

Investors

FREQUENTLY ASKED QUESTIONS
iSHARES® DIVERSIFIED
ALTERNATIVES TRUST (ALT)

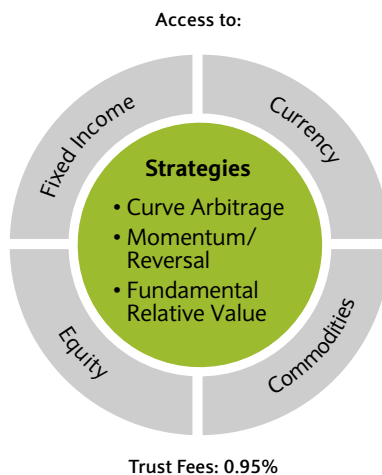


FREQUENTLY ASKED QUESTIONS

iSHARES® DIVERSIFIED ALTERNATIVES TRUST (ALT)

This information must be accompanied by a current prospectus, which may be obtained at http://us.iShares.com/ALT_prospectus. Please read the prospectus carefully before investing.

iShares® Diversified Alternatives Trust (ALT)



Q: What is the objective of the Trust?

A: The objective of the Trust is to maximize absolute returns from investments with historically low correlation to traditional asset classes, while seeking to control the risks and volatility inherent in futures and forward contracts by taking long and short positions in historically correlated assets.

Q: What investment strategies does the Trust utilize?

A: The Trust utilizes investment strategies relating to relative value. Relative value strategies seek to profit from the mispricing of financial instruments, capturing spreads between assets and asset categories that deviate from the fair value or historical norms. The following three general strategies are considered as sources of return:

Yield and Futures Curve Arbitrage Strategies

Seek to take advantage of interest rate and futures contract price differentials by simultaneously entering into long and short positions in various bond futures contracts, interest rates futures contracts, commodity futures contracts, and/or currency forward contracts that the Trust determines to be mispriced relative to one another. The Trust will enter into long positions in contracts whose underlying assets are deemed relatively inexpensive, and will enter into short positions on contracts whose underlying assets are deemed relatively expensive (Figure 1).

Technical Strategies—Momentum/Reversal

Seek to take advantage of a comparison between assets' historical returns and their recent performance. Technical strategies are based on the theory that past price history may be predictive of asset value, and so technical strategies may be used to capture returns arising from price changes over time. For example, if recent performance of an asset exceeds historical performance, then a long “momentum” trade opportunity to buy may arise. If the historical performance of an asset exceeds recent performance, then a short “reversal” trade opportunity may arise (Figure 2).

Fundamental Relative Value Strategies

Seek returns by attempting to identify instances where there are discrepancies between the market and fundamental values of an asset. Comparing current price to fundamental value may provide a measure of mispricing, or opportunity, that can be compared across markets to provide a metric of relative misvaluation. The Trust's relative value strategies tend to buy in markets that appear inexpensive on a relative basis, and sell in markets that appear expensive, trading long or short positions in the relevant assets (Figure 3).

Q: How is the Trust's exposure to these strategies determined?

A: The Trust utilizes a portfolio construction process in which each potential strategy and underlying asset is ranked in terms of expected return, volatility, and trading cost. The Trust's portfolio construction targets an allocation of annualized portfolio return volatility* of 6%–8%, which is allocated equally across: 1) the yield and futures curve arbitrage strategies, 2) technical strategies (momentum/reversal), and 3) fundamental relative value strategies described above. The Trust is expected to have a Sharpe ratio of 0.50 to 0.75.†

Q: What does the Trust invest in?

A: The Trust implements its strategies by taking long or short positions in exchange traded futures contracts and/or currency forward contracts. The Trust also expects to earn interest on the assets used to collateralize its trading positions.

Forward Contracts

- A forward contract is an agreement between two parties, one of whom undertakes to purchase from or sell to the other, on a specified future date, a specified quantity of a specified asset at a specified location in exchange for a specified purchase price.

* Annualized portfolio return volatility is a quantitative measure used to assess a portfolio's deviation above or below its average returns over a one-year period.

† Sharpe ratio is a quantitative measure of the excess return per unit of risk in an investment asset or a trading strategy. The Trust measures excess returns as the realized portfolio return minus a one-month Treasury bill benchmark return for the same period being measured. The Trust measures risk as the annualized portfolio return volatility (described above). For example, a 0.50 Sharpe ratio indicates that for each 1% of excess return, an investor may expect 2% of annualized portfolio return volatility (0.50 = 1%/2%). Also, a 0.75 Sharpe ratio indicates that for each 1% of excess return, an investor may expect approximately 1.33% of annualized portfolio return volatility (0.75 = 1%/1.33%).

