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BlackRock Asset Allocation Alpha Fund

August 2012

FOR FINANCIAL ADVISERS ONLY

Agenda

1. Fund Overview
2. Performance
3. Team Structure
4. Market Outlook

BlackRock Asset Allocation Alpha Fund - key parameters

- The strategy has an over nine year track record with current assets of approximately A$554 million*
- Fund aims to deliver a return of bank bills plus 12% before fees over rolling 3 year periods
- Target risk level similar to an actively managed equity fund
- Returns lowly correlated with other asset class returns and other alpha sources
- Returns expected to be “income” in nature due to the underlying derivatives exposures
- Fees are 1% base + 20% of performance above benchmark (UBSA Bank Bill Index) with “high water mark” implemented

* At June 2012

BlackRock Asset Allocation Alpha Fund - Risk Management

A flexible but disciplined risk management framework is embedded in the investment process

Position level

- Invest in liquid derivatives and wait for momentum to turn
- Seek a 2:1 reward/risk opportunity for every trade
- Endeavour to ensure that positions of similar conviction have similar levels of risk
- Manage downside through option strategies and stop losses – known downside risk in basis points
- Manage upside through rolling strikes on options or adjusting trailing stop losses

Portfolio level

- Diversified portfolio where no single position dominates downside performance
- Portfolio is stress-tested
- Reduce risk when correlation of positions increases significantly

Risk & Quantitative Analysis group (RQA) works closely with the investment team

- Dedicated RQA resources sit with the investment team and report to RQA centrally
- Ensure that portfolio characteristics are consistent with the team's fundamental views

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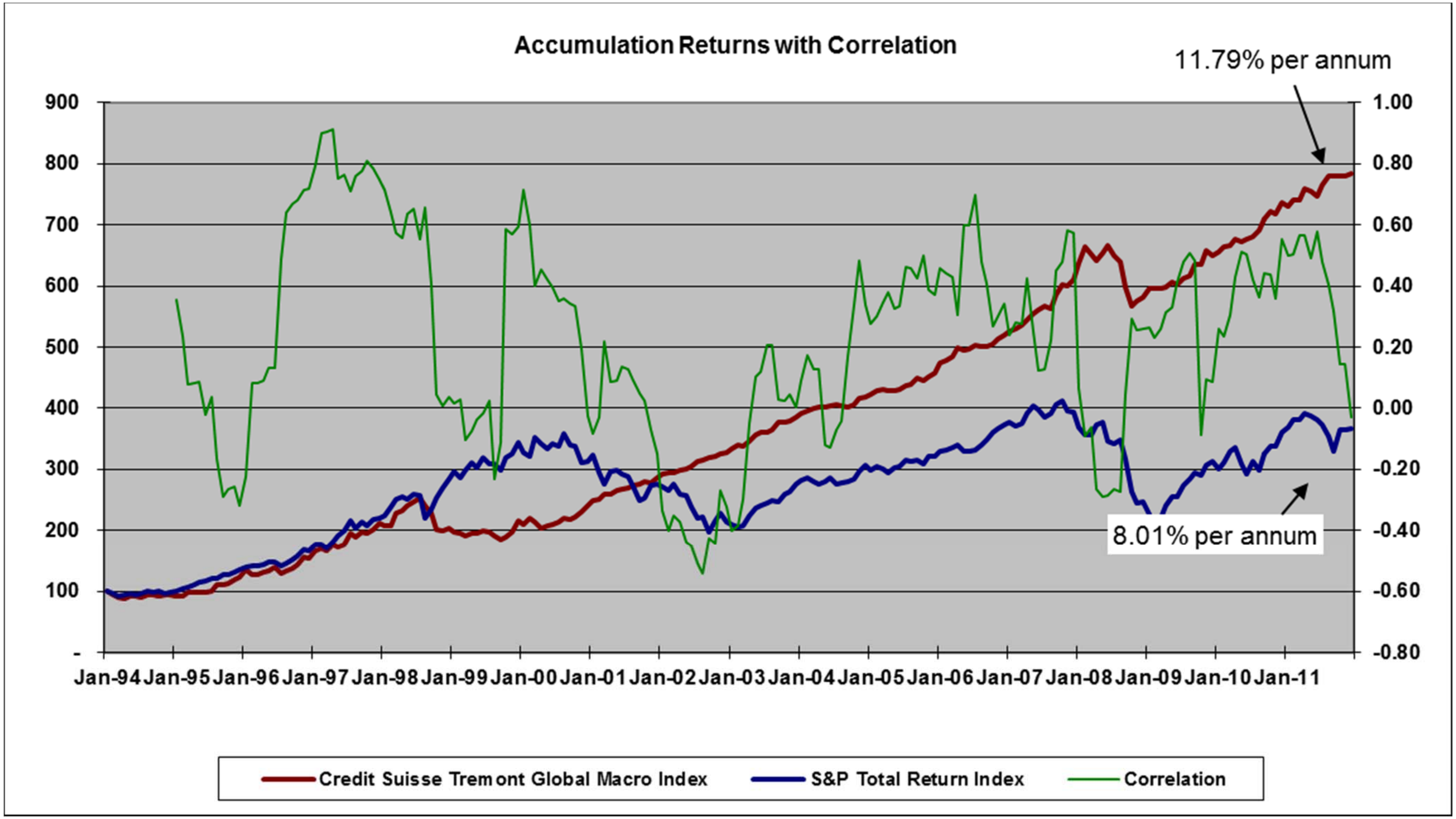
Global Macro Relative Performance Versus Equities to June 2012



