

Fund Update

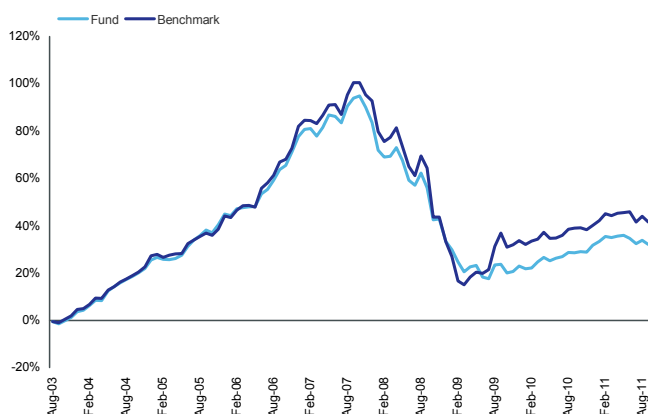
BlackRock Combined Property Income Fund (Aust)

Investment Performance (%)

	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Combined Property Income Fund (Aust) (Gross of Fees)	-1.97	0.22	2.77	-5.41	-4.22	3.49
Diversified Benchmark (Gross of Fees)	-3.00	1.07	1.89	-4.85	-3.25	4.38
Outperformance (Gross of Fees)	1.03	-0.85	0.88	-0.56	-0.97	-0.89
BlackRock Combined Property Income Fund (Aust) (C Class) (Net of Fees)	-2.45	-1.23	0.79	-7.27	-5.82	3.29
BlackRock Combined Property Income Fund (Aust) (D Class) (Net of Fees)	-2.22	-0.54	1.73	-6.44	-4.96	3.96

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. The benchmark is a diversified allocation of the Mercer/IPD Australian Pooled Property Fund Index and S&P/ASX 300 A-REIT Accumulation Index.

Cumulative Performance (Gross)



Market Review

Business confidence waned during the quarter primarily due to the volatile financial markets and sovereign debt issues in Europe. Leasing enquiry across the CBD office markets has continued to be patchy in most cities, excluding Brisbane CBD where the mining sector is continuing to grow and hence seeking expansion and project space. This has resulted in a tightening of the Brisbane market ahead of Melbourne and Sydney.

Positive net absorption has been recorded in all CBD office markets for the quarter, particularly in resource dependent Brisbane and Perth with much of the activity in mining and associated industries. Existing market rents have continued to come under pressure throughout the quarter despite the limited new supply and steady, if low demand. There is however a looming lack of good quality contiguous space, particularly for larger tenancies seeking in excess of 5,000sqm. Prime equivalent yield ranges remain unchanged in most markets with yields currently between 6.50% and 7.75%. Throughout Q3 approximately \$1.5 billion of capital transactions were

recorded for commercial property, as Australian assets remain attractive to offshore investors.

Industrial occupier demand has been mixed this quarter, with tenants remaining cautious. Enquiry levels are patchy, with many tenants seeking shorter and more flexible lease terms to match requirements reflective of secured contracts. Industrial investment activity slowed during the quarter, however there are a number of sales pending. Yields remained stable throughout the quarter.

After retreating slightly last quarter, the Retail property sector has come to a standstill in Q3. The turbulent financial markets and Federal Government's proposed carbon tax have contributed to weaken consumer sentiment, with the Westpac/Melbourne Institute Consumer Sentiment Index falling from 101.2 points in June 2011 to 96.9 points in September 2011. This has had a direct impact on retail property rents and yields. Retail property vacancy rates are however remaining low for the moment and yields largely stable throughout the quarter. Investment activity was limited with sales of \$385m recorded for the quarter.

The Australian Real Estate Investment Trust (A-REIT) sector had a total return of -8.1% for the quarter, out-performing the S&P ASX 300 Accumulation Index (-11.6%). This was the worst quarterly market performance since December 2008, and was largely a reflection of the increased uncertainty over the global economic outlook.

Macro concerns dominated, with ongoing European sovereign debt and banking problems, the S&P downgrading of US debt, bearish comments from the Federal Reserve, and fears of slower growth in China weighing heavily on sentiment.

The A-REITs sector had a volatile quarter in the face of macro concerns, particularly in August when it experienced a ~12% intra-month swing. However, it out performed the broader market due to its defensive characteristics. Annual results

were generally positive, and various A-REITs addressed their discounted valuations by announcing share buybacks or special distributions. All the sub sectors fell over the quarter, with Office the best performer, followed by Retail and Diversified.

Strategy Commentary and Outlook

Over the September quarter, the Combined Property Income Fund (Fund) returned -1.97% (before fees), versus the Mercer/IPD Australian Pooled Property Fund Index 50% and S&P/ASX 300 A-REIT Accumulation Index 50% (before fees) return of -3.00%.

