

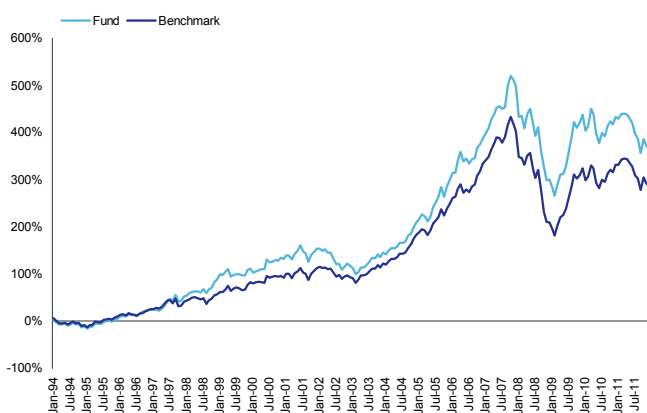
## BlackRock Australian Share Fund

### 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	-1.26	1.78	-13.36	-13.36	4.25	-1.73	8.24
S&P/ASX 200 Accumulation Index (Gross of Fees)		-1.35	2.12	-10.54	-10.54	7.58	-2.31	7.79
Outperformance (Net of Fees)		0.09	-0.34	-2.82	-2.82	-3.33	0.58	0.45
BlackRock Professional Investor Australian Share Fund (Net of Fees)	13 September 1999	-1.28	1.66	-13.77	-13.77	3.81	-2.17	5.95
S&P/ASX 200 Accumulation Index (Gross of Fees)		-1.35	2.12	-10.54	-10.54	7.58	-2.31	7.79
Outperformance (Net of Fees)		0.07	-0.46	-3.23	-3.23	-3.77	0.14	-1.84
BlackRock Wholesale Australian Share Fund (Gross of Fees)		-1.18	2.00	-12.59	-12.59	5.16	-0.89	8.92
S&P/ASX 200 Accumulation Index (Gross of Fees)		-1.35	2.12	-10.54	-10.54	7.58	-2.31	7.79
Outperformance (Gross of Fees)		0.17	-0.12	-2.05	-2.05	-2.42	1.42	1.13
BlackRock Australian Share Fund (Net of Fees)	31 May 1988	-1.36	1.50	-14.33	-14.33	3.17	-2.74	-
S&P/ASX 200 Accumulation Index (Gross of Fees)		-1.35	2.12	-10.54	-10.54	7.58	-2.31	-
Outperformance (Net of Fees)		-0.01	-0.62	-3.79	-3.79	-4.41	-0.43	-
BlackRock Australian Share Fund (Gross of Fees)		-1.19	1.98	-12.58	-12.58	5.12	-0.91	-
S&P/ASX 200 Accumulation Index (Gross of Fees)		-1.35	2.12	-10.54	-10.54	7.58	-2.31	-
Outperformance (Gross of Fees)		0.16	-0.14	-2.04	-2.04	-2.46	1.40	-

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 Australian equity market rose over the quarter, with the S&P ASX 200 Accumulation Index up 2.1%. Markets were heavily influenced by developments in Europe throughout the quarter, with early optimism of a resolution to the Eurozone debt problems giving way to uncertainty about the solvency of larger economies and by quarter end, despite some signs of progress, the fiscal crises remained a concern. Investors also exhibited some caution about China's growth prospects, particularly towards quarter end. But while Europe struggled and China moderated, the US economy showed encouraging signs of improvement, with production figures strong and employment figures improving. This helped the S&P 500 total return in the US to finish up 11.8%. Other offshore markets also rose, with the MSCI World Index total return up 7.7% (in USD terms).

Defensive sectors out-performed over the quarter as investors sought safety from the uncertainties surrounding Europe. The resources sector under-performed, due to their high beta exposure, signs of easing growth in China, and a further production guidance downgrade from Newcrest Mining. Retailers also struggled, with poor sales results released during December by JB Hi-Fi, Kathmandu and

Billabong International. Corporate activity over the quarter included the Yanzhou Coal Mining of China bid for Gloucester Coal, and the proposed merger between Aston Resources and Whitehaven Coal. Buybacks also remained a feature, with programs announced by Sims Metal and Transfield Services.