Source:Bloomberg

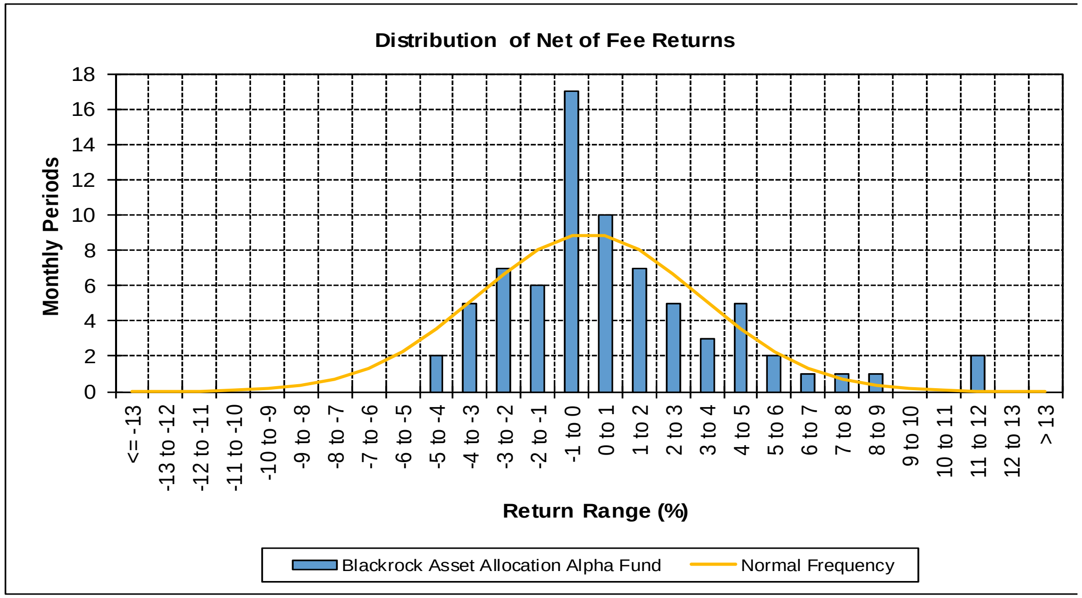
Asset Allocation Alpha Fund - Performance

