

MEMORANDUM

To: Board of Trustees, Fresno County Employees' Retirement Association
From: Manager Research Group
CC: Jeffrey MacLean, CEO and Senior Consultant
Date: February 28, 2013
RE: Blackrock Organizational Changes

Summary

Organizational changes within Blackrock's Fundamental, New York-based Fixed Income Group continue. Although there are no changes to the portfolio management, process or implementation, the pattern of continued top-level executive changes are concerning. We believe these changes are evidence that Blackrock is likely to make material, executive-level changes every few years. However, Blackrock's investment approach does mitigate some of the "key-person" risk found in many firms due to their deep bench and team-based approach to investment management. Additionally, there have been no changes among the portfolio managers or sweeping changes to process or philosophy over the years.

Therefore, Wurts & Associates does not recommend clients allocate their current assets away from Blackrock based on this recent change. We will continue to monitor organizational changes at Blackrock going forward, especially as it pertains to more material changes at the portfolio management level.

Details of Change

This week Blackrock announced the promotion of both Rick Rieder, CIO of the firm's Fundamental Investment Group (New York Team), and Kevin Holt, Head of Multi-Sector, to Co-Heads of Americas Fixed Income Group. Peter Fisher, who was previously Head of Fixed Income, will become Senior Director at the Blackrock Investment Institute. The firm explains that Mr. Fisher's new role frees him from day-to-day management responsibilities, enabling him to work with investors and clients more broadly across the firm.

Mr. Rieder will continue in his CIO role and lead the investment side, while Mr. Holt will take on additional responsibilities for business management. Wurts & Associates does not believe these changes are material in isolation since there are no changes to portfolio management or the investment decision making process; however, the high level of continued executive turnover is troubling.

We have detailed these organizational changes within the Fixed Income Group over the years in previous memos and summarized below:

2007: Co-founder and President of Blackrock Ralph Schlosstein stepped down in order to pursue entrepreneurial interest. Rob Kapito, head of Portfolio Management Group assumed Mr. Schlosstein's role as President and Keith Anderson stepped down as CIO and Co-Head of Fixed income. Scott Amero assumed full responsibilities of CIO and remained Co-Head of Fixed Income while Peter Fisher was promoted to Co-Head of the Fixed Income Group.

2010 (January): Scott Amero stepped down as CIO and Co-Head of Fixed Income. Peter Fisher became Head of Fixed Income and Curtis Arledge was named CIO of the New York Fundamental Fixed Income team. Rick Rieder became deputy CIO of the group after joining the firm when it acquired his prior company.

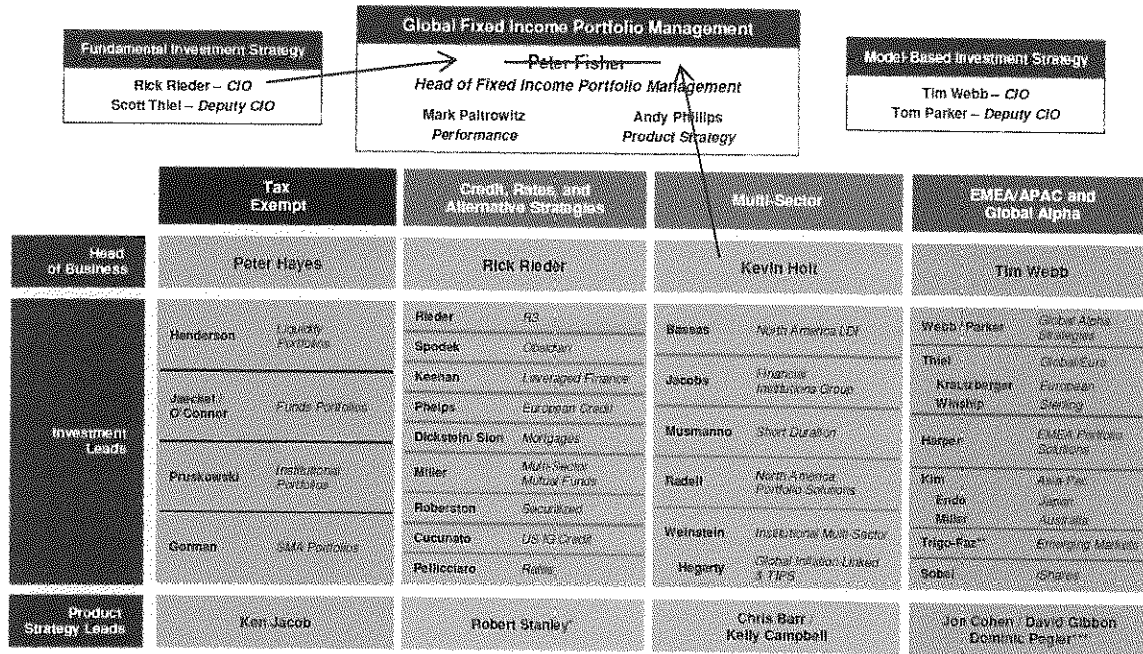
2010 (August): Curtis Arledge, CIO of the Fundamental Fixed Income Group resigned to become CEO of BNY Mellon Asset Management. Rick Rieder was promoted to the role of CIO while Peter Fisher continued in his role of Head of Fixed Income.

