

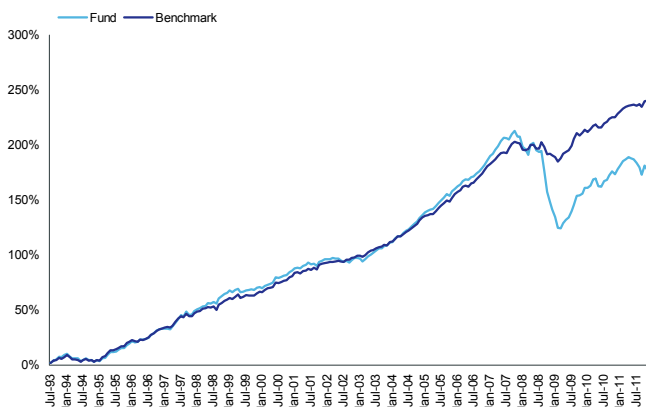
BlackRock Managed Income Fund

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	0.44	1.72	-1.14	-1.14	3.43	-1.88	2.79
Diversified Benchmark (Gross of Fees)		0.00	1.66	3.62	3.62	5.39	3.93	6.18
Outperformance (Net of Fees)		0.44	0.06	-4.76	-4.76	-1.96	-5.81	-3.39
BlackRock Wholesale Managed Income Fund (Net of Fees)	30 September 1992	0.49	1.87	-0.55	-0.55	4.04	-1.31	5.35
Diversified Benchmark (Gross of Fees)		0.00	1.66	3.62	3.62	5.39	3.93	7.15
Outperformance (Net of Fees)		0.49	0.21	-4.17	-4.17	-1.35	-5.24	5.35
BlackRock Managed Income Fund (Net of Fees)	31 December 1985	0.40	1.61	-1.58	-1.58	2.85	-2.39	6.90
Diversified Benchmark (Gross of Fees)		0.00	1.66	3.62	3.62	5.39	3.93	
Outperformance (Gross of Fees)		0.40	-0.05	-5.20	-5.20	-2.54	-6.32	-
BlackRock Wholesale Managed Income Fund (Gross of Fees)		0.55	2.06	0.22	0.22	4.86	-0.53	-
Diversified Benchmark (Gross of Fees)		0.00	1.66	3.62	3.62	5.39	3.93	-
Outperformance (Gross of Fees)		0.55	0.40	-3.40	-3.40	-0.53	-4.46	-

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 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

The outlook for 2012 revolves around:

the European outlook and the transmission mechanism for European growth outcomes impacting on the rest of the world;

the Chinese economic outlook — a soft landing still appears to be central case particularly as inflation is falling and the Authorities have lots of fire power to respond if the slowdown in economic growth becomes overdone; and

the US economic outlook — a Presidential election year is likely to see headwinds from tighter fiscal policy and the fall-out from the European crisis. On the positive side the housing sector appears to be basing and there are grounds for optimism on a two to three year view.

Of course, the potential for an X-factor (or factors) derailing the outlook appears unusually high again in 2012 given the fragile state of the global economic recovery and the extremely limited firepower of the major Western economies to respond to a material downturn in economic growth.

The European outlook remains the most troubling aspect of the outlook and the 'test' will come early in year as sovereign issuance ramps up in February. It is unclear how much damage has been done to the appetite of traditional owners of

European sovereign debt to keep buying. The European Central Bank has taken undertaken dramatic liquidity support measures to European banks but is not, at this stage, providing the ultimate backstop for European sovereign debt. Given the ongoing contagion to the core bond markets in Europe (with Italian yields just under 7%) this does not appear enough and yet another market riot seems quite likely in the New Year.

In the meantime the ongoing stringent fiscal austerity will continue to create political tensions which may boil over at any moment. Already we have had changes of government in all the troubled economies and more political turmoil appears quite likely in the months and years ahead. The key European leaders say this crisis will take years to fix. Over that period, the risk of a miss step which leads to a severe European recession/depression are unfortunately quite elevated.

The most recent experience of a 'global' financial crisis in 2008 has conditioned investors to think that any European mishap will also 'go global' but that is not necessarily the case. The resilience of the US economy in the second half of 2011 is a reminder that the transmission mechanism between European growth and US growth is potentially quite weak. Certainly the direct trade linkages between the US and Europe are very low. Also the Asian crisis in the late 1990s turned out to be much worse for Asia than the consensus predicted, at the same time as growth in the rest of the world was much better than expected.

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.

Our central case for next year is one of 'divergence' between the developed world and the developing world. Weak growth in the developed world overall (with a shallow recession expected in continental Europe) as these economies are weighed down by fiscal austerity. At the same time, the performance of the emerging economies improves as falling inflation allows a true decoupling to emerge on the back of easier policy settings.

Unfortunately, the risks appear to be largely to the downside. Under one scenario, we have labelled 'stagnation' is characterised by sluggish economic growth and high unemployment with emerging economies hit by the European recession. Much more troubling is the 'Nemesis' scenario characterised by global recession, credit crunch, social upheaval and steep losses across risk assets around the world.

In this context it is clear that in the immediate period ahead some headwinds to the performance of risk assets may persist. In recognition of these risks 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	66 mil
Buy/Sell Spread	0.055%/0.055%
Management Fee	0.80% p.a.
Unit Price (NAV)	0.804480
BlackRock Managed Income Fund	
APIR	PWA0012AU
Management Fee	1.84% p.a.
Unit Price (NAV)	0.795290
BlackRock Professional Investor Managed Income Fund	
APIR	MAL0102AU
Management Fee	1.40% p.a.
Unit Price (NAV)	0.656790

Fund Allocation

Asset Class	Weight %
Australian Shares	21.27
Australian Bonds	24.61
Australian Floating Rate Notes	32.52
Listed Property	1.28
Direct Property	8.21
Cash	12.11

FRN - Sector Exposure

Sector	Weight %
Domestic Issuers	14.98
Global Corporates	77.80
Mortgage & Asset Backed	2.79
Liquidity	4.43

FRN - Credit Rating Breakdown

Credit Rating	Weight %
AAA	0.00
AA	3.53
A	29.47
BBB	58.38
BB	1.08
B	0.00
CCC	0.08
CC	0.00
C	0.00
Not Rated	3.03
Liquidity	4.43

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