

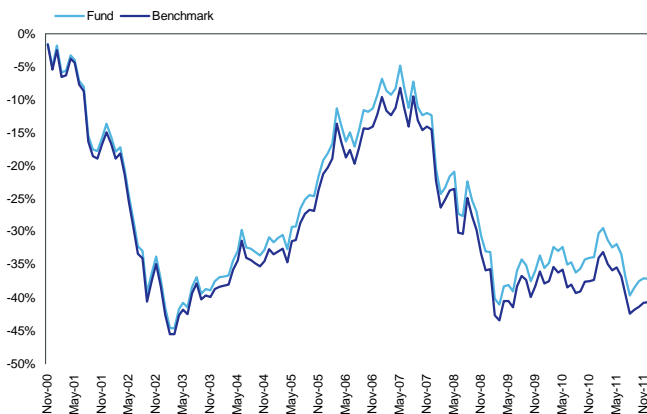
BlackRock Global Equity Enhanced Index Fund

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Global Equity Enhanced Index Fund (D Class) (Net of Fees)	16 May 2001	-0.11	2.15	-5.12	-5.12	-2.45	-7.30	-4.11
MSCI World ex Australia Index (unhedged in AUD) (Gross of Fees)		0.21	2.00	-5.34	-5.34	-2.58	-7.53	-4.34
Outperformance (Net of Fees)		-0.30	0.19	0.27	0.27	0.19	0.28	0.23
BlackRock Global Equity Enhanced Index Fund (E Class)(Net of Fees)	29 November 2000	-0.09	2.19	-5.07	-5.07	-2.39	-7.25	-4.37
MSCI World ex Australia Index (unhedged in AUD) (Gross of Fees)		0.21	2.00	-5.34	-5.34	-2.58	-7.53	-4.60
Outperformance (Net of Fees)		-0.31	0.10	0.41	0.41	0.48	0.47	0.50
BlackRock Global Equity Enhanced Index Fund (Gross of Fees)	29 November 2000	-0.10	2.10	-4.93	-4.93	-2.10	-7.06	-4.10
MSCI World ex Australia Index (unhedged in AUD) (Gross of Fees)		0.21	2.00	-5.34	-5.34	-2.58	-7.53	-4.60
Outperformance (Gross of Fees)		-0.32	0.15	0.22	0.22	0.13	0.23	0.23
BlackRock Hedged Global Equity Enhanced Index Fund (Gross of Fees)	31 January 2002	0.91	8.65	-2.80	-2.80	11.50	-1.81	3.97
MSCI World ex Australia Index (hedged in AUD) (Gross of Fees)		0.98	8.69	-1.91	-1.91	12.03	-1.92	3.94
Outperformance (Gross of Fees)		-0.07	-0.04	-0.89	-0.89	-0.53	0.11	0.03
BlackRock Hedged Global Equity Enhanced Index Fund (E Class) (Net of Fees)	31 January 2002	0.87	8.56	-3.10	-3.10	11.14	-2.24	3.61
MSCI World ex Australia Index (hedged in AUD) (Gross of Fees)		0.98	8.69	-1.91	-1.91	12.03	-1.92	3.94
Outperformance (Net of Fees)		-0.11	-0.13	-1.19	-1.19	-0.89	-0.32	-0.33

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. Refer to Fund details section for actual inception dates. The benchmark is a diversified allocation of 36% S&P 500 Index (Total Return hedged in AUD), 24% FTSE World Index ex US Index (Total Return hedged in AUD), 24% Merrill Lynch US Government Index (0-5 yr Treasury hedged in AUD) and 16% Citigroup World ex US Government Bond Index (hedged in AUD).

Cumulative Performance (Gross Unhedged)



In the UK the annual rate of inflation stood at 4.8% to the end of November, down from 5.0%. UK growth for Q3 was revised up to 0.6% from 0.5% however Q2 was revised down from 0.1% to zero, leaving the annual pace of expansion unchanged at 0.5% to the end of September.

In Europe the head of the ECB, Mario Draghi, remained adamant that purchases of government bonds were "neither eternal, nor infinite" but that they would continue to facilitate the flow of credit to firms and households. Nevertheless German exports dropped 3.6% in October raising fears of a looming European recession.

