BlackRock Monthly Income Fund

March 2012

Agenda

- Fund objectives
- Performance review
- Current environment
- Credit market conditions
- Portfolio today
- Summary

Fund Objectives

- **Objective:** To generate a monthly income significantly in excess of that available from Short term money market securities and cash rates.

The total return aim for the Fund has been set in the context of the long term historical average returns of the categories of securities in which the Fund invests over the UBS Australia Bank Bill Index. During times of extreme economic and financial dislocation, where credit markets are highly volatile, securities in the Fund can be priced at very large discounts to par values. In such circumstances total returns of the Fund most likely will vary markedly from these long term historical averages.

- **Target gross performance***: 1.70% in excess of the UBS Australia Bank Bill Index.

- **Investments**: Domestic & International Corporate debt (Floating Rate Notes – FRN's)

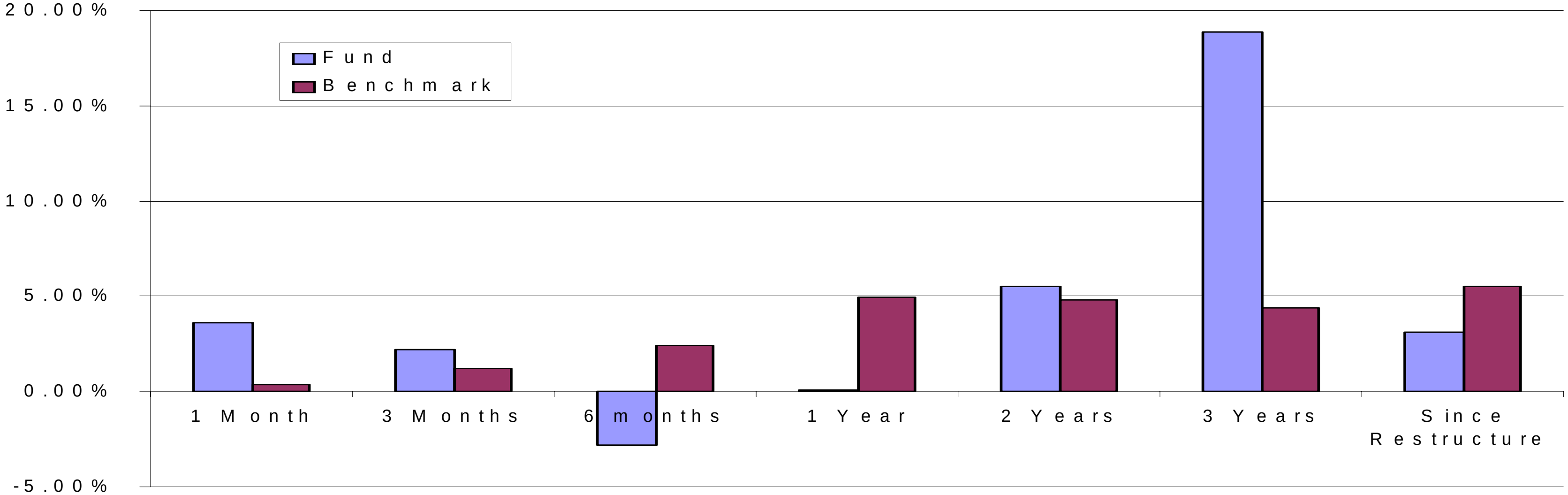
- **Issuer Quality**: Minimum 75% investment grade

- **Distribution**: Monthly

*This is a target only and should not be considered as an assurance or guarantee of performance of the Fund or any part of it.