2013: Rick Rieder remains CIO of the Fundamental Fixed Income Group and takes additional responsibilities as Co-Head of Americas Fixed Income Group with Kevin Holt. Peter Fisher moves from his role as head of the Group to a Senior Director at the Blackrock Investment Institute.

Fundamental Group CIO	Year Joined	Became CIO	Year Left	Reason for Departure
Keith Anderson	1988	Pre-2006	2007	Resigned
Scott Amero	1990	2007	2010	Retired
Curtis Arledge	1988,2008	2010	1993,2010	Resigned
Rick Rieder	2009	2010	Still CIO	Promoted

Appendix:

Organization chart before recent change: Rick Rieder and Kevin Holt promoted to Co-Heads of Global Fixed Income Portfolio Management, while maintaining responsibilities of previous positions.



Biography:

Rick Rieder, Managing Director, Chief Investment Officer of Fixed Income (Fundamental Team) and Co-Head of Americas Fixed Income Group

Mr. Rieder is a member of the Fixed Income Executive Committee and of Blackrock's firm wide Operating, Leadership and Capital Committees. Before joining Blackrock in 2009, he was President and Chief Executive Officer of R3 Capital Partners. He also served as Vice Chairman and member of the Borrowing Committee for the U.S. Treasury. From 1987 to 2008, he was with Lehman Brothers, most recently as head of the firm's Global Principal Strategies team, a global proprietary investment platform. He was also global head of the firm's credit businesses, Chairman of the Investment Grade Capital Commitment Committee, a member of the Management Committee, and a member of the Board of Trustees for the corporate pension fund. Before joining Lehman Brothers, Mr. Rieder was a credit analyst at SunTrust Banks in Atlanta. Mr. Rieder earned a BBA degree in business from Emory University in 1983 and an MBA degree from The Wharton School of the University of Pennsylvania in 1987.

Kevin Holt, Managing Director, Head of Multi-Sector, Co-Head of Americas Fixed Income Group

Mr. Holt is responsible for all business management responsibilities for Americas Fixed Income. He is a member of the Global Operating Committee, the Global Human Capital Committee and Americas Executive Committee. Prior to taking on management responsibilities within the fixed income platform, Mr. Holt was Global Head of the Financial Institutions Group within Fixed Income Portfolio Management. Prior to joining Blackrock in 2003, Mr. Holt served as a Managing Director and Head of Insurance Portfolio Management at Deutsche Asset Management (DeAM). He joined DeAM predecessors Zurich Financial Services and Scudder, Stevens & Clark in the insurance management group in 1990. Mr. Holt began his investment career in 1985 as an investment officer at The Northern Trust Company in Chicago. Mr. Holt earned a BA degree in economics from Northwestern University in 1985 and an MBA degree in finance from the University of Chicago in 1990.