

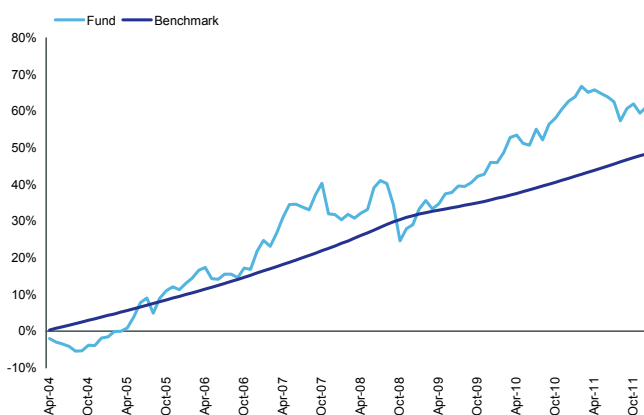
BlackRock Scientific Global Markets Fund

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Scientific Global Markets Fund (Net of Fees)	6 April 2004	1.09	0.27	-0.94	-0.94	7.70	5.73	6.35
RBA Cash Rate Target (Gross of Fees)		0.36	1.12	4.69	4.69	4.10	5.07	5.24
Outperformance (Net of Fees)		0.73	-0.85	-5.63	-5.63	3.60	0.66	1.11

Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees and expenses. Refer to Fund details section for actual inception dates.

Cumulative Performance (Net)



Looking ahead

For much of 2011, it seemed economic fundamentals had taken the back seat as investor sentiment weighed down markets. Instead of offering a solution to the crisis, the political process turned out to be a significant source of market volatility. Markets sought prompt and decisive action while the political decision making process would only deliver incremental responses. That being said, we believe strongly that the "laws of economics" continue to hold and the gap between political forces and economic fundamentals is narrower than many believe. The economic issues that have to be sorted out by politicians are tied to the same fundamentals (growth, employment, fiscal conditions, trade balances, exchange rates, etc.) that drive markets and that our forecasting approach is designed to capture.

Accordingly, we have seen an increasing recognition of the challenges facing Europe, and an increasing determination to address them. While market participants had hoped in vain for the all-decisive "bazooka," a number of incremental steps were taken by European policy makers to alleviate the crisis. In the coming months, this cumulative effort should help ease the acute funding crisis of European banks and sovereigns. The commitment from the ECB to provide essentially unlimited funding to the banking sector should buy sufficient time for the difficult but necessary structural reforms to be enacted by politicians throughout the region. While risks remain elevated, these steps, in our opinion, should substantially mitigate the primary tail risk to the global economy – that of an uncontained banking or sovereign collapse in Europe. Hence, as markets begin to normalize, and the extreme risk aversion that dominated much of 2011 recedes, investors will shift their focus from tail events back to the fundamental worth and future prospects of the assets they own.

As Europe continues to struggle to resolve its crisis – weighed down by fiscal austerity, high unemployment and weakening consumer confidence – regional economic growth will continue to diverge. The relative strength of the North

American economy will be driven by healthier consumer and business spending, a gradual improvement of the labor market and a robust corporate sector. These views are most explicitly expressed in our bond and currency strategies. Notably, we are long US and Canadian dollars and short US Treasuries while being short the euro and Swiss franc and long German bunds. Further, from a policy rate perspective, we anticipate further easing by the ECB whereas we anticipate rate hikes in North America over the next 2-3 years.

With risk aversion likely to recede, directional exposures to equities and corporate credit should perform well. At current levels we believe corporate credit spreads provide a particularly compelling opportunity. However, we are cautious in our market timing strategies and enter 2012 with a modest long directional exposure in equities and long credit spreads mostly in US investment grade.

We believe European equities provide attractive cross-sectional opportunities. As euro-zone equities have a high euro risk premium, many equity industries have sold-off disproportionately relative to their non-euro counterparts. At the country level, we are primarily expressing this view via long positions in Germany and Italy with shorts in Switzerland and Sweden.

