

BlackRock profit dives on fees slump, write-downs



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BOSTON (Reuters) - BlackRock Inc (NYSE:BLK - [News](#)) posted a bigger-than-expected 84 percent drop in fourth-quarter profit on Wednesday as sliding markets hurt fees earned and it marked down the value of seed capital investments in hedge funds.

The biggest publicly traded U.S. asset manager was cautious about market conditions in 2009 but was optimistic about its positioning, citing a new business pipeline of \$59.5 billion as of January 16.

BlackRock's results bode ill for other asset managers, who will be releasing earnings over the next two weeks, one analyst said.

"It's sort of indicative of what we are going to be expecting for the sector. The results are going to be noisy and bad," said Roger Smith, an analyst at Fox-Pitt Kelton.

New York-based BlackRock posted a net income of \$53 million, or 40 cents a share, for the quarter compared with \$322.4 million, or \$2.43 a share, in the year-ago quarter.

Adjusted for certain items, earnings for the quarter were 68 cents a share. That was comparable to the average of analyst estimates of 99 cents, according to Reuters Estimates.

BlackRock's income was reduced by non-operating expenses of \$293 million, including investment losses of \$124 million from investing its own capital in hedge funds and \$91 million from investing in real estate products.

Assets under management, the main driver of revenue and profit at fund companies, declined to \$1.31 trillion at the end of December from \$1.36 trillion a year earlier but were up from \$1.26 trillion at the end of September.

For the quarter, the growth in assets was fueled by \$129.1 billion of net new business, mainly in its

money-market funds, which was offset by \$80.5 billion in market declines.

Performance fees earned mostly on hedge funds slumped to \$23.7 million from \$152.7 million in the year-ago quarter.

Lower investment fees earned pushed revenue for the quarter down to \$1.1 billion from \$1.4 billion in the year-ago quarter.

"2009 is beginning on a difficult footing with greater headline risk of growing unemployment, weak earnings and increased bankruptcies," BlackRock Chairman and CEO Laurence Fink said in a statement.

Bank of America Corp (NYSE:[BAC](#) - [News](#)) owns 4.9 percent of the common shares outstanding of BlackRock, while PNC Financial Services Group Inc (NYSE:[PNC](#) - [News](#)) owns 47 percent of its common shares. If preferred shares are also taken into account, then Bank of America owns 49 percent of BlackRock and PNC owns 33 percent.

BlackRock shares are among the better performers in the sector over the past year, losing 49 percent, compared with the 60 percent drop in the Standard & Poor's asset management and custody banks index ([^15GSPAMCB](#) - [News](#)).

Over the next two weeks, AllianceBernstein Holding LP (NYSE:[AB](#) - [News](#)), Janus Capital Group Inc (NYSE:[JNS](#) - [News](#)), Legg Mason Inc (NYSE:[LM](#) - [News](#)), Franklin Resources Inc (NYSE:[BEN](#) - [News](#)), T. Rowe Price Group Inc (NasdaqGS:[TROW](#) - [News](#)), Invesco Ltd (NYSE:[IVZ](#) - [News](#)), Federated Investors Inc (NYSE:[FII](#) - [News](#)) and Affiliated Managers Group Inc (NYSE:[AMG](#) - [News](#)), will report earnings.

(Reporting by Murali Anantharaman; Editing by Derek Caney)

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