The leading sector for the quarter was Utilities (+8.1%), assisted by the takeover bid for Hastings Diversified Utilities Fund by APA Group. Telecommunications Services (+6.9%) also performed well, with Telstra reiterating FY12 guidance and submitting its revised Structural Separation Undertaking with the ACCC. Materials (-3.1%) was the worst performing sector due largely to concerns over Chinese and world growth. Consumer Staples (-2.9%) also underperformed, with Wesfarmers and Woolworths expressing caution due to weak consumer confidence, the deflationary effects of the high Australian dollar and difficulty growing volumes.

Among the best performing stocks was Karoon Gas Australia (+58.2%), which rose after positive comments on its exploration activities at its AGM. Also performing well were Aurora Oil & Gas (+51.3%), Transpacific Industries (+47.3%), Hastings Diversified (+34.4%), and Cochlear (+33.6%).

Among the worst performing stocks was White Energy Company (-74.3%), which fell after having coal supply problems at its Tabang operation in Indonesia. Other poor performers included Billabong International (-46.7%), OneSteel (-43.5%), Linc Energy (-42.7%) and Energy Resources (-36.6%).

Of the heavyweights, contributions to performance were led by the banks, particularly Commonwealth Bank (+8.1%) and ANZ (+9.1%), as credit spreads eased. The key detractors for the quarter were Newcrest Mining (-12.7%) and Wesfarmers (-6.6%).

## Strategy Commentary and Outlook

Key positive influences

Overweight Newscorp

Overweight Brambles

Overweight Ansell

Key negative influences

Overweight Newcrest

Overweight Flight Centre

Overweight Wesfarmers

While the European debt crisis has yet to produce a decisive policy response, the co-ordinated monetary easing by several central banks across Europe, the USA and Asia in December 2011 provided some comfort that policy makers will act to avoid it escalating to a bank liquidity crisis. However, it will be challenging for Europe to avoid a recession in 2012, given forced austerity measures by governments and high unemployment in southern European countries. In the USA, low interest rates, a stabilised housing market and improving labour productivity suggest a more positive outlook for economic growth. Growth will need to accelerate beyond 2-3% for a meaningful reduction in US unemployment. Finally, the prospects for China maintaining a stable GDP growth rate have been enhanced with encouraging CPI data suggesting policy tightening measures can cease or even reverse somewhat in coming months.

In terms of stock specific insights, the Fund has overweight positions in Ansell (earnings upside from US industrial volume growth and business restructuring), Brambles (leverage to the recovering business cycle and strategic investments into related business lines), Wesfarmers (strong earnings growth from Coles turnaround and additional coal volumes), 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), Computershare (portfolio of good businesses with earnings upside from increased market activity). Key underweight exposures are QBE (excess capital and peers willing to accept current low returns reduce ability to grow organically), Woolworths (slowing sales momentum), REIT sector (low total return expectations).

During the December quarter, the Fund added or built positions in Seven West Media (top rating TV network, well placed to benefit from eventual TV ad market recovery), Flight Centre (strong outbound tourism numbers and better performance from overseas divisions), News Corp (growth in cable platform, improving advertising market in the USA, capital management), Echo Group (earnings growth from Star City Casino refurbishment).

The Fund reduced positions in Telstra (locking in outperformance), Transurban (switching to SYD post outperformance), Worley Parsons (locking in outperformance).

## 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	581 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	246 mil
Buy/Sell Spread	0.275%/0.275%
Management Fee	1.92% p.a.

## Top Holdings

Holding	Weight %
BHP LTD	10.85
NATIONAL AUST. BANK	6.58
WESTPAC BANK. CORP.	6.48
COMMONWEALTH BANK	6.26
ANZ BANKING GROUP	5.81
WESFARMERS LTD	5.71
TELSTRA CORPORATION	4.52
RIO TINTO	3.84
SUN CORP METWAY	3.55
BRAMBLES	3.51

## Sector Exposure

Sector	Weight %
ENERGY	5.32
MATERIALS	21.17
INDUSTRIALS	14.12
CONSUMER DISCRETIONARY	8.16
CONSUMER STAPLES	5.92
HEALTH CARE	3.34
FINANCIALS EX A-REIT	32.66
INFORMATION TECHNOLOGY	2.54
TELECOMMUNICATION SERVICES	4.90
UTILITIES	0.07
A-REIT	1.80

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