

Opportunistic Investments

Jeff Gary

*Managing Director and
High Yield Portfolio Manager*

August 2008

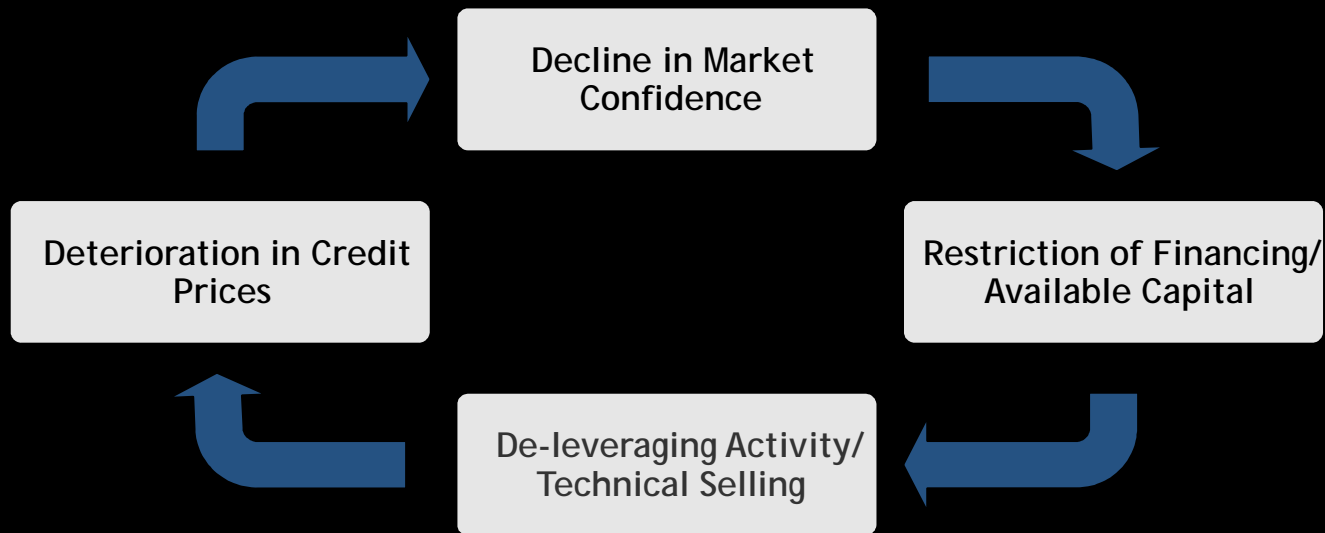
The opinions presented are those of Jeff Gary, BlackRock High Yield Portfolio Manager as of June 25, 2008 and may change as subsequent conditions vary. Individual portfolio managers for BlackRock may have opinions and/or make investment decisions that may, in certain respects, not be consistent with the information contained in this presentation. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. Past performance does not guarantee future results. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

FOR FINANCIAL PROFESSIONAL USE ONLY. Not to be shown to clients under any circumstances.

BLACKROCK

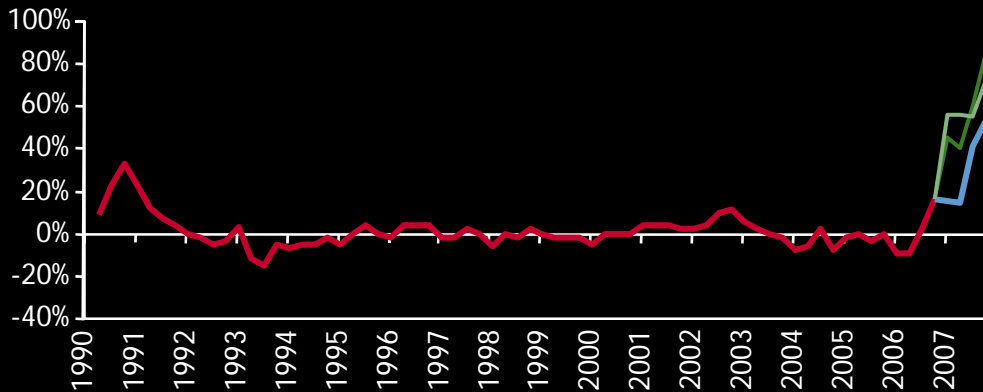
Deleveraging Cycle

De-leveraging Cycle Impairs Liquidity and Accentuates Price Declines

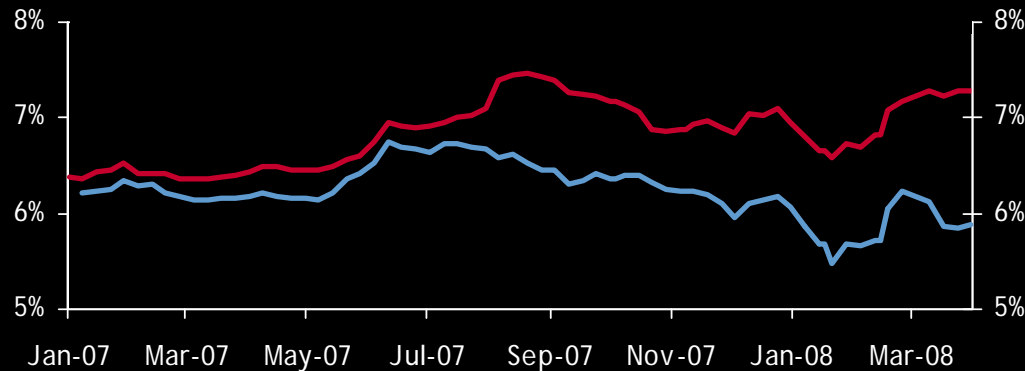


A cycle of de-leveraging has created remarkable stress and dislocations, even within high-quality fixed income asset classes.

