BlackRock

31 MARCH 2012

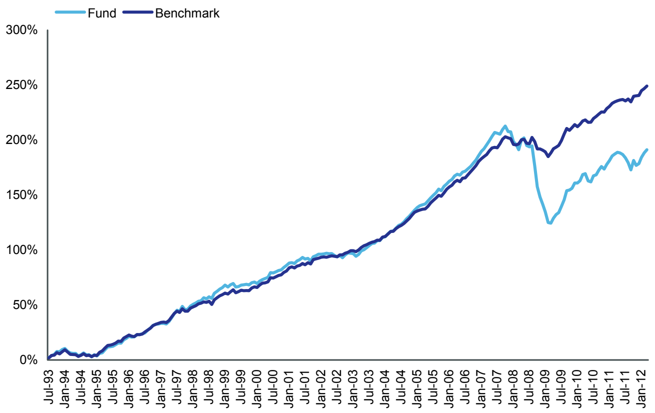
BlackRock Managed Income Fund

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Professional Investor Managed Income Fund (Net of Fees)	16 September 1999	0.91	4.21	4.21	0.01	7.60	-1.65	3.07
Diversified Benchmark (Gross of Fees)		0.63	2.55	2.55	4.24	6.58	4.00	6.27
Outperformance (Net of Fees)		0.28	1.66	1.66	-4.23	1.02	-5.65	-3.20
BlackRock Wholesale Managed Income Fund (Net of Fees)	30 September 1992	0.95	4.35	4.35	0.61	8.23	-1.08	5.51
Diversified Benchmark (Gross of Fees)		0.63	2.55	2.55	4.24	6.58	4.00	7.19
Outperformance (Net of Fees)		0.32	1.80	1.80	-3.63	1.65	-5.08	5.51
BlackRock Managed Income Fund (Net of Fees)	31 December 1985	0.87	4.13	4.13	-0.39	7.00	-2.15	7.00
Diversified Benchmark (Gross of Fees)		0.63	2.55	2.55	4.24	6.58	4.00	-
Outperformance (Gross of Fees)		0.24	1.58	1.58	-4.63	0.42	-6.15	-
BlackRock Wholesale Managed Income Fund (Gross of Fees)		1.02	4.55	4.55	1.39	9.08	-0.30	-
Diversified Benchmark (Gross of Fees)		0.63	2.55	2.55	4.24	6.58	4.00	-
Outperformance (Gross of Fees)		0.39	2.00	2.00	-2.85	2.50	-4.30	-

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. The benchmark is a diversified allocation of the S&P/ASX 200 Accumulation Index, S&P/ASX 200 A-REIT Accumulation Index, Mercer/IPD Australian Pooled Property Fund Index, UBS Composite Bond 0-5yr Index and the UBS Bank Bill Index.

Cumulative Performance (Gross)



Market Review

In the past few years of 'risk-on', 'risk-off' markets, the US equity market has been the best single global risk barometer. The past month hasn't followed that script. The US equity market rallied another 3% but most other 'risk markets' were actually weaker – in particular, European equities, emerging market equities, commodity and high yielding currencies all fell. This divergence reflects increasing confidence about the sustainability of the US economic recovery, combined with lingering concerns about the outlook for Europe and China.

The optimism about the US economic recovery is reminiscent of this time a year ago and two years ago. In both years a subsequent 'soft patch' caused fears about a 'double dip' recession to surge. It appears that the pre-conditions are in place for a re-run of previous years.

It might be too cute to expect a simple re-run of the past two years but we are certainly alert to that possibility. Beyond these near-term fears are the concerns about the fiscal 'cliff' at the end of this year when the Bush tax cuts and Obama stimulus measures expire at the same time as automatic budget cuts are due to be implemented. In the absence of any legislative change, this would represent a staggering contractionary impulse of 3 to 4% of GDP – enough to throw the US economy back into recession. It would seem unlikely that the politicians could allow such an outcome. But confidence in the political system has plumbed new depths due to the extreme partisanship of recent years highlighted most recently by the debt ceiling fiasco last year.

There is also an element of déjà vu about the Euro-zone. The European Central Bank's (ECB) 3-year long term refinancing operation (LTRO) finally got the policy makers out ahead of the crisis. This is reminiscent of the announcement of the European Financial Stability Facility (EFSF) in May 2010 which successfully calmed the markets for some time. As the sense of crisis dissipated, however, so did the sense of urgency from policy makers which sowed the seeds for the next crisis in the second half of last year.