Calendar Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calendar Year Return
						Monthly Performance Net of Fees							
2012	-0.59%	0.30%	0.54%	-1.17%	3.18%	-4.56%							-2.44%
2011	-0.71%	-0.30%	-2.59%	0.22%	-2.13%	-0.94%	0.88%	5.14%	5.93%	-1.97%	-1.68%	-2.15%	-0.72%
2010	-3.33%	-0.08%	2.29%	1.33%	-0.40%	-0.43%	-0.93%	-0.74%	-2.72%	-0.71%	2.26%	-1.99%	-5.48%
2009	1.30%	1.85%	-3.39%	-2.54%	0.91%	-0.27%	3.82%	-0.73%	0.87%	0.51%	-0.89%	-1.37%	-0.12%
2008	4.51%	7.43%	-3.83%	-4.00%	-0.69%	4.33%	-0.11%	0.92%	11.28%	8.17%	6.59%	1.63%	41.19%
2007	1.83%	4.94%	-2.66%	4.05%	0.05%	-0.19%	11.04%	-0.97%	4.72%	2.27%	3.63%	2.01%	34.54%
2006					-1.14%	0.88%	2.62%	-3.17%	-4.78%	-2.30%	1.89%	1.86%	-4.31%

Compound ROR (%pa)	8.59%
Benchmark ROR (%pa)	5.48%
Cumulative Return	66.20%
Benchmark Return	38.92%
Best Month	11.28%
Worst Month	-4.78%
% Positive Months	50%

