

Model Portfolio Update

BlackRock Concentrated Australian Share 1 & 2 Models (BR0001 and BR0003)

Market Overview

- ▶ The Australian equity market fell over the quarter, with the S&P ASX 200 Accumulation Index down 11.6%. This was the worst quarterly performance since December 2008, and was largely a reflection of the increased uncertainty over the global economic outlook. Macro concerns dominated, with ongoing European sovereign debt and banking problems, the S&P downgrading of US debt, bearish comments from the Federal Reserve, and fears of slower growth in China weighing heavily on sentiment. Intervention by authorities, including various measures in Europe and the launch of “Operation Twist” by the Federal Reserve, did little to restore confidence. In the US, the S&P 500 total return fell heavily, down 13.9%, on fears over public debt levels and the deteriorating global outlook. Other offshore markets also fell, with the MSCI World Index total return down 16.5% (in USD terms).
- ▶ Volatile market conditions over the quarter led domestic investors to de-risk and seek shelter in the defensive sectors, particularly Telcos and Utilities. Fears for global growth and fresh concerns about Chinese demand hurt commodity sectors, with resources underperforming the broader market for the third straight quarter. Reporting season revealed mixed performances and uncertainty over the outlook, but a large number of companies announced buybacks to take advantage of depressed prices. Takeover activity was subdued over the quarter, with the major announcements including BHP Billiton’s offer for US shale gas company Petrohawk Energy, and SABMiller’s offer for Foster’s Group.

Top 10 Stocks as at 30/9/2011	
ANZ Banking Group Ltd	National Australia Bank Ltd
BHP Billiton Ltd	Oil Search Ltd
Brambles Ltd	Rio Tinto Ltd
Commonwealth Bank of Australia	Wesfarmers Ltd
Computershare Ltd	Westpac Banking Corporation

About the Model Portfolios

Investment objective

The BlackRock Concentrated Australian Share 1 and 2 Model Portfolios (“Model Portfolios”) aim to achieve capital growth by actively managing a concentrated portfolio of Australian shares and other securities and to provide investors with some tax effective income through the receipt of franked dividends.

Investment strategy

BlackRock pursues its investment objective by investing in a concentrated portfolio of Australian shares which are chosen through a fundamental stock selection process.

BlackRock’s investment approach is based on a ‘bottom up’ approach to stock selection. BlackRock conducts detailed fundamental research of individual companies to determine their investment merits. BlackRock’s investment philosophy is grounded in the belief that the perceived earnings profile ultimately is the main driver of share price performance; so we maintain a focus on the future earnings profile and cash-flow generation capability, which in part relies upon the art of identifying growth opportunities and threats. The Model Portfolios hold 15 to 30 securities and typically have a bias to large capitalisation securities but can include exposure to a number of mid-capitalisation securities.

Designed for investors who...

- ▶ Seek capital growth with some tax effective income; and
- ▶ Accept the risk of significant price fluctuations.

Performance as at 30/9/2011

	BlackRock Concentrated Australian Share 1		BlackRock Concentrated Australian Share 2		Benchmark*
	Gross	Out-performance [^]	Gross	Out-performance [^]	
1 Month	-5.94%	0.19%	-5.95%	0.18%	-6.13%
3 Months	-11.71%	-0.13%	-11.72%	-0.14%	-11.58%
6 Months	-15.24%	-0.11%	-15.25%	-0.12%	-15.13%
1 Year	-10.25%	-1.69%	-10.24%	-1.68%	-8.56%
2 Years (pa)	-6.64%	-2.55%	-5.26%	-1.17%	-4.09%
3 Years (pa)	-0.40%	-0.29%	-1.41%	-1.30%	-0.11%
Since inception (pa) [#]	3.44%	1.20%	2.90%	0.66%	2.24%

* S&P/ASX 200 Accumulation Index.

[^] Shows the difference between Portfolio Gross Return and Benchmark Return.

[#] Model performance inception date: 8/11/2005.

Past performance is no indicator of future performance. Long term performance returns show the potential volatility of returns over time. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Fluctuation may be particularly marked in the case of a higher volatility Model and the value of an investment may fall suddenly and substantially. Model portfolio composition and performance have been based on theoretical tracking of the model portfolio and are gross of fees and do not take tax positions into account. Please note, actual portfolios may not perform in the same manner as the model depicted in this document, depending on the nature of your personal portfolio and any customisations. Rounding used in the presentation of data may result in minor variations.

Summary		
Model Portfolio name	BlackRock Concentrated Australian Share 1 ¹	BlackRock Concentrated Australian Share 2 ²
Model Code	BR0001	BR0003
Model inception date	4/11/2005	4/11/2005
Principal investment objective	Capital growth and some tax effective income	Capital growth and some tax effective income
Can derivatives be used?	Yes	Yes
Indicative number of stocks	15 – 30	15 – 30
Minimum Model investment	No fixed minimum*	No fixed minimum*
Model Provider's Fees*		
Investment Fee	0.40% p.a.	0.60% p.a.*
Performance Fee applicable?	Yes	No
Brief Description*	15% of any out-performance of the benchmark index	
Benchmark Index	S&P/ASX 200 Accumulation Index	S&P/ASX 200 Accumulation Index

1. The BlackRock High Conviction Consolidation Australian Share Model Portfolio was renamed as the BlackRock Concentrated Australian Share 1 Model Portfolio (BR0001), effective 17 September 2010.
2. BlackRock has adopted a more consolidated approach to the management of the BlackRock Australian Share Model Portfolio (BR0003), with the maximum number of holdings being reduced to 30. The Model was renamed the BlackRock Concentrated Australian Share 2 Model Portfolio (BR0003), effective 17 September 2010. BR0003 has the same investment strategy as the BlackRock Concentrated Australian Share 1 Model Portfolio (BR0001).

* Please refer to the Product Disclosure Statement for further details.

The investment fee was charged from 1 January 2011.

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