The U.S. Consumer: Tightening Credit Conditions



— Net % of Domestic Respondents Tightening Standards for Mtg. Loans
— Prime
— Nontraditional
— Subprime



— 30yr jumbo mortgage — 30yr fixed-rate mortgage

Tighter lending standards

Loan officers have tightened standards to all-time high

High mortgage rates

Rates on some types of mortgages have risen as the Fed as eased policy

A result of financial market de-levering

Source: Federal Reserve, Federal Home Loan Mortgage Corporation (Freddie Mac)

What To Expect

What to Expect

Liquidity continues to be very low

- Balance sheets of financial institutions remain under extreme strain

Volatility remains high

- The unwinding of leverage continues to put pressure on the markets
- Structured finance deals continue to be unwound, forcing more asset sales into a weak market (a systemic “margin call”)

Focus on Areas of the Market with Supply/Demand Imbalances

High Quality Fixed Income

Distressed Mortgages/Real Estate

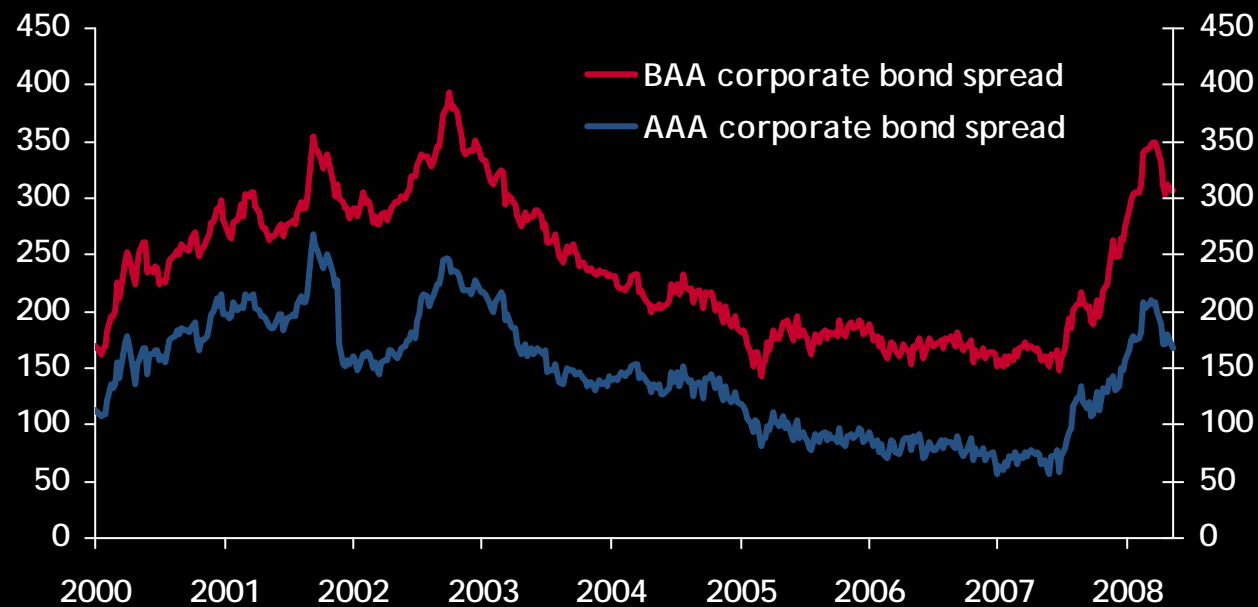
Leveraged Finance

Financial Market Stress: Find the New 'Normal'

The tights of 2006 were abnormal

Both spreads and liquidity not likely to return to those levels anytime soon

Credit Spreads



Source: Moody's, BlackRock

Fixed-Income Outlook: CMBS and Non-agency MBS

Nearly all spread product widened during the de-leveraging—the bad AND the good

There are tremendous pockets of value in some high-quality spread sectors

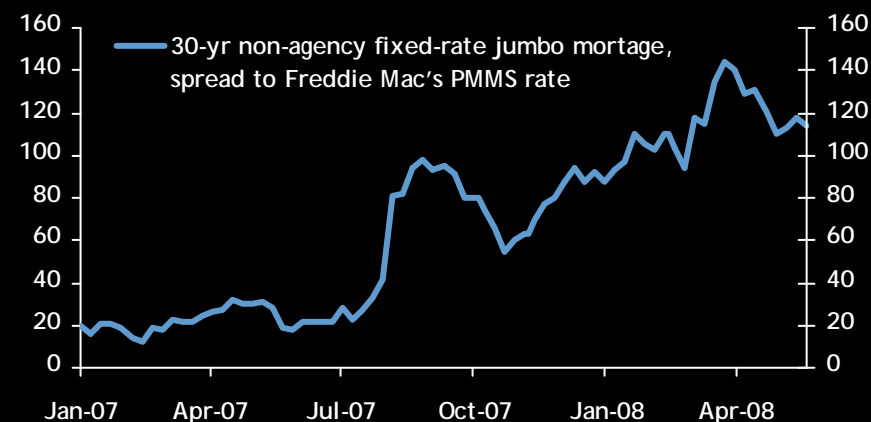
In particular

- AAA CMBS offers attractive value
- Select prime non-agency mortgages are incredibly cheap
- First and second pay subprime ABS

AAA CMBS



Non-agency Jumbo Mortgages



Source: BlackRock

Fixed-Income Outlook: Credit

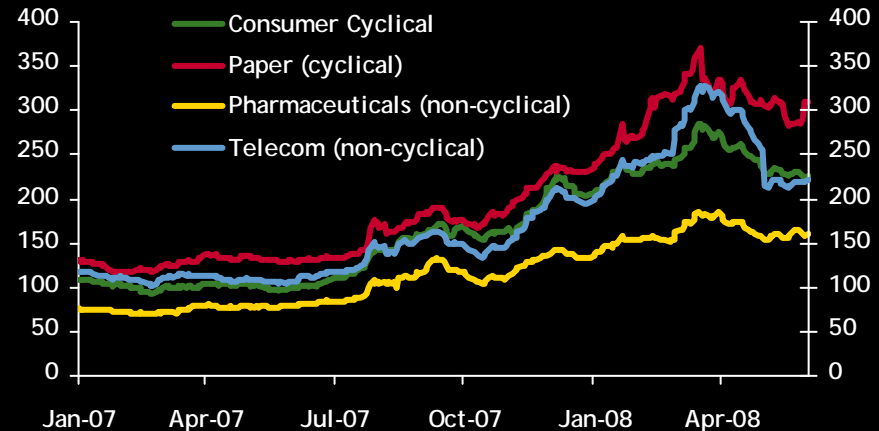
Up in quality is the key theme in credit

- Large cap and non-cyclical industrial corporate bonds look attractive
- Too early to be overweight cyclical corporates, given the prospect for a w-shaped outlook

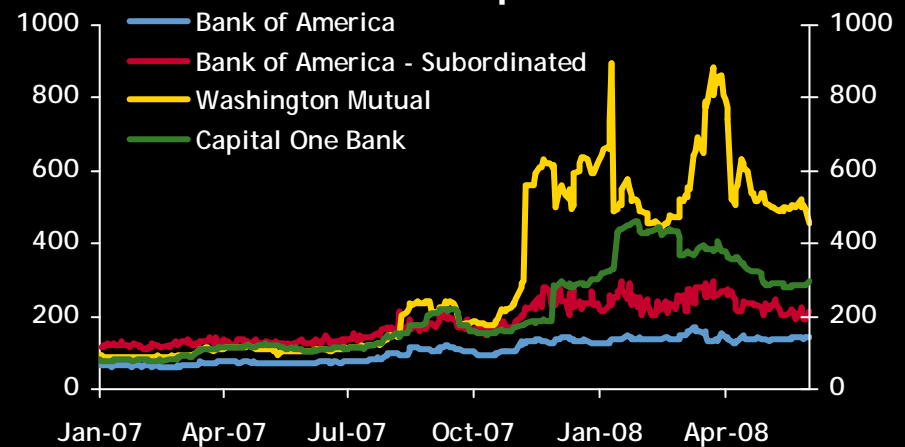
Difficult to make generalizations for financials