- The Trust may enter into foreign currency forward contracts that will primarily involve currencies in the 25 most liquid or actively traded currencies as measured by turnover in the most recent Triennial Central Bank Survey of Foreign Exchange and Derivatives Market Activity coordinated by the Bank for International Settlements.

Futures Contracts

- Futures contracts are standardized forward contracts traded on an exchange.
- The Trust may enter into futures contracts in assets varying from foreign currencies to physical commodities, financial assets (such as interest rates), and equity or debt securities indexes other than “narrow-based security indexes” (as such term is defined for purposes of the Investment Company Act).

Interest

- Futures contracts are customarily bought and sold on margins that represent a small percentage (ranging upward from less than 2% to 5%) of the purchase price of the asset underlying the futures contract being traded.
- Similarly, the Trust will be required to satisfy certain collateral requirements set forth by its over-the-counter counterparties with respect to the Trust’s forward contracts trading obligations.
- Interest paid on the Trust’s cash positions, together with any interest paid on collateral deposited as margin, net of expenses, is reinvested.

Q: How often does the Trust’s composition change?

A: It is generally expected that changes in the composition of the Trust will not occur more than once a week. The holdings of the Trust are posted daily on iShares.com.

Q: Against what benchmark should the Trust’s performance be evaluated?

A: The return on assets in the Portfolio, if any, is not intended to track the performance of any index or other benchmark. The Trust’s portfolio construction targets an allocation of annualized portfolio return volatility* of 6%–8%, which is allocated equally across: 1) the yield and futures curve arbitrage strategies, 2) technical strategies, and 3) fundamental relative value strategies described previously. The Trust is expected to have a Sharpe ratio of 0.50 to 0.75.

* Annualized portfolio return volatility is a quantitative measure used to assess a portfolio’s deviation above or below its average returns over a one-year period.

Q: Does the Trust pay distributions?

A: The Trust does not expect to make periodic distributions to shareholders.

Q: What are the tax consequences of the Trust?

A: The Trust qualifies to be taxed as a partnership for U.S. federal income tax purposes. Tax information is reported to investors on an IRS Schedule K-1 for each calendar year as soon as practicable after the end of each such year. Additional tax resources for ALT are available on [iShares.com](https://www.ishares.com).

Q: How is the Trust a cost-efficient means of achieving investment exposure to non-traditional asset classes?

A: An investment in the Trust may represent a cost-efficient alternative to investment positions in the same asset classes for investors not otherwise in a position to participate directly in the markets for physical commodities, foreign currencies, interest rates, or for futures, forwards, or other over-the-counter derivative contracts involving such assets.

FIGURE 1

Examples of yield and futures curve arbitrage strategies include:

STRATEGY	DESCRIPTION
Sovereign Bond and Interest Rate Yield Arbitrage	Compares the differences between long term and short term interest rates for a given country within a predetermined set of countries. The advisor compares the recent average performance of the short term interest rates of a selected number of countries. Based on these performance comparisons, the advisor either takes long positions in short term interest rate futures contracts whose underlying interest rates are higher, and short positions in short term interest rate futures contracts whose underlying interest rates are relatively lower—or takes long positions in bond futures contracts whose underlying interest rates are higher, and short positions in bond futures contracts whose underlying interest rates are relatively lower. Decisions are influenced by what the advisor considers to be indicators for future returns, including relative yield and yield curve characteristics.
Currency Yield Arbitrage	Engages in long and short investing in currency forward markets and seeks to take advantage of the differences between short term interest rates across a number of selected countries. The advisor takes on long positions in currency forward contracts for those countries with relatively higher short term interest rates, and enters into short positions in currency forward contracts for those countries with relatively lower short term interest rates. Decisions are influenced by relative currency yield and each currency's own yield curve structure.
Commodity Curve Arbitrage	Engages in long and short investing in commodity futures markets and seeks to exploit the differences between the futures prices of a contract with a greater time until expiration and the futures prices of a contract with a lesser time until expiration for a specific commodity futures contract within a predetermined set of commodities. The advisor seeks to enter into long positions in certain commodity futures contracts and short positions in other commodity contracts in order to capitalize on potential mispricing. Decisions are influenced by commodity futures curve characteristics, such as steepness, roll yield, and seasonality.