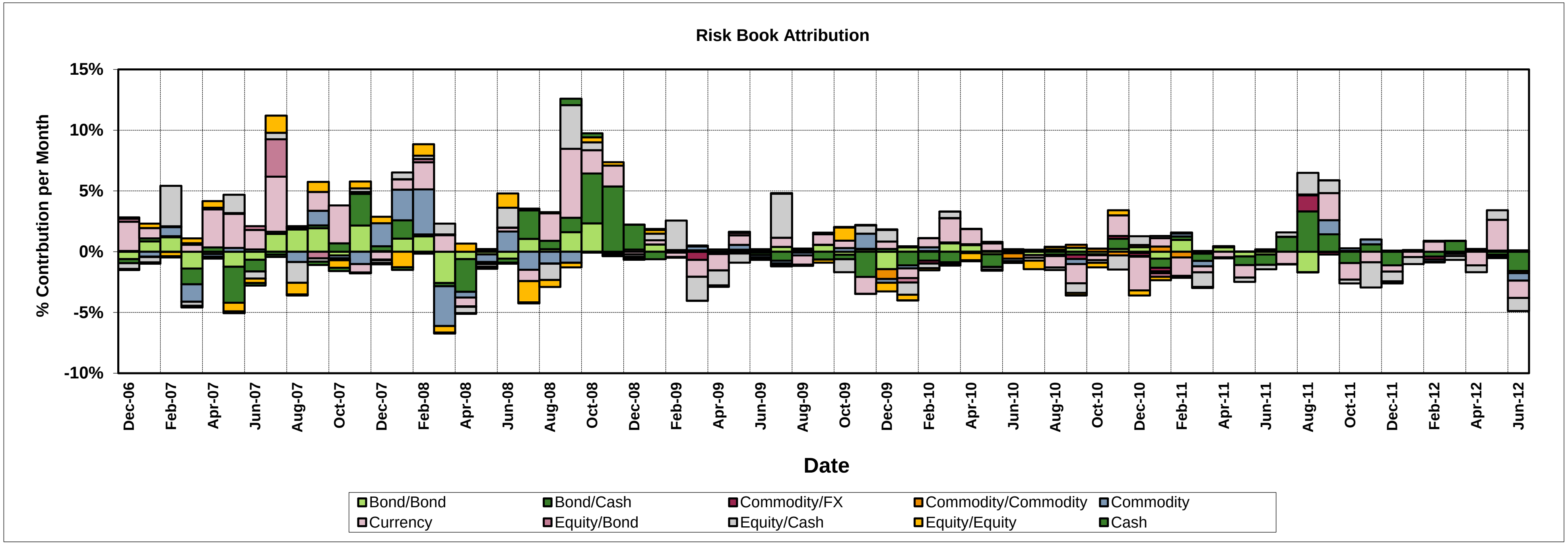
Risk

Tracking Error (%pa)	11.34%
Standard Deviation (%pa)	11.45%
Downside Deviation	4.60%
Sharpe Ratio	0.3
Information Ratio	0.27
Sortino Ratio (10%)	-0.3
Maximum Drawdown	-9.92%
Months in Maximum Drawdown	3
Months to Recover	6



Source: BlackRock. Past performance is not necessarily a guide to future performance. Net returns are for class D units and are inclusive of a 1% management and a 20% performance fee where the cumulative return of the Fund has been greater than the previous highest month end and cumulative return and assumes reinvestment of distributions. Please refer to slide 31 “Additional Information” for important information regarding the calculation of Tracking error”.

Asset Allocation Alpha Fund - Risk Book Attribution



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Agenda

1. Fund Overview
2. Performance
3. Team Structure and Business
4. Market Outlook

Team

The portfolio managers own the investment process and draw on a broad array of BlackRock resources

Portfolio Managers

David Hudson (22)
Lead Portfolio Manager

Geoff Ryan (22)
Senior Portfolio Manager

Evan Jones (17)
Senior Portfolio Manager

Asia Pacific Resources

Equities

Mike McCorry (Scientific)
Jonathan Koh

Fixed Income/FX

Stephen Miller
Cameron Garlick
Penny Chin
Neil Weller (Hong Kong)

Multi Asset

Russell Maddox
David Griffith (Scientific)
Stephen Hull (Hong Kong)
Ron Montgomery

Strategy product

Vincent Lo Blanco

Global Resources

Multi Asset

Global Portfolio Manager Meeting
BlackRock Investment Institute
BMACS Portfolio Manager Meeting

Asset Class Specific

Fixed Income Investment Strategy Group (ISG)
Global Equity Meeting (GEM)

