

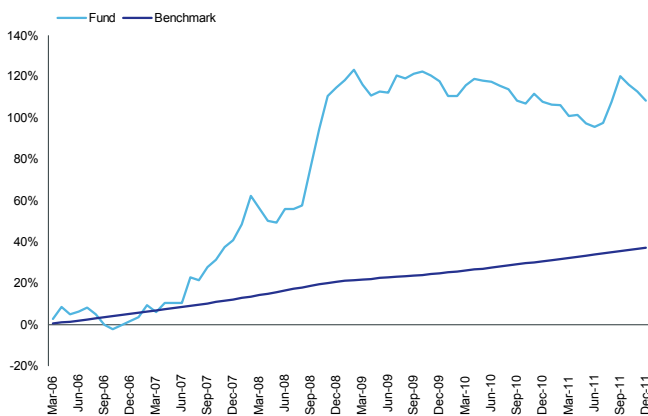
## BlackRock Asset Allocation Alpha Fund

### 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	-2.15	-5.69	-0.72	-0.72	-2.14	12.23	10.00
UBS Bank Bill Index (Gross of Fees)		0.40	1.22	5.00	5.00	4.38	5.48	5.57
Outperformance (Net of Fees)		-2.55	-6.91	-5.72	-5.72	-6.52	6.75	4.43
BlackRock Asset Allocation Alpha Fund (C Class) (Net of Fees)	12 May 2008	-2.18	-5.79	-1.11	-1.11	-2.55	-	5.80
UBS Bank Bill Index (Gross of Fees)		0.40	1.22	5.00	5.00	4.38	-	4.93
Outperformance (Net of Fees)		-2.58	-7.01	-6.11	-6.11	-6.93	0.00	0.87
BlackRock Asset Allocation Alpha Fund (Gross of Fees)	28 February 2006	-2.12	-5.48	0.23	0.23	-1.01	15.44	13.41
UBS Bank Bill Index (Gross of Fees)		0.40	1.22	5.00	5.00	4.38	5.48	5.57
Outperformance (Gross of Fees)		-2.52	-6.70	-4.77	-4.77	-5.39	9.96	7.84

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. Refer to Fund details section for actual inception dates.

### Cumulative Performance (Gross)



### Market Review

The outlook for 2012 revolves around:

- ▶ the European outlook and the transmission mechanism for European growth outcomes impacting on the rest of the world;
- ▶ the Chinese economic outlook – a soft landing still appears to be central case particularly as inflation is falling and the Authorities have lots of fire power to respond if the slowdown in economic growth becomes overdone; and
- ▶ the US economic outlook – a Presidential election year is likely to see headwinds from tighter fiscal policy and the fall-out from the European crisis. On the positive side the housing sector appears to be basing and there are grounds for optimism on a two to three year view.

Of course, the potential for an X-factor (or factors) derailing the outlook appears unusually high again in 2012 given the fragile state of the global economic recovery and the extremely limited firepower of the major Western economies to respond to a material downturn in economic growth.

The European outlook remains the most troubling aspect of the outlook and the 'test' will come early in year as sovereign issuance ramps up in February. It is unclear how much damage has been done to the appetite of traditional owners of European sovereign debt to keep buying. The European Central Bank has taken

undertaken dramatic liquidity support measures to European banks but is not, at this stage, providing the ultimate backstop for European sovereign debt. Given the ongoing contagion to the core bond markets in Europe (with Italian yields just under 7%) this does not appear enough and yet another market riot seems quite likely in the New Year.

In the meantime the ongoing stringent fiscal austerity will continue to create political tensions which may boil over at any moment. Already we have had changes of government in all the troubled economies and more political turmoil appears quite likely in the months and years ahead. The key European leaders say this crisis will take years to fix. Over that period, the risk of a miss step which leads to a severe European recession/depression are unfortunately quite elevated.

The most recent experience of a 'global' financial crisis in 2008 has conditioned investors to think that any European mishap will also 'go global' but that is not necessarily the case. The resilience of the US economy in the second half of 2011 is a reminder that the transmission mechanism between European growth and US growth is potentially quite weak. Certainly the direct trade linkages between the US and Europe are very low. Also the Asian crisis in the late 1990s turned out to be much worse for Asia than the consensus predicted, at the same time as growth in the rest of the world was much better than expected.

## Strategy Commentary and Outlook

The Fund under-performed its benchmark for the month with a return of -2.12% (gross of fees) compared with the benchmark return of 0.04%. Detractions to performance came from short positions in bunds and JGBs as well long position in equity volatility and long positions in Asian equity markets and Australian dollar.

### Current positioning at month end

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

Equity/Cash – long US equity volatility

Bond/Cash – short Japanese government bonds

Commodity/Cash – square

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

Bond/Bond – square

Equity/Equity – square

FX – long US dollar vs Japanese Yen.

## 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).

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.

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### 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	43.2
Cash Bucket	29.5
Commodity/FX	0.0
Commodity	0.0
Commodity/ Commodity	0.0
Currency	2.3
Equity/Cash	-2.3
Equity/Bond	0.0
Equity/Equity	0.0
Unassigned	27.3