

Model Portfolio Update

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

Market Overview

- ▶ The Australian equity market rose slightly over the quarter, with the S&P ASX 200 Accumulation Index up 8.4%. Equity markets rallied over the quarter as the risks associated with the eurozone crisis moderated and positive macro news continued to flow from the US. Investor risk appetite locally was tempered somewhat by ongoing concerns about weakening Chinese growth, as well as fears of further softening in the Australian economy. The Australian market was also influenced by the reporting season and the various earnings downgrades that followed. In the US, the S&P 500 total return finished up 12.6%, as employment and other economic data supported growth prospects. Other offshore markets also rose, with the MSCI World Index total return up 11.7% (in USD terms).
- ▶ Cyclical outperformed over the quarter as investor sentiment improved, with the defensive Telecom and Consumer Staples sectors acting as funding sources. Market volumes, however, were relatively subdued. The local reporting season produced few major surprises, with results generally in line with the previously downgraded EPS growth forecasts. Many companies pointed to soft domestic trading conditions, and outlook comments tended to be cautious, particularly in retail. This trend continued after the completion of reporting season, with Leighton Holdings, QR National and Stockland Australia amongst a number of companies downgrading guidance. Corporate activity over the quarter included private equity groups making takeover offers for Billabong and Pacific Brands, Crown acquiring a 10% stake in rival Echo Entertainment, and Singapore's Wilmar International becoming the largest shareholder in Goodman Fielder.

- ▶ The leading sector for the quarter was Industrials (+14.9%), particularly the capital goods stocks. Information Technology (+14.8%) also performed strongly, with Computershare (+14.4%) benefiting from the improving outlook for equity markets and the USD. Telecommunications Services (+3.7%) was the worst performing sector, in a poor quarter for defensives, with Telstra up just 3.0% after announcing it had finalised its Definitive Agreements with NBN Co and the federal government. Materials (+5.9%) also performed relatively poorly, led by the miners, reflecting ongoing concerns about Chinese growth.
- ▶ Among the best performing stocks was OneSteel (+82.2%), which rose after reporting 1H12 NPAT of \$78m, above its November guidance range, due largely to the improvement in its Manufacturing division. Also performing well were Imdex (+66.3%), NRW Holdings (+64.3%), Virgin Australia (+61.4%), and Billabong International (+58.7%).
- ▶ Among the worst performing stocks was Mirabela Nickel (-49.6%), which fell with the nickel price and with high costs at its Santa Rita mine. Other poor performers included Intrepid Mines (-32.6%), Saracen Mineral (-25.3%), Ramelius Resources (-19.7%) and Alacer Gold Corp (-18.7%).
- ▶ Of the heavyweights, contributions to performance were led by the banks, particularly ANZ Banking Group (+13.3%) and Westpac Banking Corp (+9.5%). The key detractors for the quarter were Stockland Australia (-7.8%) and Challenger (-6.3%).

Top 10 Stocks as at 31/3/2012

ANZ Banking Group Ltd	National Australia Bank Ltd
BHP Billiton Ltd	Newcrest Mining Ltd
Brambles Ltd	Oil Search Ltd
Commonwealth Bank of Australia	Rio Tinto Ltd
CSL Ltd	Westpac Banking Corporation

Performance as at 31/3/2012

	BlackRock Concentrated Australian Share 1		BlackRock Concentrated Australian Share 2		Benchmark*
	Gross	Out-performance [^]	Gross	Out-performance [^]	
1 Month	1.83%	0.61%	1.82%	0.60%	1.22%
3 Months	8.49%	0.09%	8.48%	0.08%	8.40%
6 Months	10.01%	-0.68%	10.00%	-0.69%	10.69%
1 Year	-6.76%	-0.70%	-6.77%	-0.71%	-6.06%
2 Years (pa)	-4.13%	-2.70%	-3.46%	-2.03%	-1.43%
3 Years (pa)	7.50%	-3.75%	8.92%	-2.33%	11.25%
Since inception (pa)*	4.72%	1.02%	4.22%	0.52%	3.70%

* 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.

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.

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