

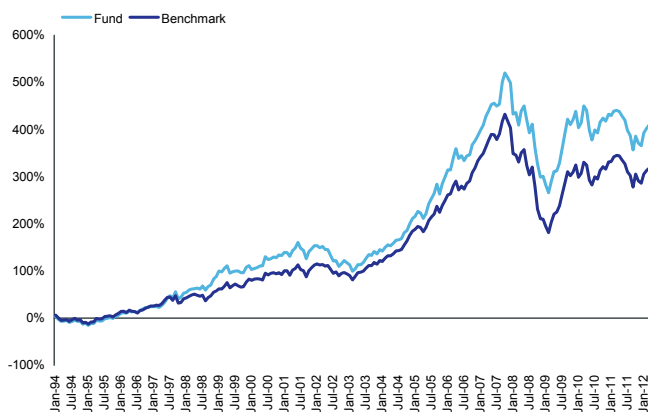
BlackRock Australian Share Fund

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Wholesale Australian Share Fund (Net of Fees)	31 December 1993	1.58	9.40	9.40	-6.39	8.43	-1.52	8.66
S&P/ASX 200 Accumulation Index (Gross of Fees)		1.22	8.40	8.40	-6.06	11.25	-2.04	8.16
Outperformance (Net of Fees)		0.36	1.00	1.00	-0.33	-2.82	0.52	0.50
BlackRock Professional Investor Australian Share Fund (Net of Fees)	13 September 1999	1.54	9.28	9.28	-6.83	7.96	-1.96	6.57
S&P/ASX 200 Accumulation Index (Gross of Fees)		1.22	8.40	8.40	-6.06	11.25	-2.04	8.16
Outperformance (Net of Fees)		0.32	0.88	0.88	-0.77	-3.29	0.08	-1.59
BlackRock Wholesale Australian Share Fund (Gross of Fees)		1.65	9.61	9.61	-5.58	9.37	-0.69	9.34
S&P/ASX 200 Accumulation Index (Gross of Fees)		1.22	8.40	8.40	-6.06	11.25	-2.04	8.16
Outperformance (Gross of Fees)		0.43	1.21	1.21	0.48	-1.88	1.35	1.18
BlackRock Australian Share Fund (Net of Fees)	31 May 1988	1.53	9.22	9.22	-7.34	7.31	-2.52	-
S&P/ASX 200 Accumulation Index (Gross of Fees)		1.22	8.40	8.40	-6.06	11.25	-2.04	-
Outperformance (Net of Fees)		0.31	0.82	0.82	-1.28	-3.94	-0.48	-
BlackRock Australian Share Fund (Gross of Fees)		1.69	9.63	9.63	-5.53	9.31	-0.71	-
S&P/ASX 200 Accumulation Index (Gross of Fees)		1.22	8.40	8.40	-6.06	11.25	-2.04	-
Outperformance (Gross of Fees)		0.47	1.23	1.23	0.53	-1.94	1.33	-

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)



Market Review

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).

Cyclicals 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%).

Strategy Commentary and Outlook

While markets continue to work their way out of the strong risk aversion phase of last year, strong economic growth is proving elusive. Nevertheless, modest growth has been registered in the USA and emerging markets continue to show solid growth. However, signs are emerging that growth momentum is slowing in the USA and China. While not a cause for alarm, it does suggest that recent equity market momentum could slow. In this context, we see commodity prices holding at currently very healthy levels, though unlikely to rise materially. Accordingly, we remain constructive on companies exposed to the resources sector in terms of mining activity, if not in terms of price leverage. We also retain our view that some defensive stocks are overpriced for what they are delivering, but are comfortable with stocks able to deliver solid total returns in terms of price appreciation and dividend yield.

Key positive influences

Overweight QBE

Overweight NRW Holdings

Underweight BHP Billiton

Key negative influences

Overweight QR National

Overweight Woodside Petroleum

Underweight Woolworths

In terms of stock specific insights, the Fund has overweight positions in News Corporation (growth in cable platform, improving advertising market in the USA, capital management), NRW Holdings/Monadelphous (exposure to increasing activity in mining sector, independent of commodity prices), Lend Lease (Valemus acquisition and Sydney CBD development opportunities), QBE (normalisation of insurance margins following a period of significantly larger than normal claims), and Seven West Media (strong ratings performance from Channel 7 and eventual recovery in advertising markets). Key underweight exposures are BHP (lack of commodity price momentum), TLS (fully valued with limited growth opportunities), Woolworths (slowing sales momentum), and REIT sector (low total return expectations)

During March, the Fund added or built positions in AGL Energy (cheap defensive with earnings growth from Loy Yang A acquisition), Santos (exposure to rising oil price and increasing gas and oil production), and Worley Parsons (exposure to hydrocarbons capex cycle)

The Fund reduced positions in Leighton Holdings (locking in outperformance), Telstra (locking in outperformance) and BHP (lack of commodity price momentum)

About the Fund

Investment Objective

The Funds aim to achieve capital growth through investment in Australian shares and other securities and to provide investors with some tax-effective income through the distribution of franked dividends. We aim to achieve this goal by outperforming the S&P/ASX 200 Accumulation Index over the medium to long term.

Fund Strategy

The investment objective of the Funds is currently pursued by investing in a portfolio of Australian shares. The portion of the Funds not invested in securities will be invested in the money market (i.e. cash) through a BlackRock wholesale fund.

The Funds invest opportunistically in perceived value adding investment ideas, or "insights". We draw on a broad spectrum of investment expertise to identify these opportunities and capitalise on them.

Insights may be found on a number of different levels, for example within a company division, at the stock level, or among a group of stocks. The identification of investment insights is a research driven process.

Should be considered by investors who ...

- ▶ Seek a fund which aims to provide capital growth and some tax effective income.
- ▶ Accept the risk of significant price fluctuations.

Fund Details

BlackRock Wholesale Australian Share Fund	
APIR	PWA0823AU
Fund Size	587 mil
Buy/Sell Spread	0.275%/0.275%
Management Fee	0.95% p.a.
BlackRock Professional Investor Australian Share Fund	
APIR	MAL0104AU
Management Fee	1.40% p.a.
BlackRock Australian Share Fund	
APIR	PWA0014AU
Fund Size	258 mil
Buy/Sell Spread	0.275%/0.275%
Management Fee	1.92% p.a.

Top Holdings

Holding	Weight %
NATIONAL AUSTRALIA BANK LTD.	9.35
COMMONWEALTH BANK OF AUSTRALIA	6.71
BHP BILLITON LTD.	6.70
AUSTRALIA & NEW ZEALAND BANKING GR	6.48
WESFARMERS LTD.	5.48
WESTPAC BANKING CORP.	4.82
NEWS CORP.	3.83
QBE INSURANCE GROUP LTD.	3.66
SUNCORP GROUP LTD.	3.62
LEND LEASE GROUP	3.21

Sector Exposure

Sector	Weight %
ENERGY	9.21
MATERIALS	14.78
INDUSTRIALS	13.96
CONSUMER DISCRETIONARY	8.10
CONSUMER STAPLES	5.77
HEALTH CARE	4.41
FINANCIALS EX A-REIT	39.89
INFORMATION TECHNOLOGY	1.04
TELECOMMUNICATION SERVICES	0.27
UTILITIES	1.74
A-REIT	0.83

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