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Model Portfolio Update

Perennial Value Australian Shares (PE0002)

September Quarter 2011

Market Outlook

Global markets fell heavily during the September quarter. Risk aversion continued to increase as a result of ongoing debt issues in Europe and the US, stalling recoveries in the developed markets and fears of slowing growth in China. The major indices were all weaker, with the S&P500 (down 14.3%), the FTSE100 (down 13.7%) and the Nikkei225 (down 11.4%).

The Reserve Bank of Australia left the cash rate steady through the September quarter at 4.75%, as the non-resources sectors of the domestic economy showed signs of weakness. Unemployment rose from 5.0% to 5.3% and consumer and business confidence were also weaker. The increasing prospect of interest rate cuts and weak commodity markets impacted the Australian dollar (AUD) which fell 9.7% ending at 96.62 US cents.

Reporting season was the highlight of the quarter for the Australian market. While the results highlighted the increasingly two-speed domestic economy, the majority of companies continued to show earnings growth. Resource companies overall delivered strong earnings growth, banks were solid and industrials were mixed. Among the industrials, the defensives generally fared better than the more cyclical businesses, particularly those exposed to discretionary spending or the impacts of the high AUD. On the positive, balance sheet strength was a feature of the results, with many companies focussed on capital management.

Industrials (down 8.2%) outperformed resources (down 8.8%) during the quarter as concerns over slowing growth saw a sharp sell-off in commodities. The defensive sectors telecommunications (up 11.8%), utilities (down 1.3%) and consumer staples (down 1.8%) performed the best. Metals and mining (down 19.4%), materials (down 18.3%) and energy (down 16.8%) were the worst performing sectors.

Model Portfolio Activity

The better performing stocks over the quarter included Treasury Wine Estate (up 15.6%) and Foster's Group (Foster's) (up 5.1%) which rallied after SABMiller formalised its takeover offer for Foster's and speculation increased that Treasury Wine Estate may also become a takeover target. AngloGold Ashanti (up 15.2%) performed strongly. Telstra (up 12.1%) also outperformed due to a combination of factors such as its defensive nature, the market's increasingly positive view of the NBN deal and the delivery of a full-year financial result which showed strong operating trends in the business. Other positive contributors included New Hope Corporation (up 3.3%), Amalgamated Holdings (up 3.0%) and GPT (up 0.7%).

Stocks which detracted from performance over the quarter included more cyclical stocks such as BlueScope Steel (down 39.4%) as its earnings are impacted by the high AUD, Aquarius Platinum (down 36.0%) as platinum prices weakened, FKP Property Group (down 35.7%) due to concerns around the outlook for the property market and Seven West Media (down 28.6%) as a result of the softening outlook for the advertising market.

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Top 10 Holdings

Stock	Weight
BHP Billiton Limited	10.20%
Commonwealth Bank of Australia	8.34%
Australian & New Zealand Bank	7.08%
National Australian Bank	6.99%
Telstra Corporation Limited	6.11%
RIO Tinto Limited	4.27%
Westpac Banking Corporation	4.01%
Amcor Limited	2.91%
Treasury Wine Estates	2.53%
Woodside Petroleum Limited	2.37%

* Top ten holdings as at 27th September 2011.

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

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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