Japanese GDP growth for Q3 was revised down to 5.6% from 6.0% (annualised). Industrial production fell -2.6% for the month of November raising fears of a slowdown in the post tsunami recovery.

In emerging markets China's inflation rate fell again to 4.2% in November in line with recent efforts to contain it. The services PMI for China fell to 49.7 in November, in line with the previously reported decline in manufacturing activity. In Brazil Q3 2011 GDP growth was 2.1% vs Q3 2010 however inflation showed signs of renewed life rising to 6.55%, above the 6.5% challenging the central banks desire to loosen policy.

Market Review

Equity markets moved modestly high through December. Whilst concerns over Europe remained they were balanced out by better data from the United States. The MSCI World Ex Australia Index returned +0.21% in unhedged AUD terms and +0.98% in fully hedged (or local currency) terms for the month.

In the US the ISM for November was 52.7 for manufacturing and 52.0 for non-manufacturing, indicating continued expansion. US non-farm payrolls for October were +120,000. The US Conference Board reading of consumer confidence rose from 55.2 to 64.5 in December. After a strong performance in September and October retail sales rose only 0.2% in November. US housing starts jumped 9.3% to an 18 month high of 685,000 (annualised) although the S&P Case Shiller Index of 10 major cities fell -1.1% over October. The US S&P 500 fell nearly -3.5% through to mid December before recovering to be up nearly 1% for the month.

Strategy Commentary and Outlook

The Fund returned 2.10% (before fees) for the quarter, out-performing the benchmark MSCI World ex-Australia Index which returned 2.00%.

Equity markets gyrated over the quarter although made it to higher ground by quarter end as continued concerns over the European situation, culminating in the resignation of the Italian and Greek Prime Ministers, were offset by a steady stream of better economic data from the United States.

In the US the ISM generally strengthened over the quarter with the ISM for November coming in at 52.7 for manufacturing and 52.0 for non-manufacturing. Jobs data was also improved with initial jobless claims drifting down and non-farm payrolls totalling 412,000 jobs for the quarter. The US Conference Board reading of consumer confidence rose to 64.5 in December. After a strong performance in September and October retail sales rose only 0.2% in November. US housing starts jumped 9.3% to an 18 month high of 685,000 (annualised) although the S&P Case Shiller Index of 10 major cities fell -1.1% over October.

In the UK the Bank of England maintained low policy rates and increased the size of its Asset Purchase Programme by 75 billion pounds to 275 billion pounds in an effort to stop stagnant growth giving way to renewed recession. Inflation drifted down from 5.2% in September to 4.8% at the end of November. UK growth for Q3 was revised up to 0.6% from 0.5% however Q2 was revised down from 0.1% to zero, leaving the annual pace of expansion unchanged at 0.5% to the end of September.

Europe was again the key focus of market fears with the sovereign debt crisis claiming its biggest victims to date, Greek Prime Minister George Papandreu on November 11th and Italian Prime Minister Silvio Berlusconi on November 16th. The Italian 10 year bond yield exceeded 7% several times during the quarter as fears that the contagion had reached the Eurozone core economies were acute. The formation of technocratic governments of national unity in each country and commitment to greater fiscal integration assuaged some investor fears and head of the ECB, Mario Draghi, remained adamant that purchases of government bonds were "neither eternal, nor infinite" but that the ECB would continue to facilitate the flow of credit to firms and households. Nevertheless poorer PMI data and German exports dropping to 3.6% in October raising fears of a looming European recession.

Japanese GDP growth for Q3 was revised down to 5.6% from 6.0% (annualised). Industrial production fell -2.6% for the month of November raising fears of a slowdown in the post tsunami recovery.

Performance of Quantitative Strategies

Stock selection portfolio underperformed the index in the December quarter.

As better US data and ECB assistance drove a late December rally signals like earnings quality, which favours high quality cash flows from operations, justifiably underperformed as the market preferred riskier assets. We had also positioned ourselves for the turn-of-the year effect when the price momentum signal reversed. With this change, the price momentum signal was negative and the biggest detractor for the month and quarter.

Going into the end of the year, investors tend to be risk adverse due to lower liquidity in markets. After the turn of the year, fund managers start a new performance period and are willing to invest in more risky names. In January, the riskier, beaten down, smaller, less liquid names tend to outperform. The turn-of-the-year effect was quite weak in December, but has already been positive in the first week of January.