Performance – BlackRock Monthly Income Fund 31/01/2012

Portfolio Performance– Periods to End January 2012[1]	1 Month	3 Months	6 months	1 Year	2 Years (pa)	3 Years (pa)	Since Restructure (28/02/2003)
Fund	3.63%	2.21%	-2.81%	0.12%	5.55%	18.85%	3.15%
Benchmark	0.39%	1.19%	2.44%	4.96%	4.85%	4.37%	5.53%
Out-Performance[2]	324 bps	103 bps	-525 bps	-484 bps	69 bps	1447 bps	-238 bps

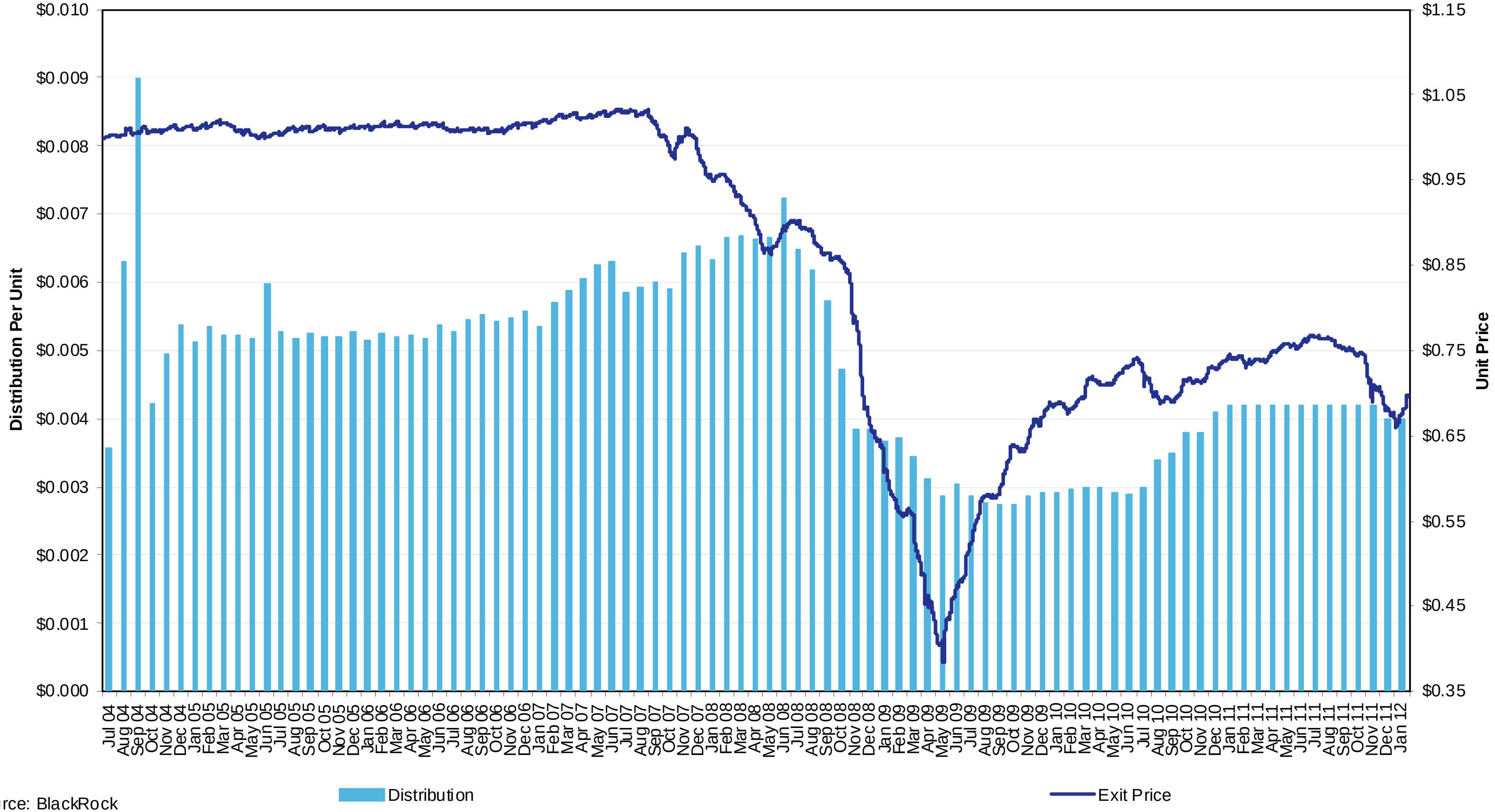


Benchmark: UBS Australia Bank Bill Index

1 *The performance figures assume the reinvestment of all income and are calculated gross of fees and charges.*
2 *Out-performance represents the difference between gross return and the return of the benchmark.*
Past performance is not a reliable indicator of future performance.
Rounding used in the presentation of returns may result in minor addition errors.