The run of data from China confirms that economy is slowing. Most forecasts predict growth will dip below 8% in the coming quarters. Much of the slowdown can be traced back to softer export growth, largely on account of weakness in Europe. Overall Chinese domestic demand has held up quite well. Retail sales were up about 15% year-over-year in January and February and spending on imports remains reasonably firm. The main domestic risk remains the health of the property market. Property prices are falling in most major cities and transaction volumes are down. Further price weakness is likely in the months ahead. It is, however, important to note that there is a safety net in China if this property downturn was to turn into a bust as Chinese banks are still effectively state-owned. As was the case a decade ago, when the Chinese banking system suffered a surge in non-performing loans, the government will simply extend more capital to banks with the explicit understanding that they keep lending to support the economy. Bottom line: China's economy is slowing, but a soft landing (rather than a hard landing) still appears to be the most likely outcome.

Strategy Commentary and Outlook

The Funds outperformed their benchmarks over the quarter. An overweight to equities combined with a narrowing of credit spreads in the floating rate notes portfolio contributed to the outperformance.

With some major key events resolved, the future direction of credit should be increasingly based upon underlying fundamentals. The Fund has continued to focus its financial exposures on higher quality issuers whose longer-term credit integrity is thought secure. In this sense the Fund continues to offer value to longer-term investors who are in a position to take advantage of higher yields available on such financial issuers given the extremely adverse scenario reflected in those yields.

About the Fund

Investment Objective

The primary aim of the Funds is to provide investors with a regular monthly income and some capital growth. We aim to achieve this goal by outperforming the benchmark asset allocation over rolling three year periods.

Fund Strategy

The investment goal of the Funds is pursued by investing a minimum of 65% of the portfolio in cash and fixed income as well as up to 35% in growth assets. The cash and fixed income portfolios are managed with the aim of providing an income stream through the year while aiming to maintain the portfolio's capital value. This is achieved by investing in a variety of Australian and internationally sourced interest bearing instruments – for example, government, corporate fixed income securities and convertible notes.

A substantial portion of the Funds' total investment in cash and fixed income is invested in floating rate notes ("FRNs"). These are debt securities whose interest rates are adjusted in line with the bank bill rate. This also includes domestic and foreign fixed income debt securities swapped to Australian dollar floating so that the exposures are also adjusted in line with the bank bill rate. The aim of these investments is to generate a regular monthly income stream.

The growth component is predominantly a portfolio of Australian shares and property (direct and listed), but may also include a selection of international and infrastructure shares. The aim of these investments is to generate a regular monthly income stream, as well as some capital growth. In managing the Funds we gain exposure in asset classes directly or through other wholesale funds that we, or members of our group, manage.

Should be considered by investors who …

- Are looking to receive high, consistent monthly income Seek lower volatility in the capital value of the investment and some capital growth, and
- Seek a regular monthly income.

Fund Details

BlackRock Wholesale Managed Income Fund	
APIR	PWA0821AU
Fund Size	61 mil
Buy/Sell Spread	0.055%/0.055%
Management Fee	0.80% p.a.
Unit Price (NAV)	0.831120
BlackRock Managed Income Fund	
APIR	PWA0012AU
Management Fee	1.84% p.a.
Unit Price (NAV)	0.815960
BlackRock Professional Investor Managed Income Fund	
APIR	MAL0102AU
Management Fee	1.40% p.a.
Unit Price (NAV)	0.672880

Fund Allocation

Asset Class	Weight %
Australian Shares	22.30
Australian Bonds	26.65
Australian Floating Rate Notes	36.89
Listed Property	1.64
Direct Property	8.79
Cash	3.73

FRN - Sector Exposure

Sector	Weight %
Domestic Issuers	20.15
Global Corporates	72.45
Mortgage & Asset Backed	2.69
Liquidity	4.71

FRN - Credit Rating Breakdown

Credit Rating	Weight %
AAA	0.10
AA	4.01
A	33.43
BBB	54.18
BB	1.53
B	0.00
CCC	0.07
CC	0.00
C	0.00
Not Rated	1.96
Liquidity	4.71