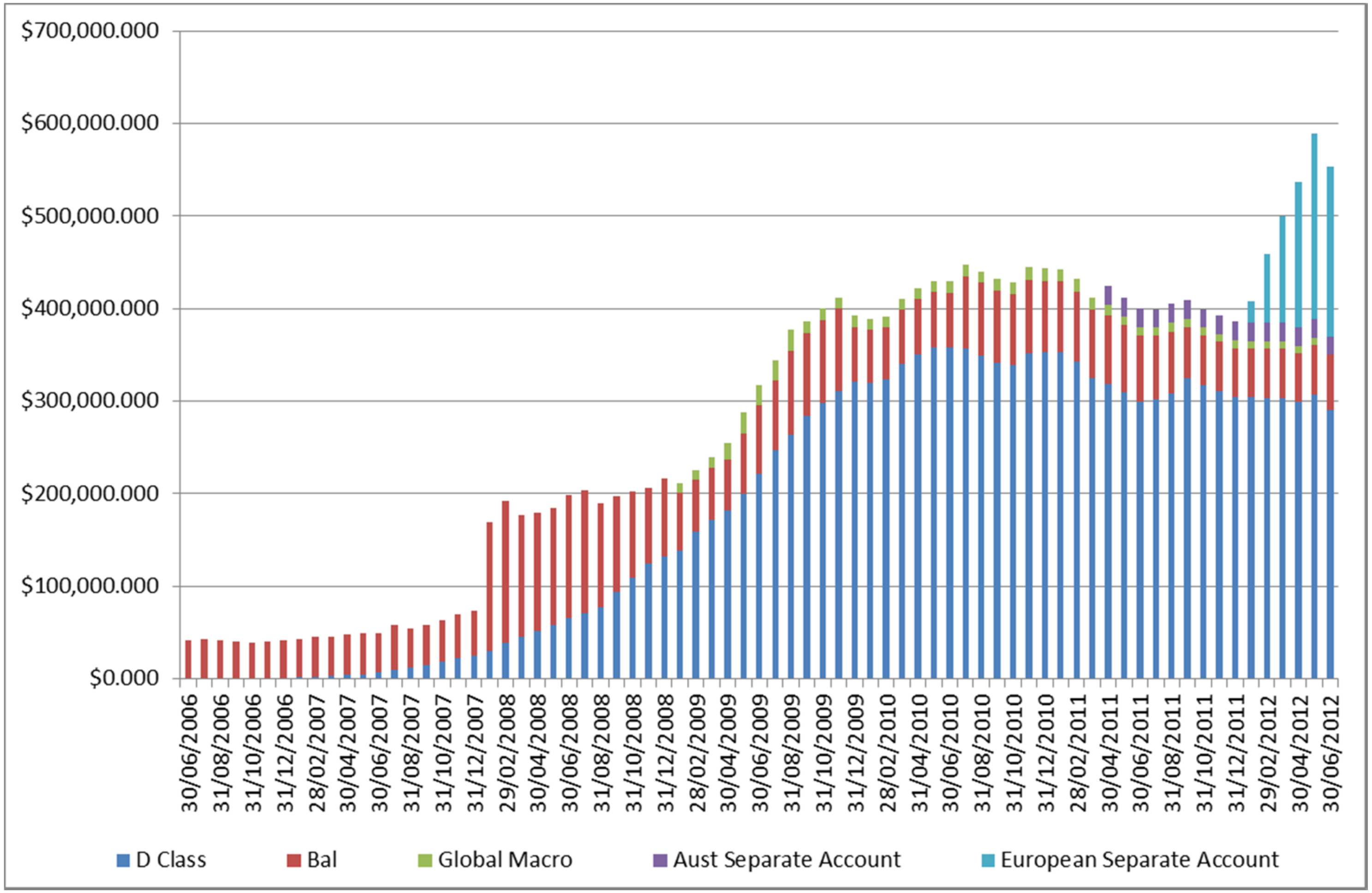
Portfolio and Risk Analytics

Risk & Quantitative Analysis (RQA)
Dedicated RQA: Ken Phang
Aladdin

Total Strategy FUM

Strategy FUM at June 2012:

- Balanced Fund $60m
- "D" Class (Retail) $290m
- Aust. Separate Account $20m
- European Institution Managed Account US$187m