Source: BlackRock

Unit Price & Income History



Source: BlackRock

Past performance is not a reliable indicator of future performance

The Facts: BlackRock Monthly Income Fund (Class D)

Unit Price (exit) - $0.7072 as at 29 February 2012

Yield to Call – 9.64% as at 29 February 2012

Distribution Yield* - 6.79% as at 29 February 2012

- The table below provides an example of the yield of the Fund based on different prices, assuming that there is no change in the bank bill rate

Initial Investment	CPU Class D	Unit Price	Yield
$100,000	0.40	1.00	4.80%
$100,000	0.40	0.75	6.40%
$100,000	0.40	0.50	9.60%

* Distribution yield is the annual interest payable as a percentage of the current unit price.

Current Environment

Key market drivers

Fundamentals	• Industrial balance sheets have remained healthy, corporate earnings are at or above expectations • Rating momentum positive in industrials, negative in financials
Valuations	• Investors are still well compensated for credit risk • Spreads in Financial sector remain at wide levels relative to industrials
Idiosyncratic risk	• M&A activity not a primary driver of credit markets. Focus on specific issuer quality
Macro environment	• Concerns over peripheral sovereigns remain high • New Basel III regulations and banking recapitalisation measures likely to engender stronger banking system going forward
Technicals	• The absence of supply at any price is a positive and shows strength of corporate balance sheets • Peripheral issues do have negative impact on trading sentiment in financials • We believe investors sit on positive cash balances and drives demand for non financial credit.
Yield	• Still attractive to money market funds and government bonds, but yield buyers limited to High Yield and Subordinated bonds
Liquidity	• Liquidity is better in industrials where buyers remain

We believe credit remains an attractive asset class for long-term investors looking to earn a premium over government bonds. European sovereign debt issue is a key challenge.

Understanding the risks in capital securities

Bankruptcy	Risks very low for systemically important institutions in G7 countries. Risk of future bankruptcy lower as a result of increased regulation and greater and improved forms of capital.
Nationalisation	Names at risk are well know to the market and face potential funding and capital pressure. These names have little hope of issuing fresh equity to the market and will require large government support and interaction. In many cases the sovereign themselves are in a weak fiscal position and bank support is politically unpopular. Little protection for bond holders in this scenario, even senior debt holders can take losses.
Regulatory Risk	**Basle III and the future capital treatment of subordinated bank debt is a key focus. The "grandfathering" period for older, non compliant structures will also determine supply, exchange and call risk.**
Extension Risk	Lessened risk due to Basle III making most structures not eligible to be counted as Tier 1 capital following call dates.
Ratings Risk	Still high risk of downgrade and ongoing methodology changes. Impact on trading levels now limited compared to 2008/2009 as holders are less rating sensitive.

The European peripheral crisis poses additional risks

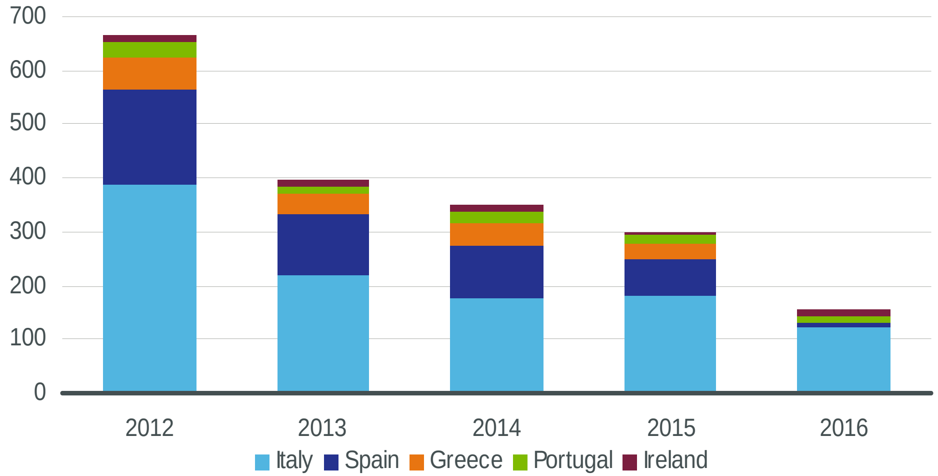
Political Risk	Politically popular for weaker sovereign to look to impose losses on debt investors as we have seen in Iceland and Ireland. The ECB opposes losses to senior debt holders while the IMF is more supportive.
Government Bonds Losses	Haircuts on Italian and Spanish government bonds would be devastating for the European banking and insurance sectors. BlackRock assign a very low probability to such a scenario. However even a “restructuring” of Ireland, Portugal and Greece would expose capital shortages in the European banking sector.

