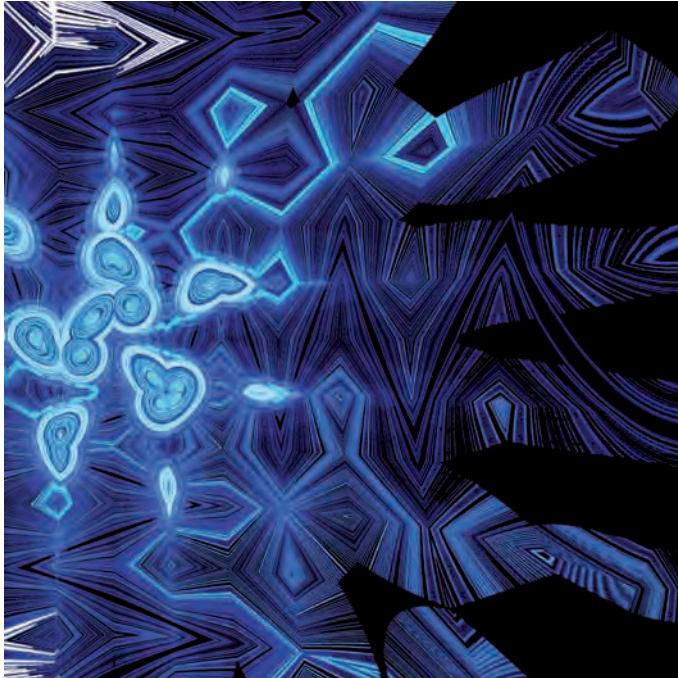


BlackRock Asset Allocation Alpha Fund

Fact Sheet

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Asset allocation strategies were once the domain of balanced fund managers and largely overlooked in a sector specialist world.

Many investors have no exposure to Tactical Asset Allocation (TAA) strategies and are therefore missing out on the potential for high returns that these strategies can deliver.

However, this potential can now be accessed through the BlackRock Asset Allocation Alpha Fund which employs a diverse range of global TAA strategies.

The Fund brings together the expertise of BlackRock's asset allocation and investment teams globally, allowing BlackRock to "cherry pick" the best investment ideas within a flexible, but highly disciplined, risk management framework.

Key features

- **Potential for high absolute returns** – the Fund targets an investment return of 12 percentage points above the UBS Australia Bank Bill Index over rolling 3 year periods, gross of fees.
- **Access to alpha sources by-passed in a specialised world** – The widespread shift towards sector specialist funds means that many investors have no exposure to tactical asset allocation strategies and are therefore missing out on the potential returns that can be generated by exploiting market anomalies across and within global markets.

- **Broad investment universe** – The Fund has a very broad investment universe, allowing us to take targeted positions in markets – matching asset allocation views precisely with the investment position.

Who should consider this Fund?

The Asset Allocation Alpha Fund should be considered by investors who seek a fund which offers the potential for high absolute returns, or who are seeking exposure to asset allocation strategies.

Investment strategy

The Fund generates returns by implementing TAA strategies across a range of 'risk strategies' including those based on an expectation of the direction of a particular market:

- Equity/Cash;
- Bond/Cash;
- Commodity/Cash

And relative value strategies within and between markets:

- Equity/Bond;
- Equity/Equity;
- Bond/ Bond;
- Currency;
- Commodity/Equity;
- Commodity/Currency.

The strategies are thematic, concentrating on exploiting trends, likely developments and mis-pricing in global asset markets. These strategies are the product of the Team's analysis which focuses on a fundamental assessment of economics, liquidity and valuation.

In selecting appropriate trades for the Fund, particular emphasis is placed on being able to execute strategies in a targeted, cost efficient and risk controlled manner. These trades are actively managed in order to generate a portfolio of positions where the momentum of markets is in line with our asset allocation views.

Portfolio fit

BlackRock is a large, well resourced and multi-disciplined asset manager with comprehensive expertise in almost all asset classes and in asset allocation processes.

The BlackRock Asset Allocation Alpha Fund aims to provide investors with the benefits of an active asset allocation process. The Fund could be used in isolation as a total return fund or combined with sector specialist funds to potentially give a more comprehensive investment solution.

Scenario 1: Sector Specialist

If a portfolio is being managed using a sector specialist approach to portfolio construction, a possible investment alternative to consider is the allocation of a percentage from existing growth assets to the BlackRock Asset Allocation Alpha Fund.

As the anticipated absolute risk profile of the portfolio is consistent with an equity profile, the overall level of risk is consistent with actively managed equity funds. The performance of the Fund is independent of any one, single asset class and should lead to less correlated returns with the rest of a portfolio.

Scenario 2: Balanced Funds

For portfolios that use balanced funds, an allocation to the BlackRock Asset Allocation Alpha Fund will give access to many strategies (including emerging markets, small caps, commodities etc) that are unlikely to be used in most balanced funds.

Benefits of using the BlackRock Asset Allocation Alpha Fund in a client's portfolio

- i. **Broad Investment Universe** – The Fund can access much of the global investment universe and gives investors exposure to many asset classes not otherwise used in portfolios such as emerging market equities, commodities, currencies, regional specific and sector specific equities and fixed income.
- ii. **Access to the expertise of BlackRock's global investment resources** – The Fund draws upon the expertise of BlackRock's asset allocation and investment teams globally in the formulation of its strategies.
- iii. **Leverage** – The Fund uses high levels of risk and leverage in its operations. A small percentage investment in this Fund is thus able to provide the benefit of an active asset allocation process over a much larger portfolio.

Current positioning at 31 December 2008

In the directional risk strategies, the Fund's positions include:

- Equity/Cash – small short US equity position through put options.
- Bond/Cash – small long US, German and Australian fixed income.
- Commodity/Cash – neutral.

In the relative value risk strategies, the Fund's positions include:

- Bond/Bond – neutral.
- Equity/Equity – long US equities vs European equities.
- Equity/Bond – neutral.
- FX – long Norwegian Krone vs Canadian dollar.

Performance of the BlackRock Asset Allocation Alpha Fund (Class D units) to 31 December 2008

	3 months %	6 months %	1 year %	2 year %	Since inception ⁵ % p.a.
Net ¹	17.18	31.46	41.19	37.83	25.97
Gross ²	21.76	37.58	52.60	45.38	31.50
Benchmark ³	1.69	3.66	7.60	7.17	6.96
Outperformance ⁴	+20.07	+33.92	+45.00	+38.21	+24.54

Past performance is not necessarily a guide to future performance.

1. Net performance is calculated on an exit to exit basis including all ongoing fees and expenses and assumes reinvestment of all distributions. It does not take into account the effect of taxes.
2. Gross performance excludes fees and charges and assumes the reinvestment of all distributions. It does not take into account the effect of taxes.
3. UBS Australia Bank Bill Index.
4. Outperformance represents the difference between Gross return and Benchmark return.
5. Inception date for the BlackRock Asset Allocation Alpha Fund is 29/05/2006.

How to invest in the BlackRock Asset Allocation Alpha Fund

	Class D (Platform/Direct/Adviser)
Minimum initial investment*	\$5,000
Fees and charges	
Contribution Fee	Nil
Income distributions	June, December
Management Fee	1.0% p.a.
Performance Fee	20% of any out-performance above the benchmark [^]
Buy/Sell spread	0.10% (entry and exit)
Withdrawal fee	Nil
Ongoing Service Commission	Nil

[^] UBS Australia Bank Bill Index.

* Applies for investments through a BlackRock PDS.

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Further information

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Speak to our Adviser Services Centre on 1300 366 101.
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Fund Manager of the Year
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