Source: BlackRock

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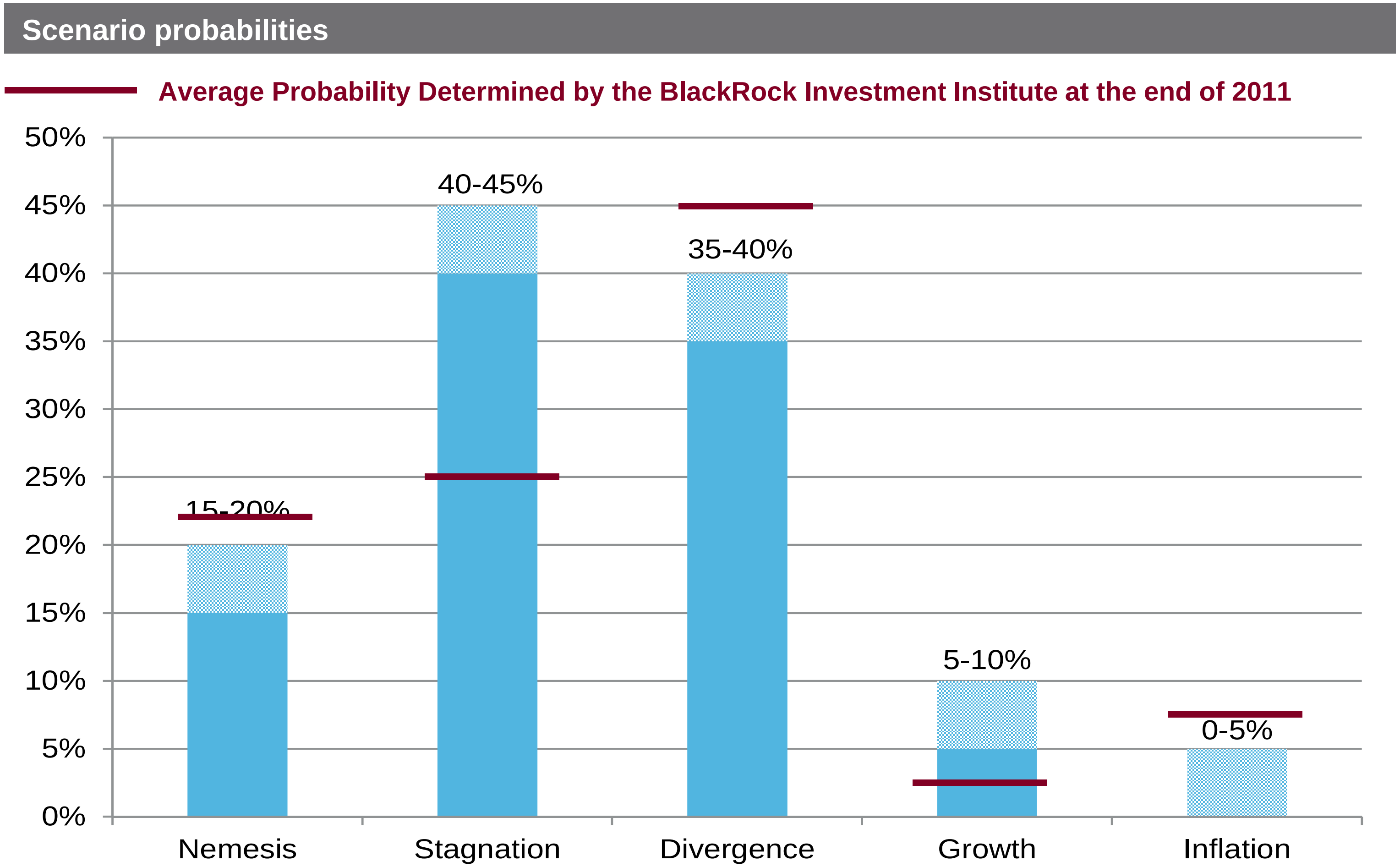
Scenarios Presented

Scenario Probabilities

- The group generally believed that, after spending time in a divergence environment in the earlier part of the year, we are back at stagnation where we began the year



Deleveraging Pace Varies Across Regions and Sectors

	PACE OF DELEVERAGING			
	NOT YET BEGUN	EARLY STAGES	GETTING THERE	NO PRESSURE
GOVERNENTS	US, JAPAN	EUROPE	UK	EMERGING
COMPANIES				ALL
BANKS		EUROPE	UK	US, EMERGING
HOUSEHOLDS		UK,EUROPE		US