Valuations

Each of the 19 properties were valued as at 30th September 2011. The total assessed value of the portfolio of direct property assets increased by 0.10% from 30th June 2011. 26% of the assets increased in value, 48% remained unchanged, with 26% recording lower values. The assets that fell in value were predominantly impacted by major forthcoming lease expiries, which resulted in valuers taking a more conservative view of these particular assets. The weighted average capitalisation rate of the direct property assets within the portfolio has remained firm from 8.30% at 30th June 2011 to 8.31% at 30th September 2011.

Leasing Activity

At the conclusion of the September quarter the BlackRock Property Trust (BPT) had an occupancy rate of 95.2%, a slight decrease from the June quarter of 96.6%.

The has only been a small number of transactions concluded throughout the quarter, including Unit 3 at 33 Maddox Street, Alexandria (NSW) which has been leased to Swisse Vitamins on a five year term. There has been some positive activity being generated to lease a number of vacancies at the Hume industrial property, with these transactions expected to be concluded throughout Q4 2011.

Sales

During the quarter the BPT successfully exited its investment in the Goodman Australia Industrial Fund. The sale was conducted over a number of tranches with different parties, at an overall discount to book value of 1.7%. The BPT now holds three remaining unlisted investments in addition to its 19 directly held properties.

Strategy & Outlook

The Fund continues to generate solid income which is being distributed quarterly.

Many A-REITS continue to trade below NTA, notwithstanding the fact that balance sheets have been repaired, asset values have stabilised, and share buybacks undertaken. The sector is trading at a FY12 yield of 7.1%.

Within the BPT, BlackRock remains heavily focused on asset management to minimise vacancy and maximise income for clients.

Liquidity

BlackRock is committed to restoring liquidity in the Combined Property Income Fund. The BPT is actively marketing three assets for sale to increase the quality of the portfolio, improve the BPT's performance outlook, and generate liquidity. While

the sale of one of the BPT's unlisted holdings has provided increased cash reserves, it is BlackRock's current intention to continue to execute further strategic asset sales as part of its process of returning liquidity to the BPT.

About the Fund

Investment Objective

The primary objective of the Fund is to deliver a combination of income and capital growth over the medium to long-term by investing in a portfolio of direct property and listed property securities, with an emphasis on income. The Fund aims to deliver an attractive income yield from both direct and listed property.

We aim to achieve this objective by outperforming the benchmark asset allocation returns over rolling five-year periods.

The Fund is actively managed against a passive benchmark, equally weighted between the following listed and direct property indices:

- ▶ 50% Mercer/IPD Australian Pooled Property Fund Index
- ▶ 50% S&P/ASX 300 A-REIT Accumulation Index

Fund Strategy

The investment objective of the Fund is currently pursued by investing in a portfolio of direct property and listed property securities. Exposure to direct property and listed property securities is obtained through related Funds managed by BlackRock – the BlackRock Property Trust (Aust) and the BlackRock Wholesale Indexed Australian Listed Property Fund.

Should be considered by investors who ...

- ▶ Seek a fund which aims to provide a regular income stream from a diversified portfolio of direct property and listed property securities.
- ▶ Seek growth over the long term.

Sector Exposure

Sector	Weight %
Listed Property	32.10
Direct Property	64.10
Cash	3.80

Fund Details

BlackRock Combined Property Income Fund (Aust)	
Inception Date	25 August 2003
Fund Size	401 mil
Unit Price (NAV)	0.815740
Buy/Sell Spread	1.50%/0.13%
BlackRock Combined Property Income Fund (Aust) (C Class)	
APIR	MAL0007AU
Inception Date	24 September 2003
Management Fee	1.60% p.a.
Unit Price (NAV)	0.817520
BlackRock Combined Property Income Fund (Aust) (D Class)	
APIR	MAL0008AU
Inception Date	25 August 2003
Management Fee	0.85% p.a.
Unit Price (NAV)	0.784000

Additional Fund Information

The BlackRock Combined Property Income Fund (Aust) is currently "non-liquid" within the meaning of the Corporations Act. Accordingly, BlackRock can only accept and process withdrawal requests from investors in the BlackRock Combined Property Income Fund on the basis of a Withdrawal Offer issued by BlackRock. Any Withdrawal Offers issued will be offered to all investors in the Fund. BlackRock will notify you in due course of our timings with respect to any Withdrawal Offers.

Although withdrawals will only occur on the basis of a Withdrawal Offer, other aspects of the Fund continue to operate as normal, including:

- ▶ applications continue to be accepted as the Fund has not closed;
- ▶ unit pricing continues to occur on a daily basis;
- ▶ distributions continue to be paid as normal; and
- ▶ the investment strategy and management of the Fund remains unchanged.

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