Europe Sovereign Concerns

- Greek PSI as precedent for future restructurings across the Eurozone
  - Impact on European banks should be negligible as they had already written down Greek sovereign exposure by 50-60% at the end of 3Q11.
- The ECB's 3-year Long Term Refinancing Operation and expansion of repo-eligible collateral helped stem contagion risks by easing strains within European bank funding channels
- Despite an easing of near-term pressures, peripheral nations are still faced with the difficult task of refinancing nearly €700bn of debt in 2012

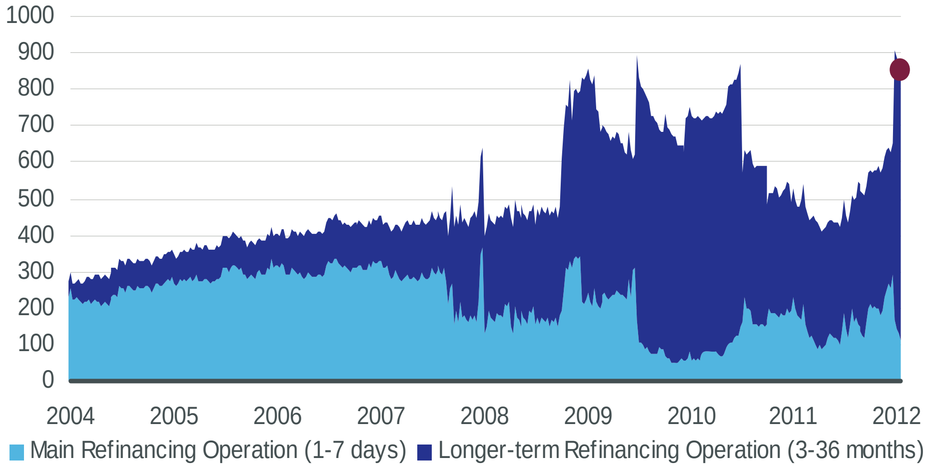
Refinancing needs present obstacle for EU Sovereigns