- Prefer largest and best positioned banks
- Cautious on smaller, less-diversified institutions

IG Bond Spreads:
Cyclicals vs. Non-cyclicals



US Bank Spreads



Source: Lehman Brothers, BlackRock

Fixed-Income Outlook: US Governments

The US Treasury market has cheapened significantly

Now is closer to 'fair' than 'rich'

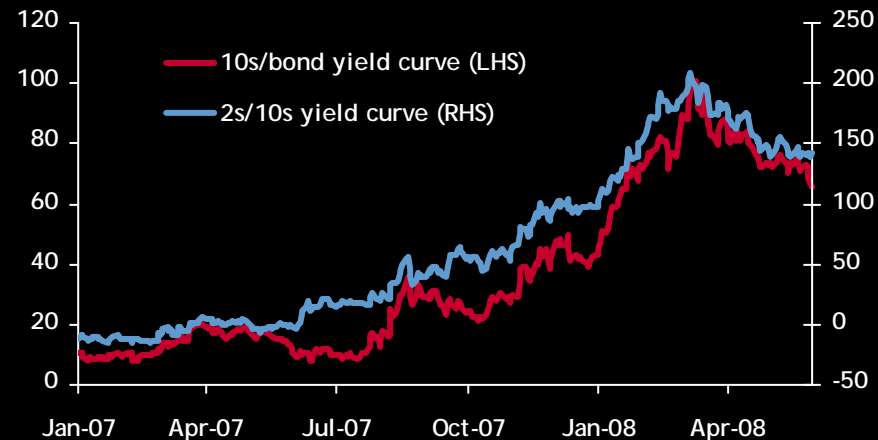
Being long the curve—or prepared for curve steepening—is the more compelling trade

- Rising inflation risk
- Increase in Treasury supply

2yr and 10yr US Treasury Yields



The 2s/10s and 10s/Bond Yield Curve



Source: BlackRock

Leveraged Finance

Current Loan Market Environment

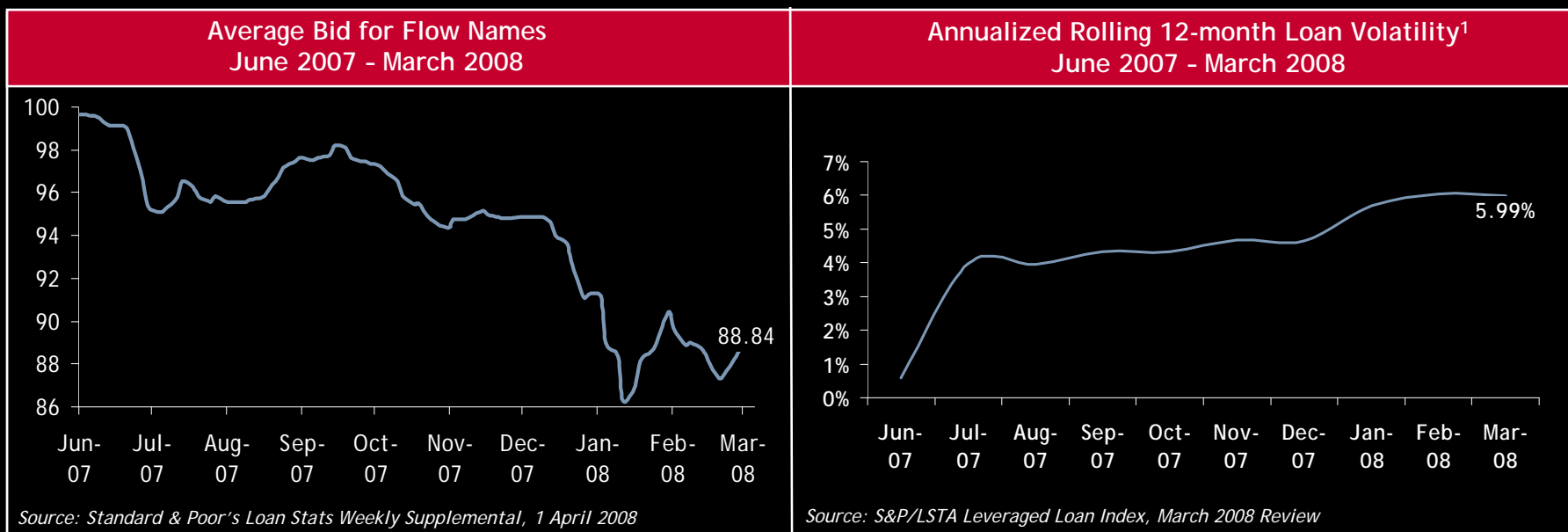
Assumptions about the bank loan market have changed since last summer

Price volatility has almost doubled

Spreads have widened significantly

Recently loan prices have steeply declined and are at lowest historical price levels

Why did this happen...



