

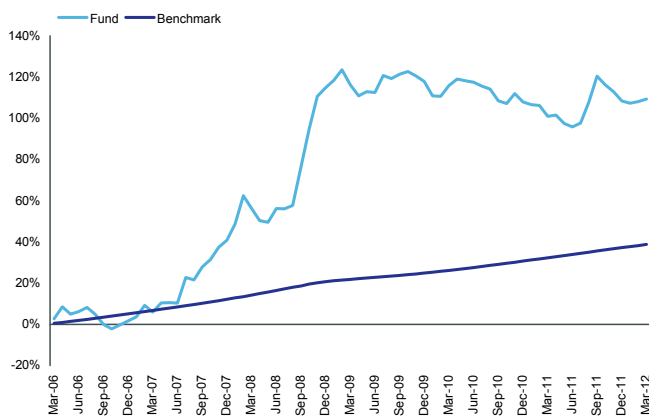
BlackRock Asset Allocation Alpha Fund

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Asset Allocation Alpha Fund (D Class) (Net of Fees)	29 May 2006	0.54	0.24	0.24	3.20	-1.96	11.40	9.60
UBS Bank Bill Index (Gross of Fees)		0.39	1.12	1.12	4.89	4.43	5.39	5.52
Outperformance (Net of Fees)		0.15	-0.88	-0.88	-1.69	-6.39	6.01	4.08
BlackRock Asset Allocation Alpha Fund (C Class) (Net of Fees)	12 May 2008	0.50	0.14	0.14	2.80	-2.38	-	5.45
UBS Bank Bill Index (Gross of Fees)		0.39	1.12	1.12	4.89	4.43	-	4.90
Outperformance (Net of Fees)		0.11	-0.98	-0.98	-2.09	-6.81	0.00	0.55
BlackRock Asset Allocation Alpha Fund (Gross of Fees)	28 February 2006	0.61	0.45	0.45	4.15	-1.07	14.59	12.91
UBS Bank Bill Index (Gross of Fees)		0.39	1.12	1.12	4.89	4.43	5.39	5.53
Outperformance (Gross of Fees)		0.22	-0.67	-0.67	-0.74	-5.50	9.20	7.38

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. Gross performance is calculated gross of ongoing fees and expenses. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees and expenses.

Cumulative Performance (Gross)



There is also an element of déjà vu about the Euro-zone. The European Central Bank's (ECB) 3-year long term refinancing operation (LTRO) finally got the policy makers out ahead of the crisis. This is reminiscent of the announcement of the European Financial Stability Facility (EFSF) in May 2010 which successfully calmed the markets for some time. As the sense of crisis dissipated, however, so did the sense of urgency from policy makers which sowed the seeds for the next crisis in the second half of last year.

The run of data from China confirms that economy is slowing. Most forecasts predict growth will dip below 8% in the coming quarters. Much of the slowdown can be traced back to softer export growth, largely on account of weakness in Europe. Overall Chinese domestic demand has held up quite well. Retail sales were up about 15% year-over-year in January and February and spending on imports remains reasonably firm. The main domestic risk remains the health of the property market. Property prices are falling in most major cities and transaction volumes are down. Further price weakness is likely in the months ahead. It is, however, important to note that there is a safety net in China if this property downturn was to turn into a bust as Chinese banks are still effectively state-owned. As was the case a decade ago, when the Chinese banking system suffered a surge in non-performing loans, the government will simply extend more capital to banks with the explicit understanding that they keep lending to support the economy. Bottom line: China's economy is slowing, but a soft landing (rather than a hard landing) still appears to be the most likely outcome.

Market Review

In the past few years of 'risk-on', 'risk-off' markets, the US equity market has been the best single global risk barometer. The past month hasn't followed that script. The US equity market rallied another 3% but most other 'risk markets' were actually weaker – in particular, European equities, emerging market equities, commodity and high yielding currencies all fell. This divergence reflects increasing confidence about the sustainability of the US economic recovery, combined with lingering concerns about the outlook for Europe and China.

The optimism about the US economic recovery is reminiscent of this time a year ago and two years ago. In both years a subsequent 'soft patch' caused fears about a 'double dip' recession to surge. It appears that the pre-conditions are in place for a re-run of previous years.