Principal and interest maturing in 2012, billions of Euros



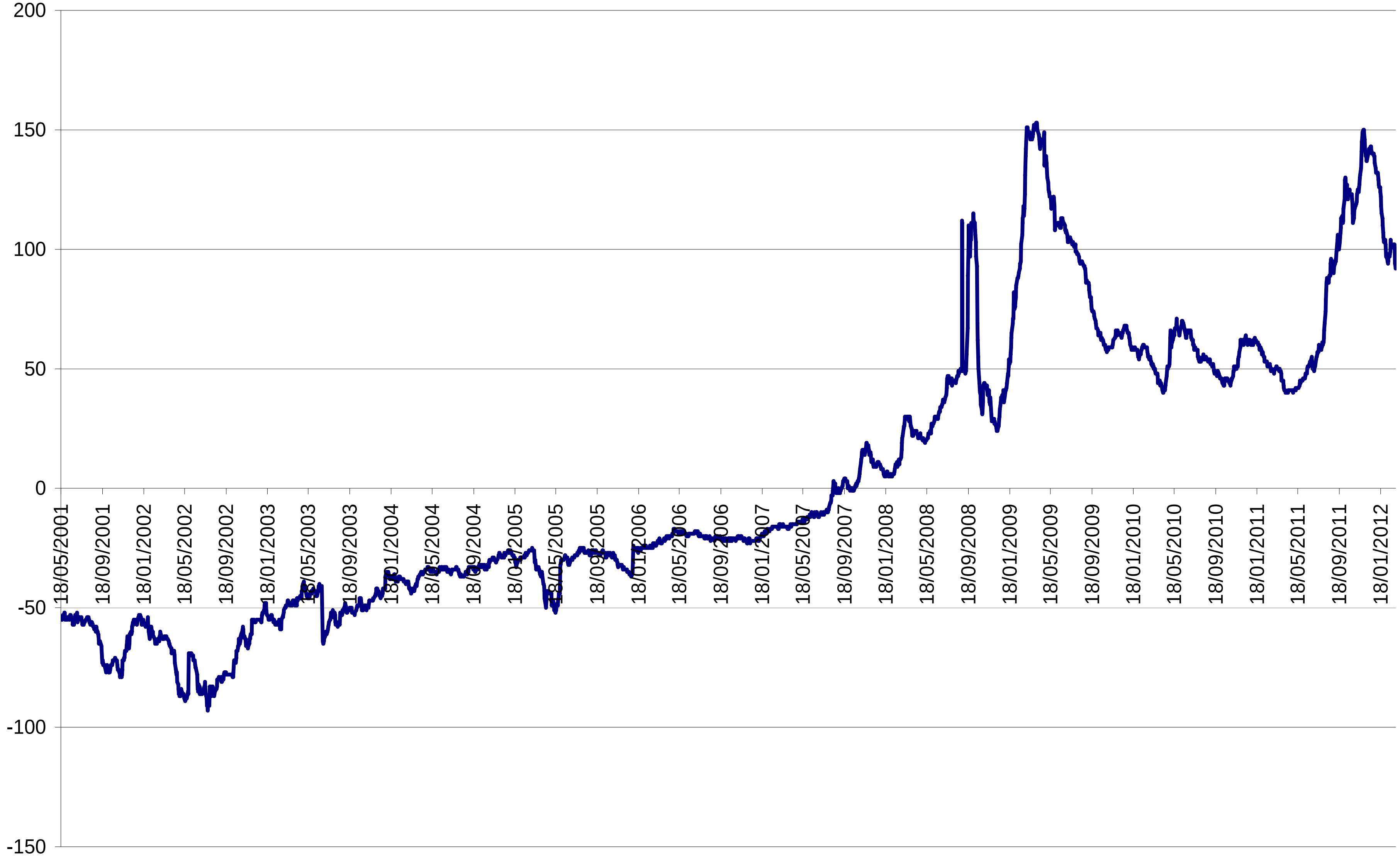
Generous 3y LTRO has eased bank funding strains

