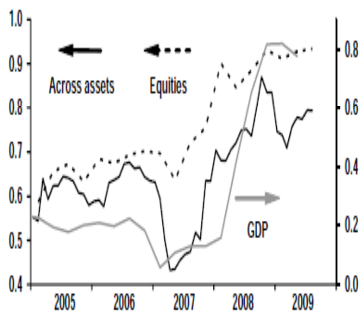
- Excess liquidity has led to “paper demand” for commodities
- Commodity ETFs have attracted inflows of more than $50bn in 2009, more than twice the annual average pace of 2003-07 boom years
- Average total inflows per month have been $5bn compared to $1.2bn in 2008

Synchronicity May No Longer Be The Buzzword

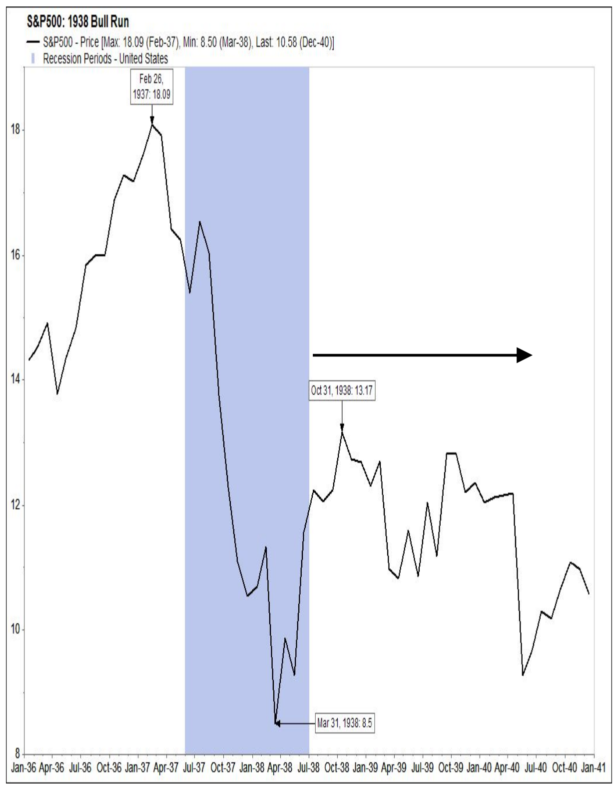
The S&P 500 entered a flat phase after it gained 55% between March 1938 and October 1938 and 50% between September 1974 and June 1975

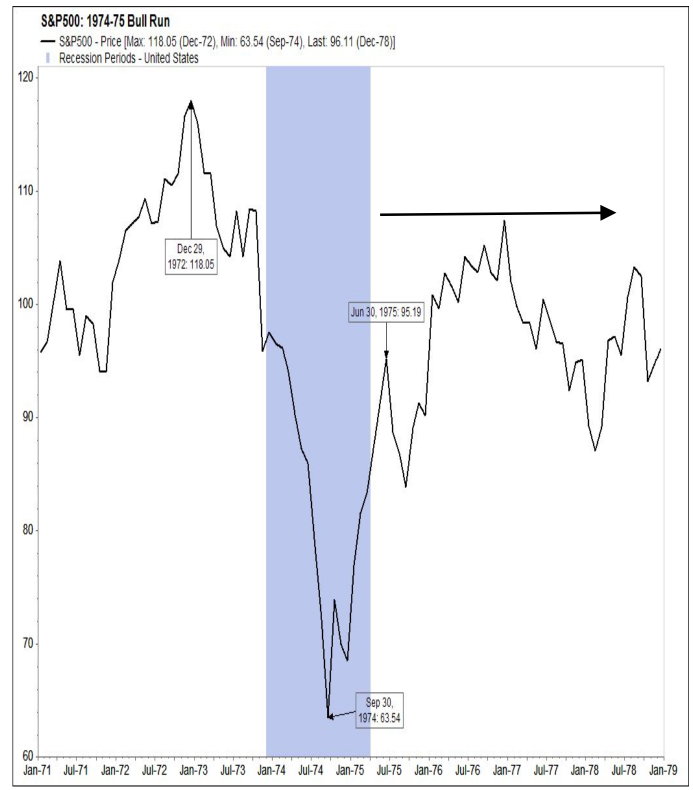
Commodities, the dollar and equities were all part of one big macro trade as suggested by extreme correlations

Synchronization of Asset Classes vs. Synchronization of Developed Markets GDP



Source: JPMorgan, equities data as of September, 2009; GDP data as of June 30, 2009; assets data as of August 31, 2009





Source: MSIM Emerging Markets Research, Factset

Panel Discussion

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