

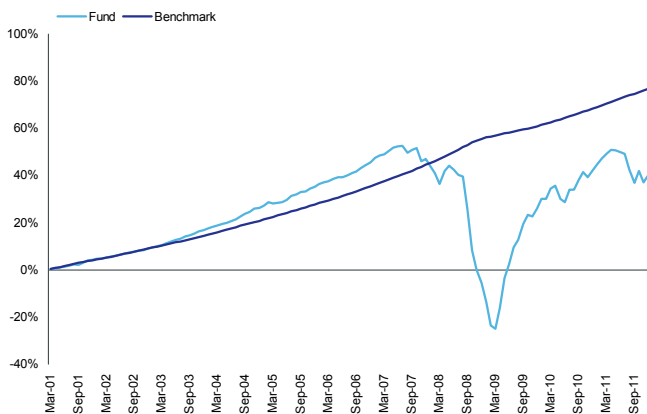
BlackRock Monthly Income Fund

Investment Performance (%)

	Fund Inception	1 Mth	3 Mths	CYTD	1 Yr	3 Yrs	5 Yrs	Inc
BlackRock Monthly Income Fund (D Class) (Net of Fees)	5 July 2004	1.85	1.95	-1.90	-1.90	13.51	-1.26	1.52
UBS Bank Bill Index (Gross of Fees)		0.40	1.22	5.00	5.00	4.38	5.48	5.60
Outperformance (Net of Fees)		1.45	0.73	-6.90	-6.90	9.13	-6.74	-4.08
BlackRock Monthly Income Fund (C Class) (Net of Fees)	4 October 2004	1.84	1.91	-2.10	-2.10	13.29	-1.48	0.98
UBS Bank Bill Index (Gross of Fees)		0.40	1.22	5.00	5.00	4.38	5.48	5.60
Outperformance (Net of Fees)		1.44	0.69	-7.10	-7.10	8.91	-6.96	-4.62
BlackRock Monthly Income Fund (R Class) (Net of Fees)	28 September 2004	1.85	1.96	-1.90	-1.90	13.51	-1.27	1.21
UBS Bank Bill Index (Gross of Fees)		0.40	1.22	5.00	5.00	4.38	5.48	5.60
Outperformance (Gross of Fees)		1.45	0.74	-6.90	-6.90	9.13	-6.75	-4.39
BlackRock Monthly Income Fund (Gross of Fees)	7 March 2001	1.98	2.20	-1.35	-1.35	14.01	-0.80	3.16
UBS Bank Bill Index (Gross of Fees)		0.40	1.22	5.00	5.00	4.38	5.48	5.41
Outperformance (Gross of Fees)		1.58	0.98	-6.35	-6.35	9.63	-6.28	-2.25

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 Fund outperformed its benchmark for the quarter. At the end of the quarter, the Fund had a yield to maturity of 599 bps over bank bills translating into an absolute yield to maturity of 10.4 %. The Fund's credit duration was 4.53 years.

The December 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.

Given the developments in Europe there were some very sharp market moves as credit markets are at the mercy of the actions of EU authorities. As such, the December quarter proved to be something of a roller-coaster for credit, performing well in October, succumbing to general market malaise in November before rallying again in December. Such volatility ensured that liquidity remained low with practically no volumes in cash and other illiquid products. New primary market credit issuance was fairly anaemic in most credit, which further exacerbated bank funding problems. A disorderly Greek default and exit from the

Euro became a clear danger from the market, however, that danger seems to have passed for the short-term.

Today's credit spreads reward you for tail risk, liquidity risk and default risk, pretty much in that order. As a result, credit spreads are well above historical averages while corporate defaults are near cyclical lows. Corporate bond yields offer a generous premium above cash. That said, mark-to-market volatility will likely remain elevated, especially in the near-term, as abnormally high cross-asset correlations persist and difficult-to-predict political outcomes dictate market direction.

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 objective of the Fund is to generate consistent monthly income in excess of that available from short-term money market securities and cash rates. The Fund aims to achieve a total return of 1.70% p.a. in excess of the UBS Bank Bill Index before fees over the medium term (3 years).

Fund Strategy

The Fund invests predominantly in longer-dated, high-quality debt securities sourced from around the world. All the Fund's exposures are converted to \$A floating rates and are managed by our local fixed income team supported by our credit specialists from around the world.

Should be considered by investors who ...

- ▶ Are looking to receive high, consistent monthly income from their non-transactional cash balances.
- ▶ Might be considering investing in mortgage or bond funds.

Fund Details

BlackRock Monthly Income Fund	
Fund Size	472 mil
Buy/Sell Spread	0.00%/0.20%
BlackRock Monthly Income Fund (C Class)	
APIR	MAL0014AU
Management Fee	0.75% p.a.
BlackRock Monthly Income Fund (D Class)	
APIR	MAL0012AU
Management Fee	0.55% p.a.
BlackRock Monthly Income Fund (R Class)	
APIR	MAL0015AU
Management Fee	0.55% p.a.

Sector Exposure

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

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

Industry Exposure

Industry	Weight %
Asset Backed	0.80
Automobile and Components	1.30
Banks	41.06
Capital Goods	0.85
Commercial Mortgage Backed	0.00
Diversified Financials	7.48
Diversified Manufacturing	1.60
Energy	0.72
Food, Beverage and Tobacco	0.53
Food, Drug and Retailing	0.51
Hotels, Restaurants and Leisure	0.00
Insurance	27.03
Materials	1.04
Media	2.35
Real Estate	3.35
Residential Mortgage Backed	2.02
Telecommunication Services	1.90
Transportation	0.53
Utilities	2.50
Liquidity	4.43

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