Billions of Euros outstanding



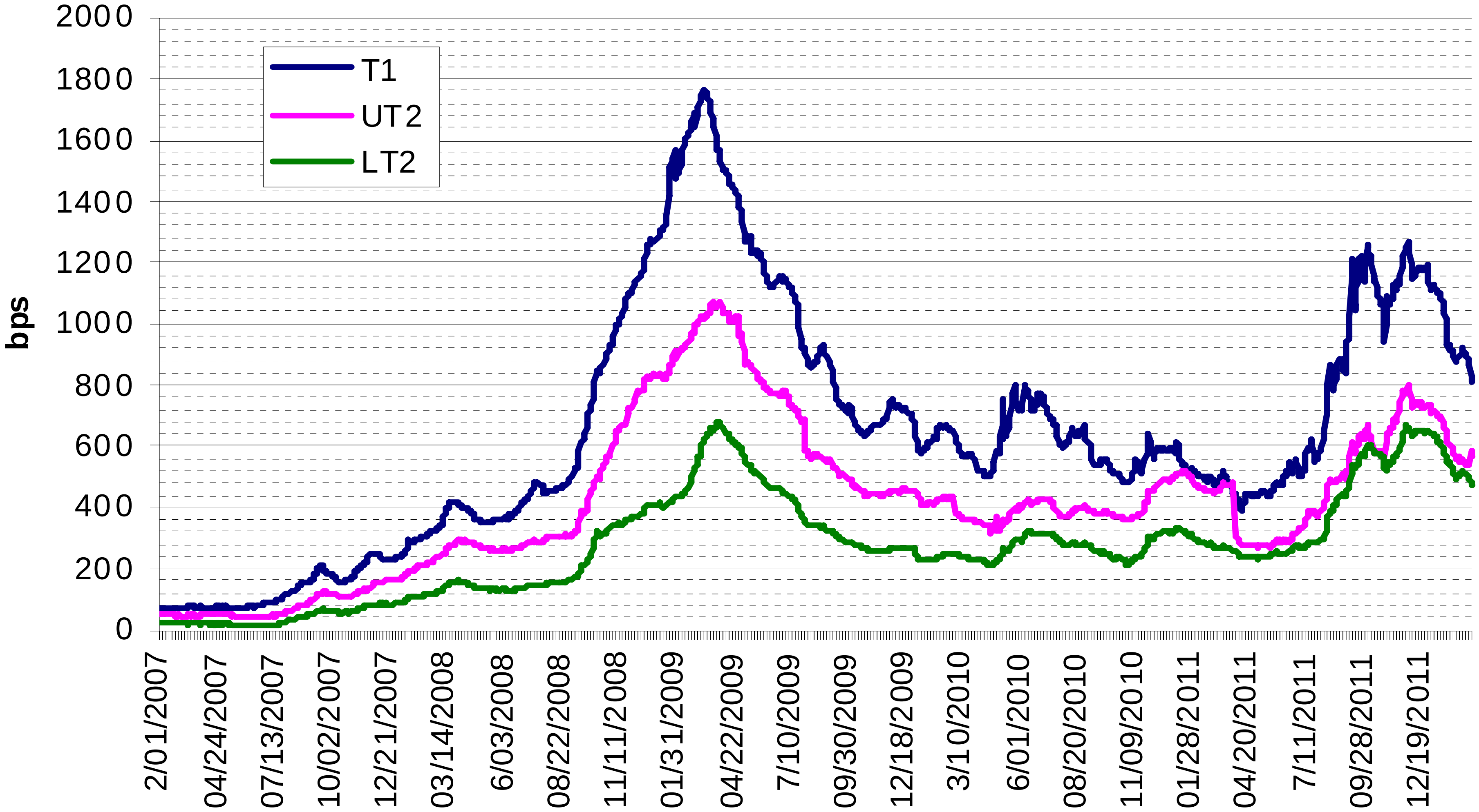
Source: ECB; Bloomberg; Barclays Capital

Why Remain Invested in the BlackRock Monthly Income Fund?
Opportunity - Financials vs. industrials



Source: Merrill Lynch Indices

EUR Bank Spreads



Source: Merrill Lynch Indices

Yield to call of selective asset classes (USD)