¹ Average 12-month lagging standard deviation of returns

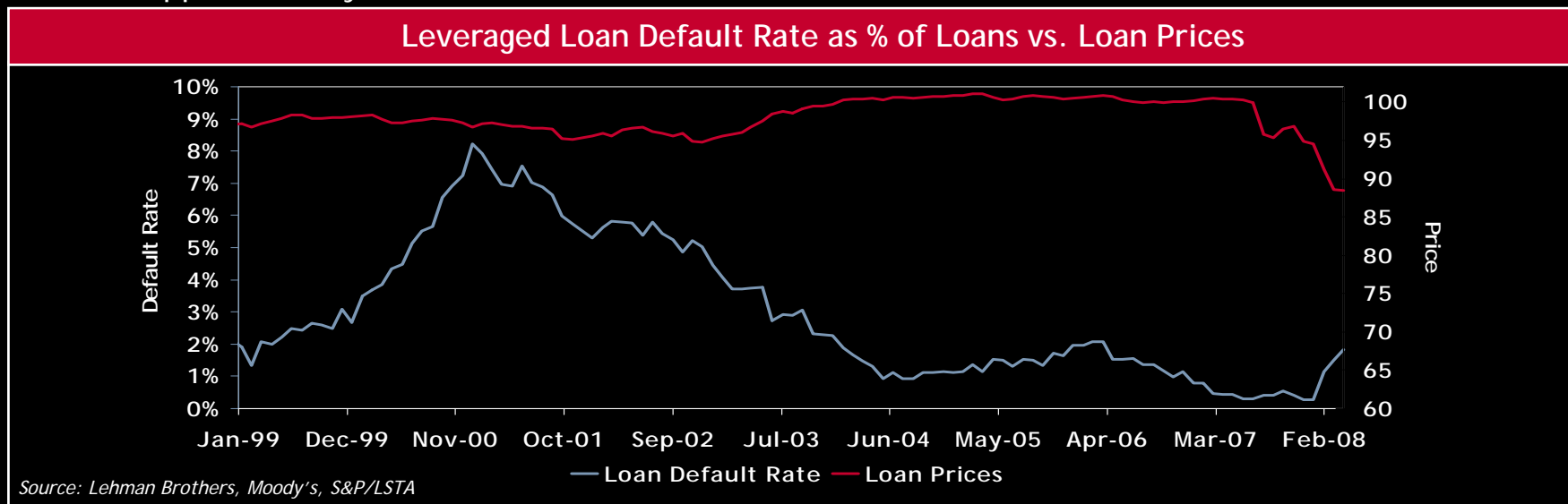
Credit Environment

Finding opportunity in a rising default environment

- Moody's predicts the U.S. loan default rate will increase to approximately 3.0% by the end of 2008 from the February 2008 level of 1.16%¹
 - Current spreads have priced in approximately a 10% default rate²
- Even with defaults significantly above 2007 levels, loans should produce attractive returns

Trading at significant discounts, loan prices are close to historical recoveries on defaulted loans

- Historical recoveries on defaulted loans exceed 70%, bond recoveries are much lower at approximately 42%³



¹ Moody's Investors Service ²UBS Investment Research, "CDO Insight" 23 January 2008; calculated implied default rate of 9.95% given a spread level of 519 basis points, loss given default of 70%, and historical excess spreads of 221 basis points. ³ S&P/LSTA Leveraged Loan Index January 2008 Review

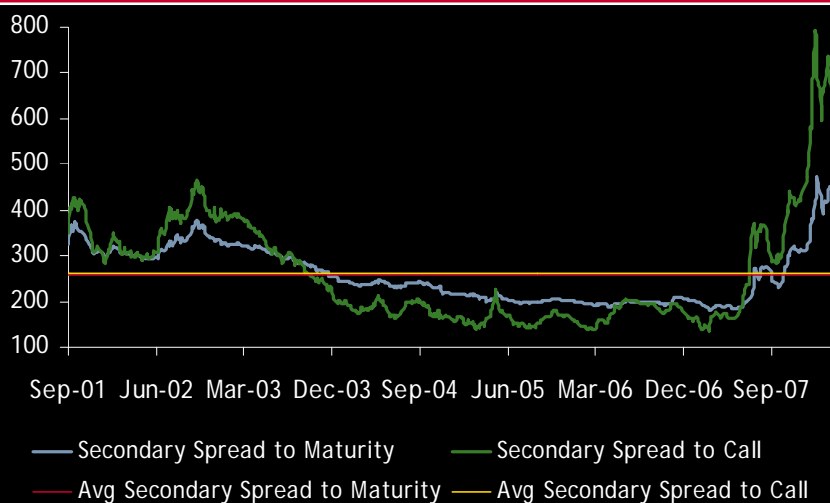
Compelling Relative Value

On a valuation basis, loans are currently cheap

On a spread to call basis, loans are yielding close to 700 basis points above LIBOR

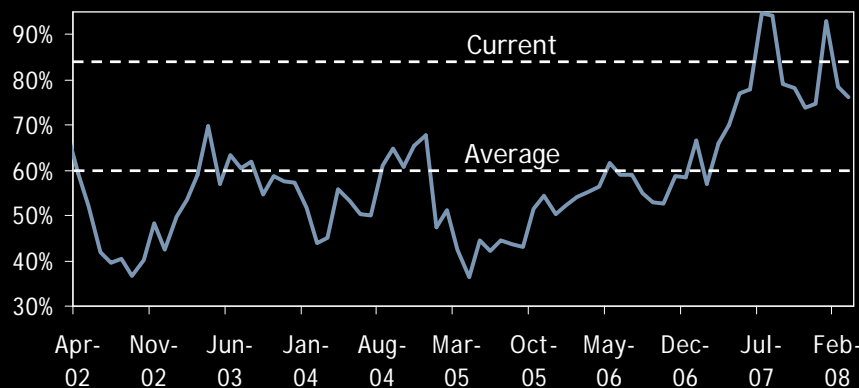
Historically loan spreads have been approximately half of high yield spreads, today they are 77%

Secondary Spread to Maturity¹ versus
Secondary Spread to Call²
Selected Large Institutional Flow Loans



Source: S&P Loan Stats Weekly Supplement 1 April 2008

Loan Spreads as a Percentage of High Yield³



Source: Bloomberg, S&P Loan Stats Weekly Supplement 1 April 2008, S&P LCD, Merrill Lynch High Yield Index

¹Discounted spread is a spread to maturity based on the bid level and stated amortization schedule

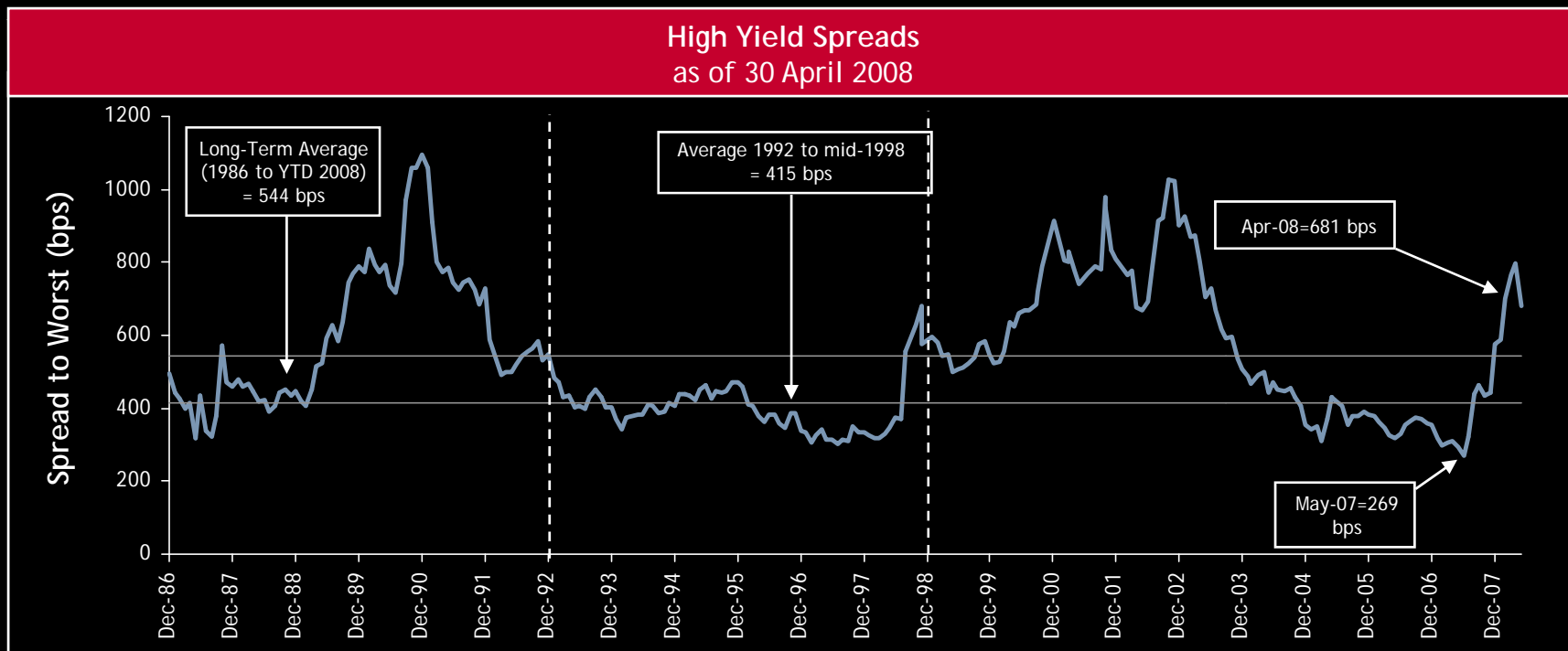
²Loan Spreads are spreads to 18-month call if average bid is par or higher, 2 years if average bid is 98 but less than par and 3 years if the average bid is less than 98

