

# Fund Update

## Monthly Income Fund

JUNE 2010

# BLACKROCK

### Market Summary

- Volatility continued through the month of June as investor concerns remained.
- Uncertainty and mistrust in the exposures of European banks to Greece and other peripheral European countries saw the introduction of bank stress tests with the aim to provide investors with some clarity around, and hopefully confidence in the European banking system. Results of these tests are expected in July with the scope of the tests still unclear.
- On a positive note, uncertainty around the regulatory reform in the US was lifted with the US Senate and House of Representatives reaching agreement over the reform bill.
- Whilst it is expected to materially reduce profitability for the large banks it is not expected to threaten the viability of the business model. It now needs to go back to the House and Senate for ratification, then to the President for signing with the view to this occurring by July 4.
- Following the G20 meeting, members pledged that banks must hold sufficient capital to withstand future losses in a crisis as severe as that in 2008.
- The G20 communiqué stated that "the amount of capital will be significantly higher and the quality of capital will be significantly improved when the reforms are fully implemented." However, there are still considerable disagreements over what will count as a capital buffer.
- The phase-in of the new global rules "will reflect different starting points and circumstances with initial variance around the new standards narrowing over time as countries converge."
- Against a backdrop of uncertainty and volatility, regulatory reform is slowly being hammered out that will eventually result in a better capitalised, albeit less profitable, financial system.
- These changes will be positive for the fundamental credit strength of these entities and are therefore good for debt investors. Equity investors, on the other hand will not view these changes favourably.
- Going forward, a softer global economy with austerity packages across Europe, a pause in the economic recovery in the United States and a potential slowdown in the growth engine of China will weigh on sentiment. While we are sensitive to these developments that can lead to these pronounced bouts of risk aversion, we remain cautiously optimistic about further recovery in prices of financial sector debt issuance due to the historically high credit spread levels that we believe compensate for the risk involved.

### Performance Review as at 30/6/10

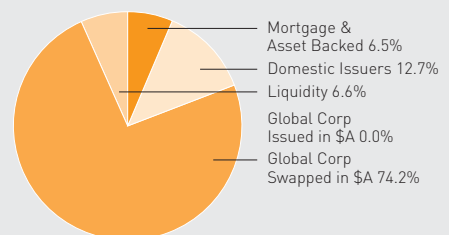
- The Fund's credit duration decreased to 4.6 from 5.1 years the previous month and the margin over bills widened a further 77 basis points through the month to 592 basis points based upon calculations to call dates.
- If it is assumed that bonds will not be called on the first available call date, and this is not our core view, the yield to maturity was higher by 30 basis points through the month at 412 basis points over bank bills and the credit duration was 0.2 years longer at 8.4 years.
- The Fund distributed 0.33 CPU for the month of June.
- The yield to maturity at 30 June was 8.91%.
- The Fund managed approximately \$811 million in asset at the end of June.

### Industry exposures as at 30/6/10

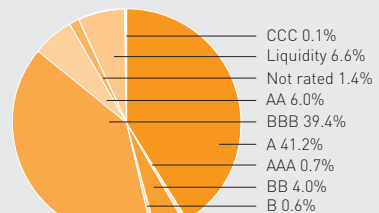
Asset Backed	0.45%
Automobile and Components	1.26%
Banks	41.38%
Capital Goods	1.11%
Commercial Mortgage Backed	0.30%
Diversified Financials	4.59%
Diversified Manufacturing	1.29%
Energy	0.55%
Food, Beverage and Tobacco	1.62%
Food, Drug and Retailing	0.70%
Hotels, Restaurants and Leisure	0.12%
Insurance	23.64%
Materials	1.26%
Media	1.80%
Real Estate	3.17%
Residential Mortgage Backed	5.76%
Telecommunication Services	2.08%
Transportation	0.32%
Utilities	2.03%
Liquidity	6.59%

### Sector and credit rating exposures as at 30/6/10

#### Sector exposures



#### Credit rating exposures



Composition may not total 100% due to rounding.

If you have any queries relating to any of this information or to obtain a copy of the Product Disclosure Statement (PDS) for the Fund, please contact your relationship manager. Alternatively, if you have a query relating to the wholesale funds, please contact Distribution Services on 1300 658 766, or please call Adviser Services on 1300 366 101 if you have a query relating to our retail fund range.

## Performance Review as at 30/6/10

	Class C Net	Class D Net	Class P Fund Net	Class R Net	Gross	Benchmark*	Out- performance^
1 Month	-1.04%	-1.03%	-1.16%	-1.02%	-0.97%	0.40%	-1.37%
3 Month	-4.35%	-4.31%	-3.62%	-4.27%	-4.19%	1.12%	-5.31%
6 Month	1.78%	1.87%	2.32%	1.90%	2.13%	2.15%	-0.02%
1 Year	25.06%	25.31%	25.99%	25.34%	25.97%	3.89%	22.08%
2 Year (pa)	-5.50%	-5.27%	-4.97%	-5.27%	-4.90%	4.68%	-9.56%
3 Year (pa)	-6.07%	-5.86%	-5.68%	-5.86%	-5.44%	5.56%	-11.00%
5 Year (pa)	-0.82%	-0.59%	-0.53%	-0.62%	-0.13%	5.77%	-5.90%
Since inception (pa) <sup>#</sup>	-0.03%	0.62%	0.76%	0.20%	2.75%	5.48%	-2.73%

\* UBS Australia Bank Bill Index. <sup>#</sup>Class C – 4/10/04; Class D – 5/7/04; Class P – 16/6/04; Class R – 28/9/04; Gross – 7/3/01.

<sup>^</sup> Shows the difference between gross return and benchmark return, and should be considered relative to the target return of the Fund.

Past performance is not a reliable indicator of future performance.

Total net Fund returns shown are prepared on an exit-to-exit basis (ie. include all ongoing fees and expenses and exclude tax). Total gross returns and benchmark performance figures shown are gross (ie. do not include expenses, fees or tax). Over the later part of 2002 and early 2003 the Fund's holdings were diversified to include holdings in foreign securities. From 1 March 2003 the Fund was considered to be invested according to its current investment strategy. Rounding used in the presentation of returns may result in minor variations.

## 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 Australia 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.

### Designed for 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.

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