

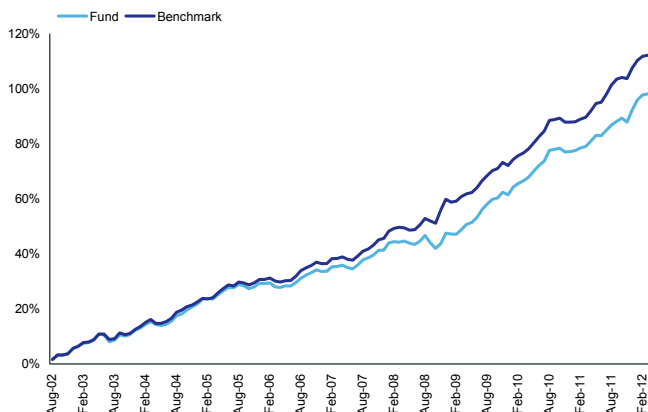
BlackRock Global Diversified Bond Fund

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	0.19	3.00	3.00	10.68	10.02	7.91	7.34
Barclays Capital Global Aggregate 500 Index (hedged in AUD) (Gross of Fees)		0.20	2.22	2.22	11.92	9.68	8.93	8.10
Outperformance (Gross of Fees)		-0.01	0.78	0.78	-1.24	0.34	-1.02	-0.76
BlackRock Global Diversified Bond Fund (E Class) (Net of Fees)	6 July 2008	0.13	2.86	2.86	10.13	9.44	-	8.39
Barclays Capital Global Aggregate 500 Index (hedged in AUD) (Gross of Fees)		0.20	2.22	2.22	11.92	9.68	-	9.92
Outperformance (Net of Fees)		-0.07	0.64	0.64	-1.79	-0.24	-	-1.53

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 Federal Open Markets Committee met on March 13th and reaffirmed its dovish stance. Chairman Bernanke explained that the US economy continues to improve and that the Committee expects employment to continue to increase. He cited improving labor market conditions, a declining unemployment rate, strong household spending, and increased business fixed investments as positive signs from the economy. Given these positives, he did however caution that while "Strains in global financial markets have eased, though they continue to pose significant downside risks to the economic outlook. The recent increase in oil and gasoline prices will push up inflation temporarily, but the Committee anticipates that subsequently inflation will run at or below the rate that it judges most consistent with its dual mandate. To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee expects to maintain a highly accommodative stance for monetary policy." The Chairman stated the committee's intention to continue to keep the federal funds rate between 0% and 0.25% at least through late 2014. While the Chairman indicated that policy will remain easy, the market focused on Bernanke's comments about the improving economy, leading to a substantial selloff in Treasury rates. The Treasury retraced some of the mid-month losses, but still finished the month wider than it began. All of the committee members voted in favor of the FOMC policy action except for one dissenter who did not think that current economic conditions demanded such exceptionally low levels of rates through late 2014.

In the US, Consumer Confidence reported slightly below expectations in March, coming in at 70.2, versus consensus estimates of 70.0. February was revised upward from 70.8 to 71.6. This continues the strong trend in Consumer

Confidence reports. The Present Situation (consumer's assessment of the present) increased 4.6 points to 51.0, marking the second consecutive increase and putting the index at its highest level since 2008. However, the expectations component fell 5.4 points to 83.0. This is still above the 81.3 level seen one year ago. CPI came in as expected at 0.40% versus estimates of 0.40% and this was driven almost exclusively by gasoline which pushed energy up 3.20%. Core CPI, or CPI ex-food and energy, was slightly below expectations of 0.2%, increasing 0.1%. Apparel prices came off sharply, down -0.90% and the slide in Used Vehicle prices continues. Aside from Gasoline, inflation pressures continue to moderate with year-over-year Core and Food inflation now trending lower. Further rises in energy prices without a corresponding increase in core prices and wages will be taxing on economic growth.

February Retail Sales came in at 1.1% compared to estimates of 1.1% and January's number was revised up from 0.4% to 0.6%. The gains in the headline index were in vehicles, gasoline, and department stores. Core retail sales increased by 0.6% compared to estimates of 0.5%. Payrolls increased more than expected in February, up 227,000 versus estimates of 210,000. The previous month was revised up 41,000 to 284,000. Private Payrolls increased 233,000 versus estimates of 225,000, marking the third monthly job gain in a row above 230,000. The Unemployment rate was unchanged at 8.3% as the Household survey indicated that the Participation rate moved up 0.2% to 63.9%. This was another strong report with the 3-month average on Private Payrolls now at 250,000. One negative from the report was the downward revision to Average Hourly Earnings which is still growing at a sub-2% year-over-year rate. With headline CPI set to be at 3% year-over-year in the months ahead, lack of wage growth could represent a problem if gas prices continue to rise.