³Loan Spreads are Spread to Maturity, HY Spreads are Spread to Worst till 12 August 2004, Option-Adjusted Spreads thereafter, reverse swapped

High Yield Spread History

Spreads reasonably reflect the risk in the market

- Current high-yield spread of 681 basis points is 137 basis points above their long-term average of 544 basis points
- Additionally, spreads stand above the average spread of 415 basis points that occurred during the last credit cycle (1992 through mid-1998)
- In addition, default risk in today's market is lower than during the last credit cycle
 - The wave of refinancing-related issuance has deferred near-term default risk



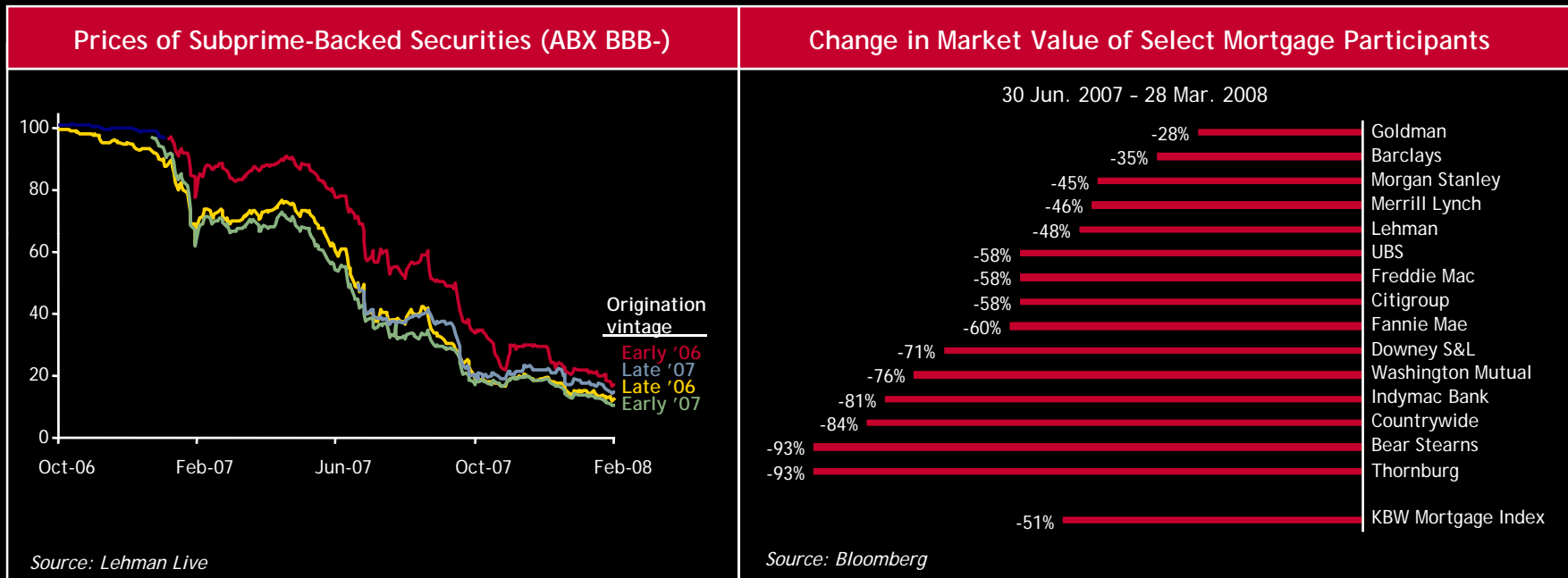
Source: JPMorgan, BlackRock

Distressed Mortgages / Real Estate

Dislocations in the Mortgage Market Are a Once-in-a-Generation Opportunity

The current mortgage market distress will likely be worse than the S&L debacle

- Market prices of some mortgage assets have fallen below 20 cents on the dollar - below a penny for certain second-liens
- Financial institutions have seen their capitalizations deteriorate substantially



We believe the current turmoil represents fundamental credit problems, not illiquidity or irrational panic

- Nationwide home prices declined in 2007 - unseen since Great Depression - and are still falling
- Delinquency rates are at all-time highs, with record volumes of non-performing loans

The situation could easily grow worse than current market expectations

- Borrowers' *ability to pay* will continue to be stressed by adjustable rate resets, plus the effects of a general recession
- As house prices continue to fall, we believe that borrowers' *willingness to pay* is diminishing as well