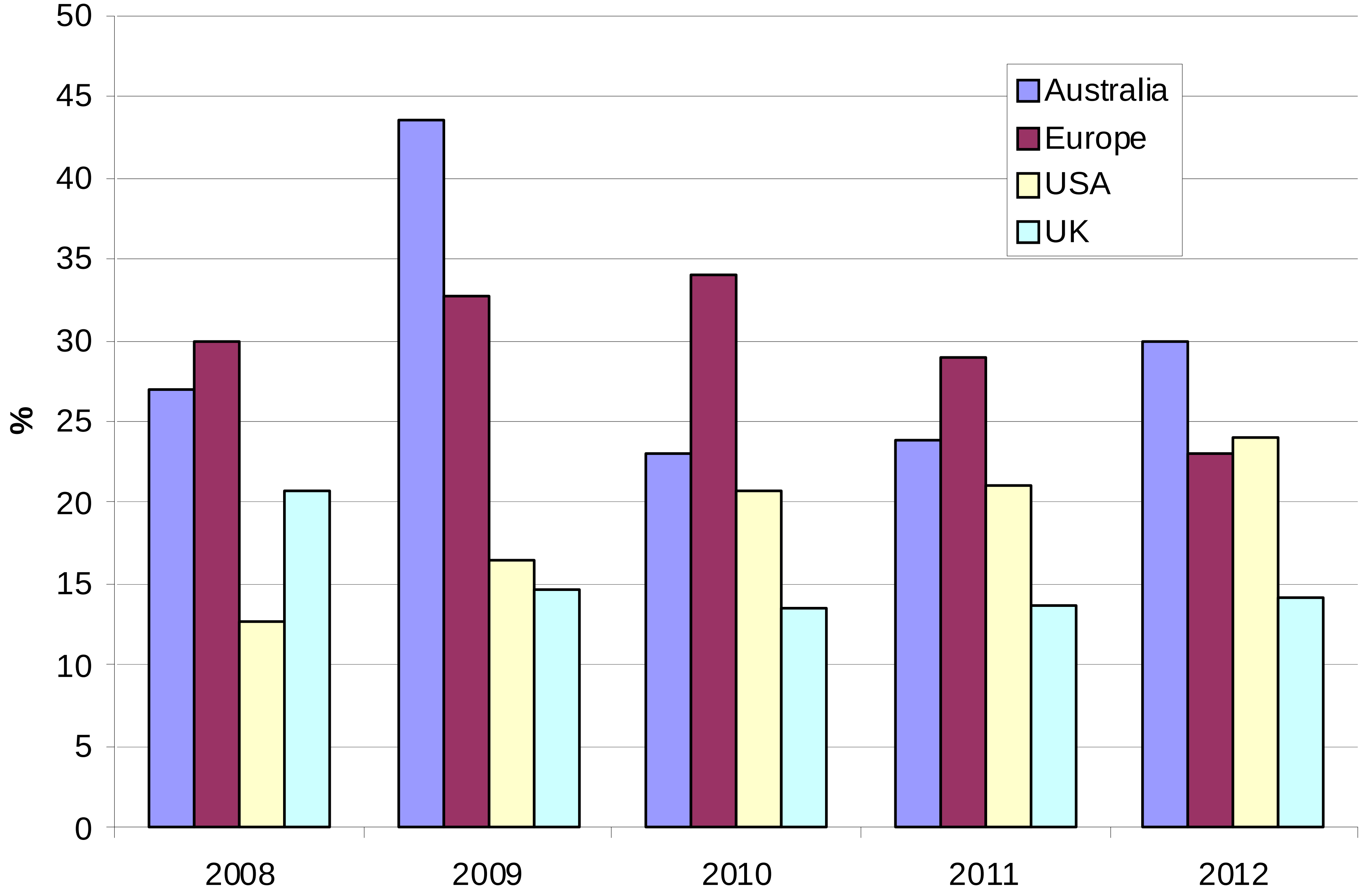
Global High Yield	7.276
BBB Global Corporate	4.293
AAA CMBS	2.171
Tier 1	10.413
Lower Tier 2	6.666