The ECB left rates on hold at 1% and cautioned on "upside risks prevailing" for inflation, causing an initial sell-off in bunds. Mario Draghi clarified later in the month that the upside risks were largely due to higher oil prices. The market continues to trade with a slightly risk-on tone as the growth story out of the US continues to prove supportive and the resolution of the Greek CDS auction cleared some possible negative headlines in the coming months.

The IMF approved the second Greek deal, contributing €28 billion to the deal, including €10 billion from the first package. The net €18 billion is 14% of the €130 billion package, comparing to 27% in the first package and 33% in the programmes of Portugal and Ireland. The Greek CDS auction later cleared with a 21.5% settlement price and \$2.5 billion paid out, but it was largely ignored by the market. There was plenty of supply from the EFSF the last week of the month, with €7.5 billion across 6-month bills, 5-year and 20-year bonds.

News of the Spanish central government budget balance deteriorating at a faster speed than anticipated sent the markets into a risk-off mode at the end of the month. The February cumulative deficit came in at €20.67 billion in the first two months of the year as government revenue was down 1.3%, indicating that the country is falling behind on austerity targets. Spain is being pressed by the Eurogroup to make new cuts to its budget to reduce the 2012 deficit by an extra 0.5% (to 5.3%).

The Bank of England's Monetary Policy Committee voted in March to keep the benchmark rate at 0.5% and maintain the stock of asset purchases at £325 billion, in line with expectations. The current asset purchase programme will take another two months to complete. Despite the emphasis Chancellor Osborne has put on the importance of the UK's AAA rating, the country was placed on negative outlook by Fitch, which stated that the "risks and uncertainty" surrounding the Coalition's debt reduction plans were "material".

Japan's January current account came out much weaker than expected and recorded the largest deficit on record, driving the Japanese Yen lower versus the US Dollar. In contrast, despite the trend of generally higher yields across the globe, the benchmark 10-year Japanese Government Bond closed the month unchanged at 0.99%, supported mainly by domestic buying into the fiscal year-end. The yield curve bear steepened between the short-end and intermediate tenors, but bull flattened between the intermediate and long-end. Japan's National Core CPI came out stronger than expected at +0.1%YoY for February, which was the first positive number in the last 5 months. Japanese inflation linked bonds continued to trade well, outperforming their nominal counterparts by 31bps. At a policy meeting in March, the Bank of Japan decided to maintain the current target ranges for its policy rates and the size of the asset purchase program, disappointing the market participant's hope for further accommodative policy.

Strategy Commentary and Outlook

The Fund investment strategy outperformed its benchmark for the quarter

Dollar Bloc:

Country Allocation/Duration – Duration positioning in the dollar bloc was a marginal detractor from performance although our overweight Australia position began to pick up momentum later in the quarter.

Currency – Short USD vs. JPY (-)

Yield Curve – US curve flattener (-)

Sector - The portfolio's sector positioning in the Dollar Bloc was a strong positive contributor to performance. Our position in financials and high yield assets continue to do well as the combination of compelling valuations and strong balance sheets lured yield seeking investors. The market continued to drive upward as economic data pointed to a more surefooted recovery and Europe receded from the razor's edge.

Pan- Europe Bloc:

Country Allocation/Duration – Our country selection decisions in the Pan-Europe bloc had an overall positive impact on performance, mainly driven by our overweight in Italy. Italian yields rallied massively to start the year with 2 years moving from a yield of 7.5% in November 2011 to below 2% in the first quarter of 2012.

Currency – Short EUR vs. PLN (+); Short EUR vs. USD (-); Long EUR vs. CHF (-)

Yield Curve – Euro Curve Flattener (+)

Sector – Our positions in European credits was a strong performer on the quarter, led by our positions in European financials as concerns over funding began to wane. Positions in foreign agencies rallied as well given the overall risk-on tone in the market.

Asia Bloc:

Country Allocation/Duration – Our underweight position in Japan had a slight negative impact on performance, while our underweight toward non-Japan Asia provided overall positive performance in Asia Bloc.

Yield Curve - Japan curve flattener (+)

Sector – We gained positive traction through our positioning in JGB linkers, while our positions in JGB Floaters had a neutral impact on performance.

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	7.63
Europe ex UK	27.23
North America	48.95
Japan	10.80
Asia ex Japan	5.15
Other	0.00
Cash	0.24

Credit Rating Breakdown

Credit Rating	Weight %
AAA	38.96
AA	12.80
A	22.66
BBB	8.40
BB>	4.67
Not Rated/Cash	12.51

Sector Exposure

Sector	Weight %
Government	52.72
Government Related	25.03
Treasury	25.48
Cash	2.21
Corporate	22.32
Financials	9.87
Industrials	10.74
Utilities	1.00
Other	0.71
Securitized	25.34
Other	-0.38

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