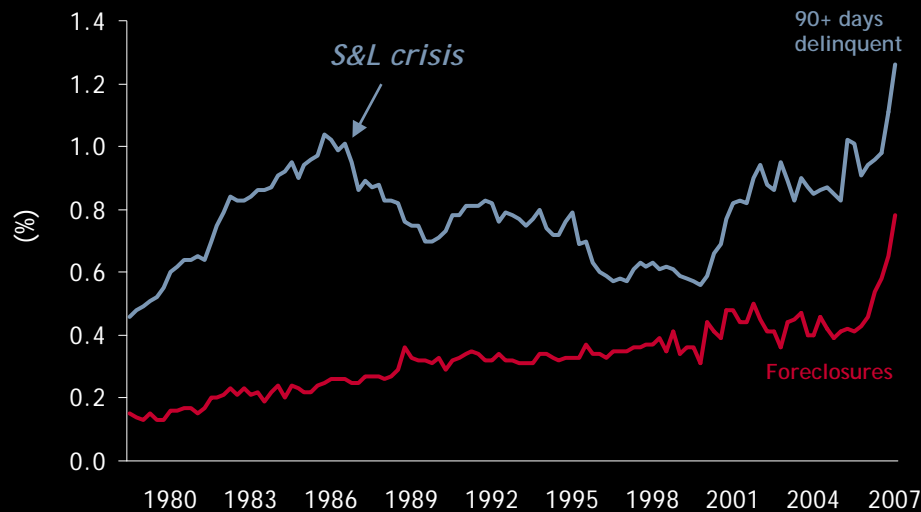
Underlying Borrower Performance Continues to Deteriorate

Serious delinquency and foreclosure rates have already exceeded previous historical highs

Delinquencies will continue to climb as more borrowers suffer from payment stress

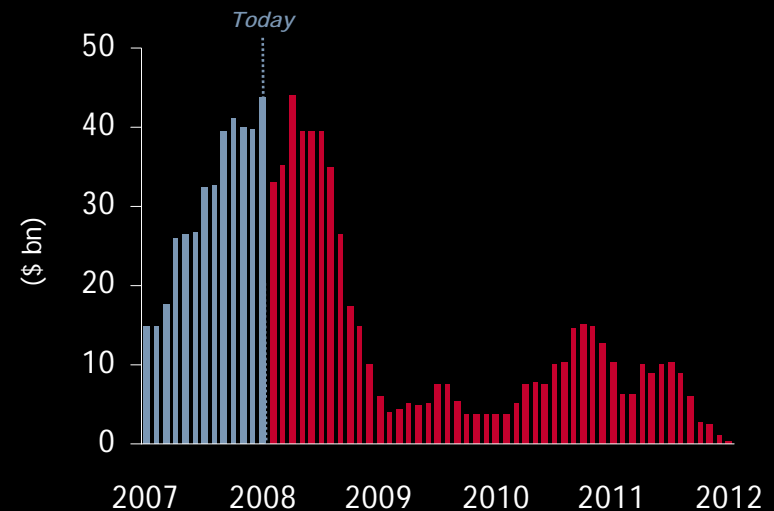
- Nearly \$400 billion in “teaser” rate sub prime loans will reset to higher rates in the next 12 months - unless borrowers are able to obtain a loan modification or refinance
- Many pay option ARMs will reach negative amortization limits
- The situation will only get worse with a general recession and rising unemployment

Delinquency and Foreclosure Rates on U.S. Mortgages



Data for all mortgages across prime and non-prime loans
Source: MBA National Delinquency Survey

Subprime Loans Scheduled to Reset by Month



Source: Loan Performance, Deutsche Bank, and BlackRock

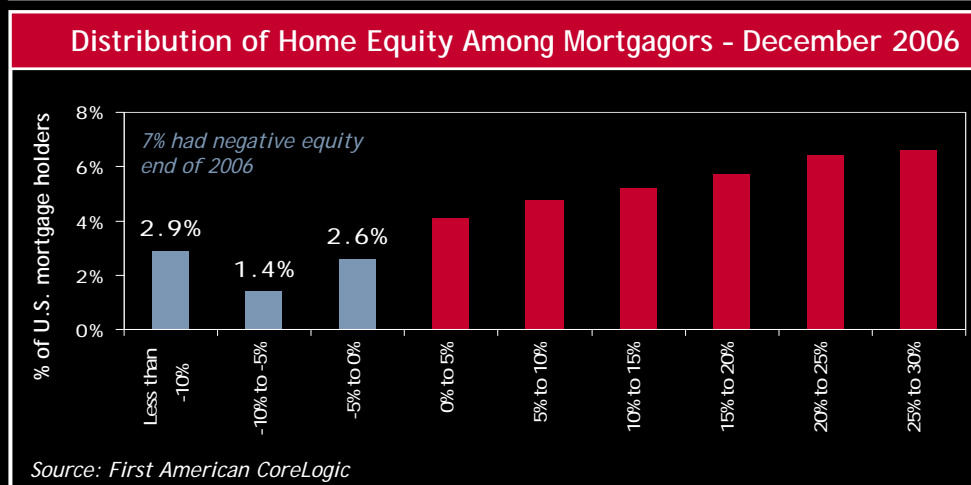
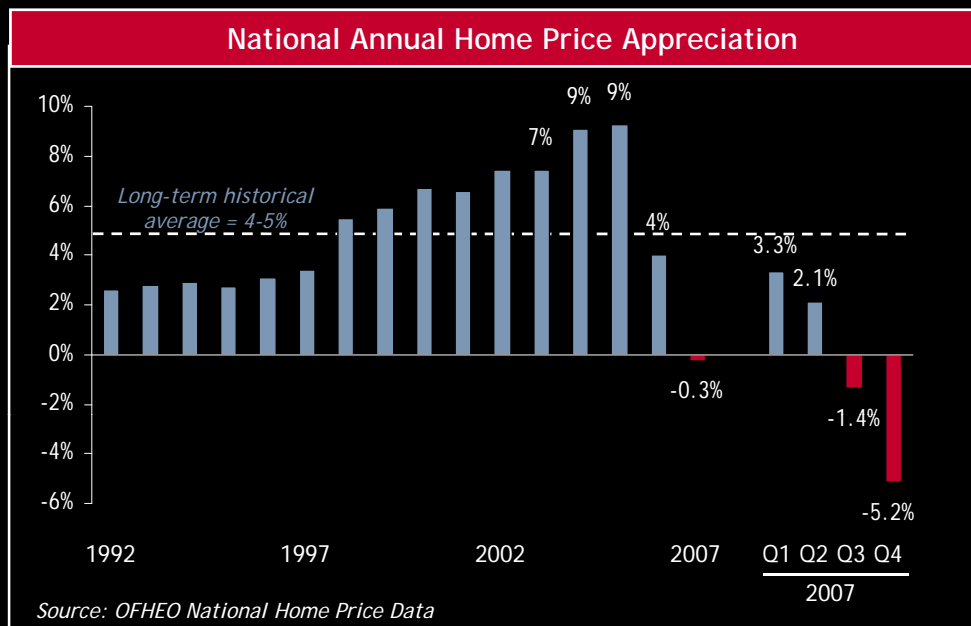
Home Prices Are Falling Rapidly, Creating Borrowers With Negative Equity

Nationwide home prices declined in 2007, for the first time since the Great Depression

- 5.2% annualized decline in Q4 2007
- 25%+ declines since 2005 in certain metropolitan areas, e.g., Stockton, Calif., Cape Coral - Fort Myers, Fla.