Source: Merrill Lynch Indices 29/2/2012

Portfolio Positioning - Lessons Learned & Action Taken

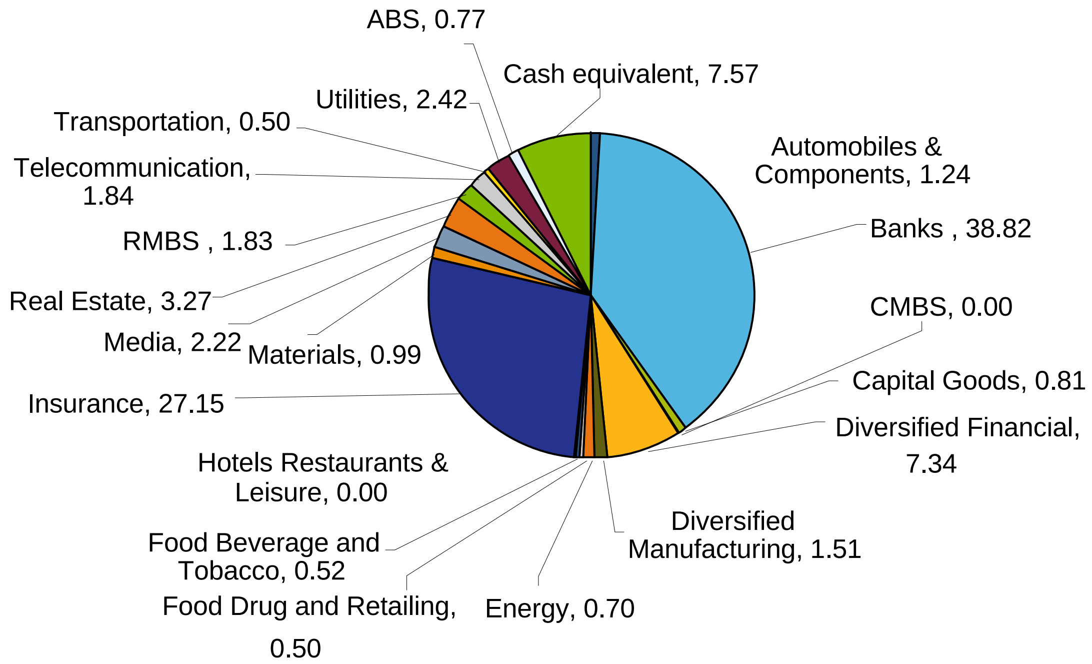
- **Re-examined banking sector tilt**
- **Focused on risks associated with specific issuers within banking sector**
  - Exited regional Spanish (2008), Irish (2009) and Portuguese (2009) bank exposures
- **Reduced exposure to European banks**
  - Sales over the past year (Credit Agricole, BNP, BFCM, Santander)
- **No exposure to Greek, Portuguese, Spanish or Irish sovereign debt or banks**
- **Limited exposure to Italian (0.51%) & French banks (3.6%)**
- **Increased exposure to US and Australian Banks**
- **Hedging with indices**

Geographic Exposures (As of end February)

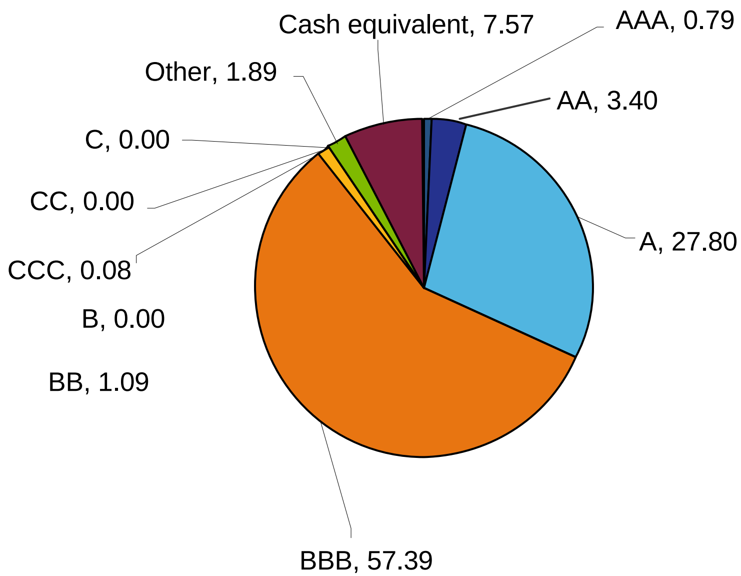


Sector & Rating Exposures (As of end January 2012)

Sector Allocation



Rating breakdown



Summary

- **Confidence in MIF holdings**
  - Global markets' environment uncertain but doesn't look like a 2008 replay. Short-term volatility to persist.
- **Europe is a key challenge but…**
- **No exposure to Greek, Ireland or Portuguese sovereigns**
- **No exposure to Greek, Ireland, Spanish or Portuguese banks**
- **Small exposures to Italian & French banks**
- **Regulatory environment favourable**

Additional Information

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