

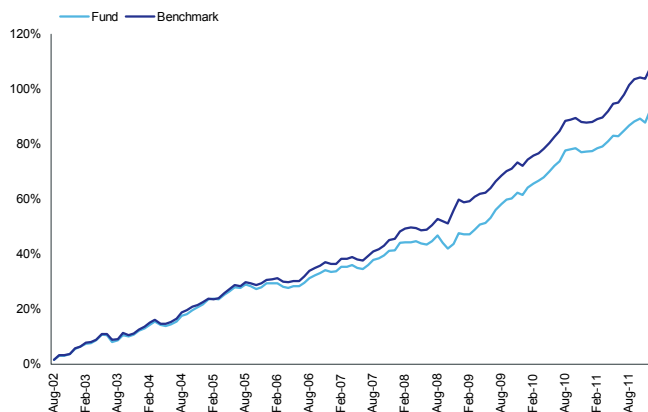
BlackRock Global Diversified Bond Fund

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Global Diversified Bond Fund (Gross of Fees)	31 July 2002	2.39	2.25	8.59	8.59	9.24	7.56	7.20
Barclays Capital Global Aggregate 500 Index (hedged in AUD) (Gross of Fees)		1.91	2.03	10.51	10.51	9.11	8.76	8.07
Outperformance (Gross of Fees)		0.48	0.22	-1.92	-1.92	0.13	-1.20	-0.87
BlackRock Global Diversified Bond Fund (E Class) (Net of Fees)	6 July 2008	2.34	2.11	8.06	8.06	8.68	-	8.14
Barclays Capital Global Aggregate 500 Index (hedged in AUD) (Gross of Fees)		1.91	2.03	10.51	10.51	9.11	-	9.98
Outperformance (Net of Fees)		0.43	0.08	-2.45	-2.45	-0.43	-	-1.84

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 volatility that was witnessed at the end of the 3rd quarter continued on into the 4th as all eyes remained focused on Europe. The quarter was dominated by sovereign financial strains in Europe and the risk to financial markets if there was a break-up among Euro zone member countries. Several EU Summits were conducted with a commitment by member country politicians to adhere to fiscal rules. Despite this commitment to fiscal discipline, the EU is likely to see negative growth over Q4 2011 and Q1 2012. As a result, markets will look to the ECB to provide further support to boost growth in the region. The benchmark 10-year Euro Treasury bond yield closed the quarter at 1.83%.

During the quarter, outlook for the US seemed to stabilise somewhat as several pieces of economic data released were better than expected. The quarter ended with a positive surprise in Consumer Confidence and stronger than expected housing starts and building numbers. However, US prospects are still not particularly encouraging. Strains in the financial sector will mean financial conditions are kept tight as households continue deleveraging. With a weak household sector, investment and exports are supposed to drive demand growth but weak global growth is likely to provide a poor backdrop for this rebalancing. The benchmark 10-year US Treasury bond yield closed the quarter 4 bps lower at 1.88% while two-year yields closed unchanged 0.24%.

In the UK, the Bank of England left rates unchanged at 0.50% throughout the quarter and maintained its Asset Purchase Program at £275 billion at their December meeting. Data released was mixed. UK Services PMI for November came out stronger than expected at 52.1 versus 50.5 expected. November CPI came in at 4.8% year-over-year showing a slight decline versus October. The UK

economy grew by 0.6% in Q3, higher than initial estimates of 0.5%. Strong performance by the service sector and construction were the largest contributors. However, the growth estimate for the second quarter of the year was revised down from 0.1% to 0.0%, and the current account deficit in the same period was revised up to £15.2bn, which is equivalent to 4% of GDP and the highest on record. Lastly, the unemployment rate was unchanged at 8.3%. 10 year Gilt yields closed the quarter at 1.98%

In Japan, JGB yields trended lower throughout the quarter with the benchmark 10-year JGB yield ending 5 bps lower at 0.98%. Concerns surrounding economic growth began to filter through the market. The Bank of Japan re-affirmed this view following their two-day monetary policy meeting, downgrading their assessment of economic growth to "pause form" ...continuing to pickup following the March Earthquake".

Looking forward, global economic conditions remain challenging. Markets will continue their volatile ride as they continue to focus on Europe and whether or not policy makers can come up with a credible long term solution to the ongoing debt crisis.

Strategy Commentary and Outlook

The Fund outperformed its benchmark for the quarter. Sector and security selection were the largest contributors to performance, contributing positively in October and December while detracting during the risk off environment of November. Specifically, the Fund's global capital securities and high yield positions were the two largest contributors. The Fund's underweight US generally detracted from performance, particularly in November and December.

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About the Fund

Investment Objective

The Fund aims to outperform the benchmark Barclays Capital Global Aggregate 500 Index (AUD hedged) Index by 150 basis points p.a. (before fees) over rolling 3 year periods.

The Fund seeks to achieve its performance objective through the taking of active risk versus its benchmark index in strategies based on areas including, but not limited to, the following:

- ▶ duration;
- ▶ yield curve selection;
- ▶ sector (eg. credit) selection;
- ▶ issuer; and
- ▶ country, security and currency selection.

The Fund benchmark is hedged back to Australian dollars. We may, however, take active currency positions relative to its fully hedged benchmark subject to certain restrictions.

Fund Strategy

The Fund is actively managed within a rigorous risk management framework. The portfolio is continually monitored and, where necessary, adjusted to suit changing economic and market conditions. Great importance is placed on research and a team based approach to making investment decisions.

The investment process is focused on accessing the best ideas of our global fixed income team. The Team seeks to add value by managing duration, yield curve, and sector (eg. corporate, mortgage backed, agency debt, etc) and individual security, country and currency exposures against the benchmark.

In seeking to access a broad array of enhancement strategies, we utilise proprietary research-based knowledge, fundamental macroeconomic and credit, sector and security analysis. The management of risk is central to our investment process. The Team reviews the Fund exposures on an ongoing basis to ensure the Fund maintains a risk/reward profile appropriate to changing market conditions and the degree of confidence we have in our return expectations.

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 Global Diversified Bond Fund	
Fund Size	76 mil
Buy/Sell Spread	0.00%/0.12%
BlackRock Global Diversified Bond Fund (E Class)	
APIR	n/a
Management Fee	0.55% p.a.

Region Exposure

Region	Weight %
UK	7.75
Europe ex UK	24.14
North America	42.24
Japan	14.06
Asia ex Japan	5.70
Other	4.12
Cash	0.99

Credit Rating Breakdown

Credit Rating	Weight %
AAA	35.74
AA	16.41
A	21.99
BBB	8.38
BB>	3.07
Not Rated/Cash	14.41

Sector Exposure

Sector	Weight %
Government	52.11
Government Related	23.45
Treasury	27.67
Cash	0.99
Corporate	21.43
Financials	8.33
Industrials	11.22
Utilities	1.09
Other	0.79
Securitized	22.35
Other	4.11

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