It might be too cute to expect a simple re-run of the past two years but we are certainly alert to that possibility. Beyond these near-term fears are the concerns about the fiscal 'cliff' at the end of this year when the Bush tax cuts and Obama stimulus measures expire at the same time as automatic budget cuts are due to be implemented. In the absence of any legislative change, this would represent a staggering contractionary impulse of 3 to 4% of GDP – enough to throw the US economy back into recession. It would seem unlikely that the politicians could allow such an outcome. But confidence in the political system has plumbed new depths due to the extreme partisanship of recent years highlighted most recently by the debt ceiling fiasco last year.

Strategy Commentary and Outlook

The Fund marginally out-performed its benchmark for the month with a return of 0.61% compared with the benchmark return of 0.39%. The major positive contributors to performance were long US dollar vs Japanese Yen, short Sterling vs Japanese Yen, short duration in the US, Germany and Japan. These gains were partially offset by negative contributions from long high yield basket of currencies vs low yield basket of currencies, long Australian dollar vs Japanese Yen, long copper and long sovereign risk protection in France.

Current positioning at month end

In the directional risk strategies, the Fund's positions include:

Equity/Cash – square

Bond/Cash – short Japanese government bonds, short US Treasuries, long sovereign risk protection in France, long sovereign risk protection in Australia

Commodity/Cash – square

In the relative value risk strategies, the Fund's positions include:

Bond/Bond – square

Equity/Equity – square

FX – long A\$ vs Japanese Yen, short A\$ and NZ\$ vs South African Rand, short Euro vs US dollar, long high yield basket vs low yield basket.

About the Fund

Investment Objective

To maximise total returns by implementing a diverse range of global tactical asset allocation strategies within a flexible but disciplined risk management framework.

The Fund aims to provide investors the benefits of an active asset allocation process which could either be combined with specialist sector funds or used as a total return fund.

The Fund targets a return of 12 percentage points above the UBS Bank Bill Index over rolling 3 year periods, gross of fees. There is no guarantee that we will achieve this target. Most, if not all, of the Fund's returns are likely to be in the form of income rather than capital gains.

Fund Strategy

The Fund implements tactical asset allocation strategies. The strategies adopted are thematic, concentrating on exploiting trends, likely developments and mispricing in global asset markets.

The strategies adopted encompass equity, cash, fixed interest, property, commodity and currency markets. Trades executed to implement these strategies may be based on an expectation of the direction of a particular market or focus on relative values between and within regions, asset classes, sectors, currencies and instruments or some combination thereof.

In selecting appropriate trades for the Fund, particular emphasis is placed on being able to execute strategies in a targeted, cost efficient and risk controlled manner. Futures, swaps and options are extensively used in this process although at times physical instruments and securities may be held. The Fund's benchmark is the UBS Bank Bill Index in Australian Dollars (AUD).

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However, in aiming to add value the Fund will take currency positions away from this AUD denominated benchmark. Any asset class or sector exposures are opportunistic, reflecting the themes and strategies being pursued. Exposures to asset classes, sectors, currencies and instruments will involve "net short" or "net long" positions and at times these will be substantial.

Should be considered by investors who ...

- ▶ Seek a Fund which offers the potential for high absolute returns.
- ▶ Seek exposure to asset allocation strategies which are typically overlooked in an increasingly sector specialised world.
- ▶ Have a long-term investment horizon and a tolerance for significant volatility in investment returns in the short-term.

Fund Details

BlackRock Asset Allocation Alpha Fund	
Fund Size	357 mil
Buy/Sell Spread	0.10%/0.10%
BlackRock Asset Allocation Alpha Fund (C Class)	
APIR	MAL0036AU
Management Fee	1.40% p.a. plus 20% of outperformance
BlackRock Asset Allocation Alpha Fund (D Class)	
APIR	MAL0030AU
Management Fee	1.00% p.a. plus 20% of outperformance

Portfolio Risk by Strategy

Strategy	Marginal Contribution %
Bond/Bond	0.0
Bond/Cash	61.5
Cash Bucket	0.0
Commodity/FX	0.0
Commodity	0.0
Commodity/ Commodity	0.0
Currency	39.1
Equity/Cash	0.0
Equity/Bond	0.0
Equity/Equity	0.0
Unassigned	-0.6