Home price declines will leave many borrowers with negative equity, sapping their willingness to pay

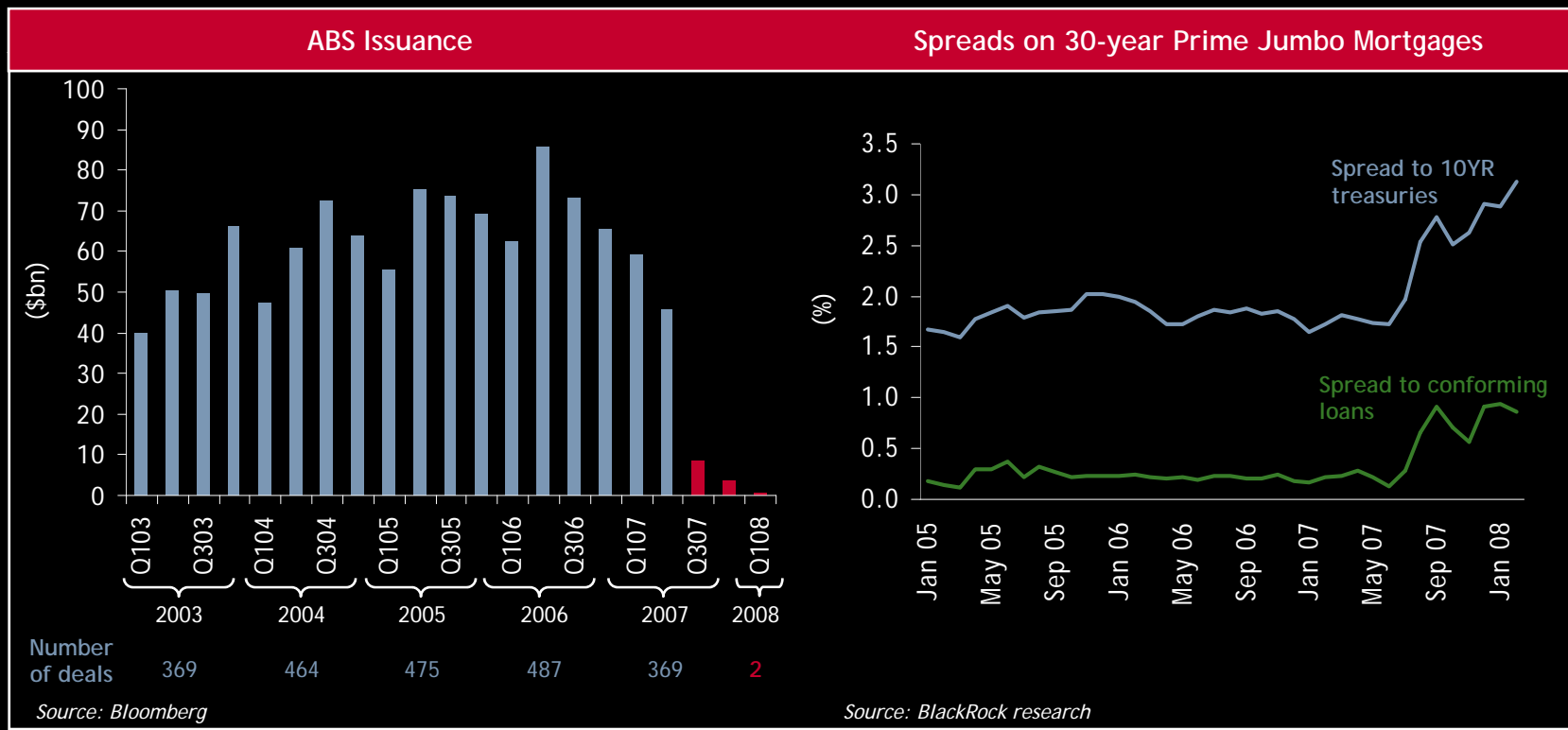
- By the end of 2006, 7% of borrowers already had negative equity
- Goldman Sachs' chief U.S. economist estimates that if home prices fall 15%:
 - 21% of borrowers will have negative equity
 - \$2.6 trillion in mortgages will be "under water"



Dry-Up in Mortgage Credit May Depress the Housing Market for Some Time

The private-label securitization market has been virtually non-existent since last August

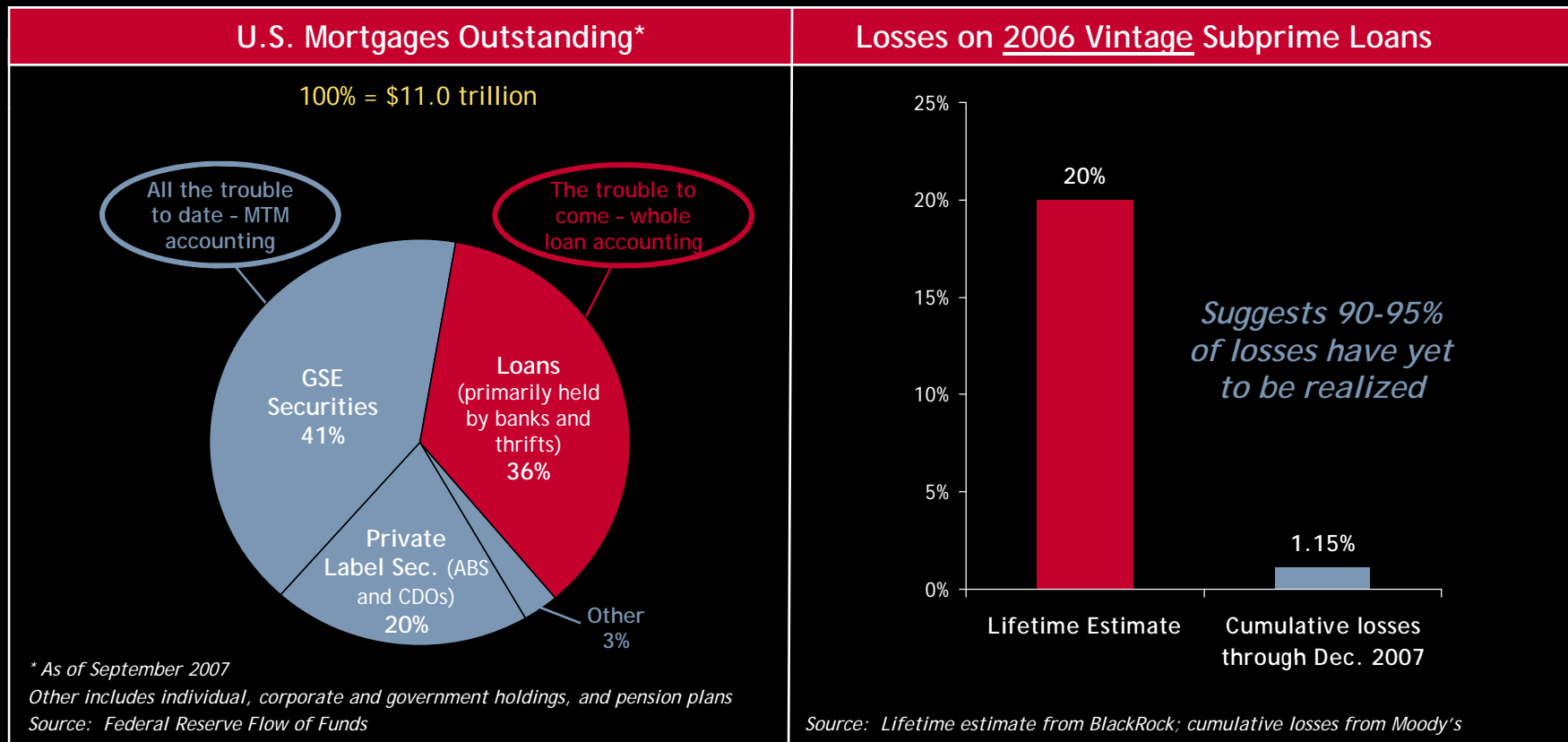
- Leading method of funding jumbo, Alt-A, and sub prime products - meaning many borrowers are unable to get loans to buy or refinance homes
- For the most creditworthy borrowers who are able to get loans, the cost of financing continues to rise