FIGURE 2

Examples of technical strategies include:

STRATEGY	DESCRIPTION
Interest Rate Momentum and Reversal	Seeks to take advantage of historical patterns of changes in global interest rate markets. The strategy compares the recent average performance of the short term interest rates of a selected number of countries. Based on these performance comparisons, allows the advisor to take long positions in short term interest rate futures contracts whose underlying interest rates are relatively higher, and enter into short positions in short term interest rate futures contracts whose underlying interest rates are relatively lower.
Equity Index Momentum and Reversal	Seeks to take advantage of historical patterns of returns in international equity index future markets. The strategy seeks to exploit the recent performance of the equity index markets across a number of selected countries. The strategy takes on long positions in equity index futures contracts with relatively higher performance, and enters into short positions in equity index futures contracts for with relatively poor performance.
Commodity Momentum and Reversal	Seeks to exploit the recent price performance of, and patterns of returns for, commodities. The advisor takes on long positions in commodity futures contracts with relatively higher average performance, and enters into short positions in commodity futures contracts with relatively poor average performance.

FIGURE 3

Examples of fundamental relative value strategies include:

STRATEGY	DESCRIPTION
Equity Index Relative Value	Seeks to exploit unusual cross-market deviations from fundamental value in international equity index futures markets.
Currency Relative Value	Seeks to exploit unusual cross-market deviations from fundamental value in currency forwards markets.
Fixed Income Relative Value	Seeks to exploit unusual cross-market deviations from fundamental value in international sovereign bond and interest rate futures markets.
Commodity Relative Value	Seeks to exploit unusual cross-market deviations from fundamental value in commodity futures markets.
Asset Class Relative Value	Seeks to exploit unusual cross-asset-class deviations from fundamental value in international bond, stock commodity, and currency markets via simultaneous trading in sovereign bond futures, international equity futures commodity, and currency forwards markets.

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The iShares® Diversified Alternatives Trust (the “Trust”) is a commodity pool as defined in the Commodity Exchange Act and the applicable regulations of the CFTC. The Sponsor of the Trust is iShares Delaware Trust Sponsor LLC (the “Sponsor”), a commodity pool operator registered with the CFTC. BlackRock Fund Advisors (“BFA”) serves as the commodity trading advisor of the Investing Pool and is registered with the CFTC. There may be conflicts of interest between you and the Sponsor, BITC, BFA and their respective affiliates. Neither BFA nor its affiliates has prior experience as advisor to or manager of a commodity fund such as the Trust. BlackRock Fund Distribution Company (“BFDC”), a broker-dealer and FINRA member, provides promotional support to the Trust. BFA is a subsidiary of BlackRock Institutional Trust Company, N.A. (“BITC”), a national banking association and the Trustee of the Trust. The Sponsor, BFDC, and BITC are affiliates of BlackRock, Inc. **The Trust is not an investment company registered under the Investment Company Act.**

Investments in shares of the Trust are speculative and involve a high degree of risk. You could lose all or a substantial portion of your investment in the shares of the Trust. Before making an investment decision, you should carefully consider the risk factors and other information included in the prospectus. The price of the shares of the Trust will fluctuate as a result of fluctuations in the prices of any (1) foreign currency forward contracts, (2) exchange traded futures contracts held by the Trust, and (3) commodities, currencies, interest rates, or eligible stock or bond indices underlying the futures and/or forward contract positions held by the Trust. Futures and forward contracts are volatile and even a small price movement may result in large losses. Commodity prices, currencies, interest and exchange rates and stock or bond indices may be volatile, thereby creating the potential for losses. The Trust will trade in forward contracts that are not traded on regulated exchanges and, therefore, offer different or lower level of protections to investors. **The Trust’s use of leverage and/or short positions will involve special risks, including potentially high volatility, and any investment in the Trust should be considered to be speculative. The return on assets in the portfolio, if any, will not be intended to track the performance of an index or other benchmark and will**

be reduced by applicable fees. There is no assurance that the Trust will achieve its investment objectives.

The price you receive upon the sale of your shares may be less than their NAV. The NAV will fluctuate with changes in the market value of the Trust’s assets, and market supply and demand. Brokerage commissions and fees will reduce returns.

Although shares of the Trust may be bought or sold on the exchange through any brokerage account, shares of the Trust are not redeemable from the Trust except in one or more blocks of 100,000 units called Baskets. Only institutions that become Authorized Participants may purchase or redeem Baskets.

Shares of the Trust may not provide the anticipated benefits of diversification from other asset classes. The lack of an active trading market for the shares may result in losses on your investment at the time of disposition of your shares. The Trust has no operating history. Therefore, there is no performance history to serve as a factor for evaluating an investment in the shares.

The iShares Diversified Alternatives Trust issues shares representing fractional undivided beneficial interests in its net assets. The Trust is registered under the Securities Act of 1933 of the United States but is not registered for distribution, or traded, anywhere outside the United States.

If an investor sells the shares at a time when no active market for them exists, such lack of an active market will most likely adversely affect the price received for the shares. For a more complete discussion of risk factors relative to the iShares Diversified Alternatives Trust, carefully read the prospectus.

An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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