The positions and views described in the previous paragraphs represent a snapshot in time, namely as of the beginning of 2012. For a while, Global Ascent performance will be a close reflection of these themes and positions. However, by design, the investment process of Global Ascent is dynamic. As new information is incorporated each day, positions will change. Over the course of our average three-month forecast horizon, the portfolio will likely look quite different. For example, while not certain, it is entirely possible that range bound markets will persist in 2012. Under such a scenario, it would not be surprising to see the majority of the risk within Global Ascent shift towards high conviction cross-sectional positioning, quite unlike what were to happen if economic growth were to take off. Our systematic process is designed to make such adjustments endogenously.

At its core our investment style is unchanged, however we are always evolving and adapting to the current environment. It is the job of our researchers to assess the existing insights driving our views and to come up with new ones. To this end, 2011 was a tremendously productive year for our research team, with the most research initiatives reaching our live models in any year since 2007. This is, of course, particularly relevant when performance struggles, but it is also business as usual for Global Ascent.

We have adopted this same approach successfully over the 10 year history of Global Ascent. Investment performance was disappointing in 2011, however we enter the new year with a diversified mix of positions and themes that we expect will be rewarded in 2012.

Strategy Commentary

The Fund returned +1.09% net of fees in December. Positive performance was primarily driven by positioning in developed market currencies and bonds. Positioning in commodities and equity markets detracted.

Market backdrop

Asset prices continued to gyrate in a “risk on/risk off” pattern through much of December as markets absorbed continued European weakness against a string of positive economic releases in the US. Equity markets ultimately ended the month little changed with the MSCI World benchmark flat for the month.

Notable positions and drivers of performance

Developed market currencies was the best performing strategy in December. Short positions in the euro and Swiss franc together with a long position in the US dollar were the primary drivers of positive performance. The ECB rate cut combined with the negative impacts of fiscal austerity, high unemployment and weakening consumer confidence weighed on the euro in December. Further weakening of the Swiss economy and heightened expectations for further interventions by the Swiss National Bank to weaken the Swiss franc, pushed down the currency. The continued relative strength of the US economy and the flight to safe haven currencies buoyed the US dollar throughout the month.

German bunds significantly outperformed US Treasuries in December, in effect reversing their relative underperformance in November. As Global Ascent is long German bunds and short Treasuries, this positioning led to strong performance within the bond strategy. Going forward, the increasingly divergent trajectories of the European and US economies should continue to drive bund outperformance.

Within commodities, poor growing conditions in South America and reduced plantings drove up prices throughout the soy complex, negatively impacting our short positioning. Additionally, rallying gasoline prices hurt our short position as refiners reduced refining capacity amid negative spot refining margins.

Cross-sectional positioning in equities suffered in December, as value-driven positions in Italian, Canadian and Japanese equities detracted as these markets underperformed. Additionally, long exposures in Australian cyclicals and long interest rate sensitive equities in the UK also contributed to underperformance.

About the Fund

Investment Objective

The Fund aims to outperform the Reserve Bank of Australia’s Cash Rate Target by 10% p.a. before fees over rolling three-year periods. The Fund is expected to incur active risk of 8% p.a. over this time.

Fund Strategy

The process uses a global macro approach to take long and short positions in equity, bond, currency, commodity and other markets.

The strategy typically holds long and short positions in more than eighty asset markets: 24 equity markets, 6 bond markets, 6 money markets, 32 currencies and 22 commodities. The positions are based on our combined view of relative value, the economic environment and market sentiment in each of these markets.

The strategy will typically be geared, and gains exposure to investment positions through derivatives. The gross market exposure is usually many times the value of its net asset value.

Should be considered by investors who ...

- ▶ Seek a fund that uses total-return strategies across major asset classes and world markets to enhance portfolio returns while diversifying risk.
- ▶ Seek a fund that has a low correlation to equity returns, interest rate moves and other active return sources.
- ▶ Have a long term investment horizon.

Fund Details

BlackRock Scientific Global Markets Fund	
APIR	BGL0045AU
Fund Size	53 mil
Management Fee	1.025% p.a. plus 20.5% of outperformance
Buy/Sell Spread	0.25%/0.25%
Tracking Error (3 Years p.a.)	5.39%

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