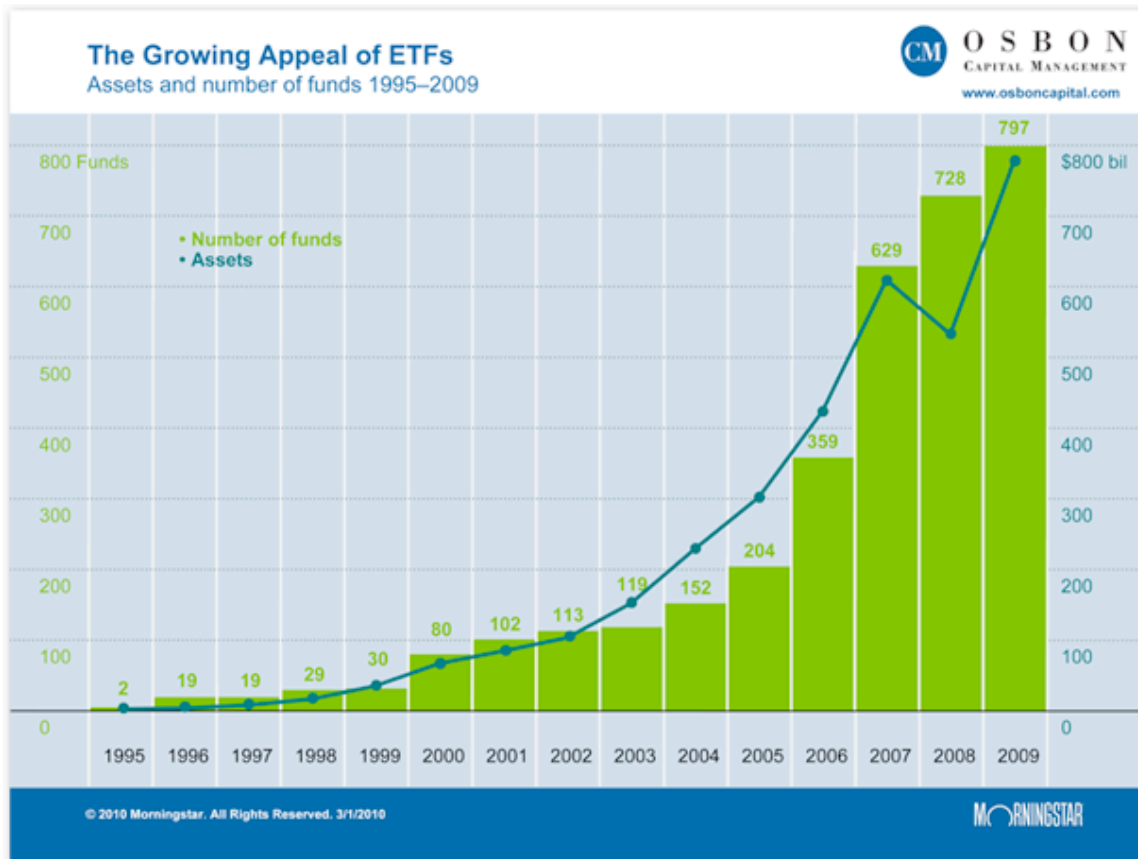




Quick Q & A #24

**Q: Is BlackRock turning passive?**



**A: BlackRock recognizes the power of passive.**

What does it mean when one of the world’s most prominent active managers invests \$15.2 billion in the passive exchange traded fund business? That’s exactly what happened in December 2009, when BlackRock bought the powerhouse iShares brand from Barclays.

BlackRock recognizes the power of passive. The company, which over the last two decades has grown quickly through its hedge fund offerings and other active management products, made its iShares move to tap the growing appetite of the market for passive investments. Passive instruments, such as



index ETFs, seek to replicate the performance of indexes or asset classes rather than trying to beat the market, the goal of active management.

BlackRock's iShares unit managed \$509 billion in assets as of March 31, 2010, more than 50% of the ETF market. The company's alternative strategies such as hedge funds accounted for \$102 billion.<sup>1</sup> BlackRock is the world's largest asset manager.

We see BlackRock's addition of passive investments as smart strategy. While clearly not abandoning its active management lines of business, BlackRock is wise to evolve with the marketplace. As the massive shift of assets into ETFs in recent years demonstrates, individuals and institutions are clearly interested in alternatives to traditional active management techniques that rely on picking the next hot stock or money manager (see diagram above).

The appetite for indexes was readily apparent in the first quarter of 2010. BlackRock clients put \$4.6 billion into stock index funds and only \$900 million into active equity strategies during the quarter, the company said.<sup>2</sup>

At Osbon Capital, an index boutique, our client portfolios are built exclusively of low cost, tax-aware index ETFs, including selected iShares offerings.

<sup>1-2</sup> "BlackRock Says Investors Shifting to Passive Funds," by Sree Vidya Bhaktavatsalam, Bloomberg, April 26, 2010.

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*which Osbon maintains clients.*

*The number of ETFs and assets invested in ETFs are year-end figures for the years shown. Data provided by Morningstar.*

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