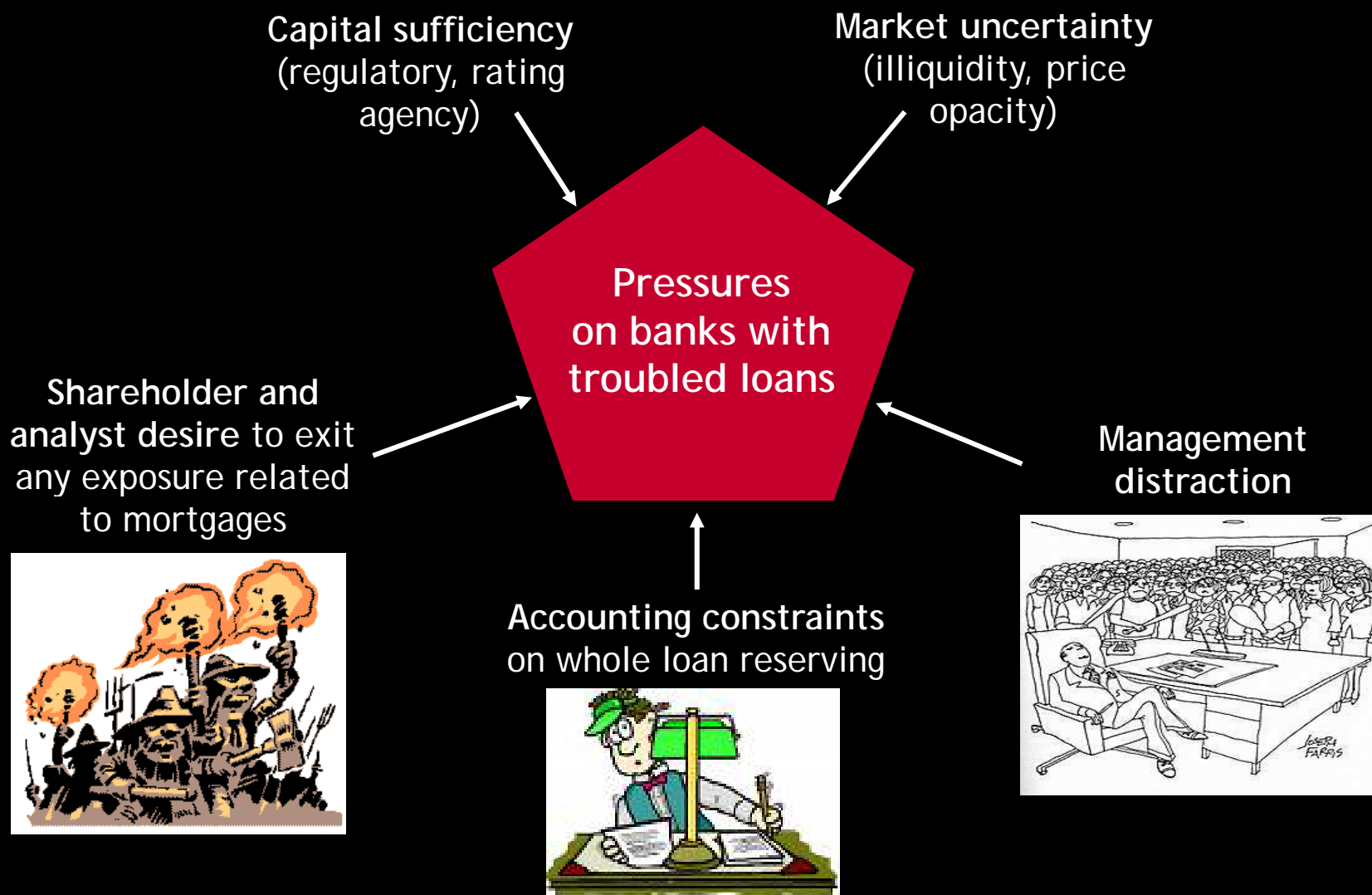
The Trouble in Whole Loans Is Yet to Come

We expect up to \$1 trillion of bank-held loans to become non-performing across their jumbo, Alt-A and subprime holdings

Under the accounting rules of held-for-investment whole loans (vs. securities held for sale or trading), loss reserves do not reflect the full lifetime expectation - resulting in a long, painful flow of mounting losses in the current environment



Banks Will Be Under Severe Pressure to Sell



Important Notes

Bond values fluctuate in price so the value of your investment can go down depending upon market conditions. 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. 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. Investments in non-investment-grade debt securities ("high-yield" or "junk") may be subject to greater market fluctuations & risk of default or loss of income and principal than securities in higher rating categories.

Please ask your clients to consider the investment objectives, risks, charges and expenses of any BlackRock Fund carefully before investing. A Fund's prospectus contains this and other information about the Fund and is available by calling 800-882-0052 or by accessing the website at www.blackrock.com/funds. The prospectus should be read carefully before investing.

©2008 BlackRock, Inc. All Rights Reserved.

Prepared by BlackRock Investments, Inc., member FINRA.

BLACKROCK is a registered trademark of BlackRock, Inc.

6/08

