

# BLACKROCK

## Model Portfolio Update

### Perennial Value Australian Shares (PE0002)

#### March Quarter 2010

##### *Market Outlook*

The Energy Sector strongly outperformed the market, sparked by corporate activity and further fuelled by rising oil prices. The Materials Sector, driven by China's resilient demand for iron ore and coal, and Healthcare were also outperforming sectors for the quarter. The Property, Telecoms and Utilities Sectors underperformed as the market's appetite for cyclicals returned.

The domestic economic indicators remained positive during the quarter, with building approvals rising, business and consumer confidence remaining at high levels and unemployment falling. The Reserve Bank of Australia raised interest rates 0.25% to 4.0% towards the end of the quarter, making it one of the few central banks globally to raise interest rates. The volatile Australian Dollar fluctuated 8.0% during the quarter but finished up 2.0% to close at United States Dollar 0.918.

##### *Model Portfolio Activity*

Over the quarter, Perennial Value reduced its holdings in Whitehaven Coal, Suncorp-Metway, Telstra and Origin Energy. The Portfolio sold out of its positions in Metcash and CSR. The team believe that a demerger of CSR's building materials and sugar businesses could have unlocked significant value. However, following the Federal Court's decision to block the proposed demerger, due to concerns over the asbestos liability, it was decided that there were better opportunities elsewhere.

Funds generated during the quarter were used to increase the Portfolio's investments in ANZ, Westpac, GrainCorp and AMP. Perennial Value also added Dexus Property Group to the portfolio, because it trades at a discount to its net tangible asset backing and provides exposure to the Australian office market, which should improve as business confidence returns.

##### *Top 10 Holdings*

BHP Billiton Limited  
Westpac Banking Corp  
National Aust. Bank  
ANZ Banking Grp Ltd  
Commonwealth Bank.  
Telstra Corporation.  
Wesfarmers Limited  
Amcor Limited  
RIO Tinto Limited  
Macquarie Group Ltd

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## *About the Model Portfolio*

The aim of the Perennial Value Australian Shares Model Portfolio is provide a total return (after model fees) that exceeds the S&P/ASX 300 Accumulation Index, measured on a rolling three-year basis.

## **Model Portfolio Strategy**

The investment objective of the Perennial Value Australian Shares Model Portfolio is pursued by investing in a diversified portfolio of listed, or soon to be listed, Australian Shares which Perennial Value believes will provide a combination of capital growth and income. The cornerstone to this approach is Perennial Value's strong emphasis on company research.

The process aims to ensure investment decisions are focussed on buying Australian Shares offering good value and selling those shares which Perennial Value believes appear to offer poor value.

The Model Portfolio will typically consist of approximately 45 Australian Shares, with a minimum of 20 and a maximum of 70 shares.

## **Model Portfolio Designed for Investors Who...**

- Have an investment horizon of five years or more
- Are seeking exposure to a portfolio of Australian value-orientated companies

## *Summary*

Model Portfolio Name	<b>Perennial Value Australian Shares</b>
Code	<b>PE0002</b>
Model inception date	<b>01/07/2007</b>
Principal investment objective	<b>To provide a total return (after model fees) that exceed the S&amp;P/ASX 300 Accum. Index, measured on a rolling three-year basis.</b>
Can derivatives be used?	<b>No</b>
Indicative number of stocks	<b>20-70</b>
Minimum Model investment	<b>No fixed minimum*</b>
Model Providers Fees*	
Investment Fee	<b>0.60% p.a.</b>
Performance Fee applicable	<b>Yes</b>
Benchmark Index	<b>S&amp;P/ASX 300 Accumulation Index</b>

If you have any queries relating to any of this information or to obtain a copy of the Product Disclosure Statement, please contact BlackRock's Adviser Services Centre on 1300 366 101.

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