The earnings surprise/estimate revisions signal was also slightly negative in December, although it was positive for the quarter as a whole.

The capital investment and external financing signal was positive for the quarter as a whole. All other signals were flat in December. Though several new developments in the European debt crisis seemed to be hopeful, the European crisis is far from over. The uncertainty would still favour defensive signals such as the capital investment and external financing signal.

Performance of Trading Strategies

Relative value and event driven trades were negative while merger arbitrage trades were positive in the December quarter.

In October, the merger arbitrage strategy benefited from deal spreads tightening across the board. This was attributable to both improving financing markets and the stabilizing macro environment. The flurry died down in November although the existing deals performed well, though, with the most notable of these being Medco - Express Scripts. Merger arbitrage opportunities picked up a bit in December, with seven new deals announced in the latter half of the month.

Our event driven trades seek to capture liquidity premiums through early purchase and tactical trading around various events, such as corporate events and index constituent weight changes. In October, both dividend capture and spin-off trades were positive, while index change and share repurchase trades were negative. In November, dividend capture was slightly negative and spin-off/repurchase trades were flat. Index change trades were negative. In December, dividend capture was slightly positive and spin-off/repurchase trades were negative, with the trade based on the QEP spin-off being the largest detractor. Index change trades were flat.

Relative value pair trades / statistical arbitrage trades detracted from performance in the December quarter. Our systematic investment process identifies pairs of stocks whose prices historically moved together and recently experienced a significant deviation from their historical norm. We then initiate an overweight position in a "cheap" stock and underweight an "expensive" stock as a pair. We currently have about 200 statistical arbitrage pairs in the portfolio.

About the Fund

Investment Objective

The objective is to outperform the MSCI World ex Australia Index (unhedged/hedged in Australian dollars with net dividends reinvested) by approximately 1% per annum (before fees).

Fund Strategy

The Global Equity Enhanced Index funds are managed to appear similar to the index in terms of key characteristics but, within this constraint, contain a large number of small stock specific positions.

Our investment philosophy relies on opportunistically applying a wide set of investment strategies and combining these strategies into a highly risk controlled portfolio that shares similar risk characteristics with the benchmark.

We believe that superior, risk adjusted returns can be achieved by capitalising on a broad set of quantitative stock selection techniques and trading strategies designed to exploit predictable market anomalies.

In contrast to traditional active management, these opportunities are clearly measurable and do not rely on internally generated economic or company specific forecasts.

Fund Details

BlackRock Global Equity Enhanced Index Fund	
Fund Size	31 mil
Buy/Sell Spread	0.30%/0.30%
BlackRock Global Equity Enhanced Index Fund (D Class)	
APIR	MAL0124AU
Management Fee	0.55% p.a.
BlackRock Global Equity Enhanced Index Fund (E Class)	
APIR	MAL0150AU
Management Fee	0.45% p.a.
BlackRock Global Hedged Equity Enhanced Index Fund	
Fund Size	15 mil
Buy/Sell Spread	0.325%/0.325%
BlackRock Global Hedged Equity Enhanced Index Fund (E Class)	
APIR	MAL0149AU
Management Fee	0.48% p.a.

Country Exposure

Country	Weight %
Austria	0.02
Belgium	0.21
Canada	5.11
Denmark	0.40
Finland	0.57
France	3.68
Germany	3.63
Greece	0.01
Hong Kong	1.03
Ireland	0.18
Israel	0.13
Italy	0.90
Japan	9.71
Netherlands	0.99
New Zealand	0.02
Norway	0.21
Portugal	0.11
Singapore	0.57
Spain	1.60
Sweden	1.56
Switzerland	3.83
UK	10.30
US	55.24

Currency Exposure

Currency	Weight %
Euro	11.90
Canadian Dollar	4.86
Swiss Franc	3.83
Danish Krona	0.40
UK Sterling	10.30
Hong Kong Dollar	1.03
Israel Shekel	0.13
Japanese Yen	9.71
Norwegian Krona	0.21
New Zealand Dollar	0.02
Singapore Dollar	0.57
Swedish Krona	1.56
US Dollar	55.49

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