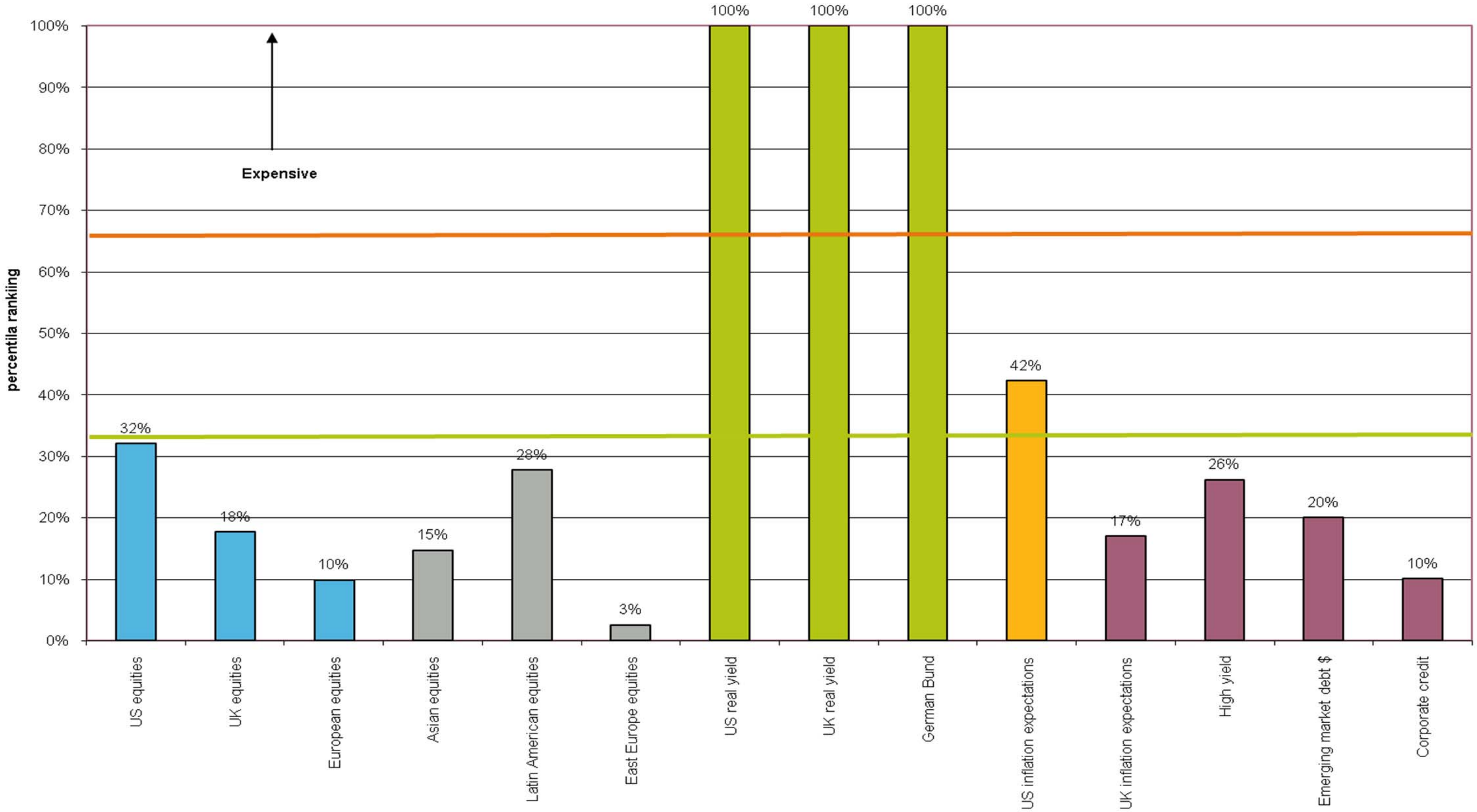
Global Policy Effectiveness Is Incomplete

Willingness/Ability ↑ \ Impact of Policy →	LOW	MEDIUM	HIGH
HIGH	UK monetary Policy US monetary Policy		China monetary policy Brazil monetary policy
MEDIUM	Japan monetary policy	European monetary policy China fiscal policy	European fiscal policy
LOW			European fiscal Reform Japanese fiscal Policy US fiscal Policy

Likely policy responses to limit escalating euro crisis

Institution	Policy Response	Pros/Cons	Likelihood/Decision Point
ECB	Rate cut (repo &/or deposit)	Lowers cost of funding for banks, but credit channel ineffective in the periphery	Likely, could be done quickly with no material impediment, ECB governing council decision
	Further LTROs	Buys time but not a solution, exacerbates bank/sovereign inter-linkage, delays return to market wholesale funding	
	More generous collateral requirements (ECB and/or NCB)	Could reduce likelihood of bank failures in event of dislocation, again reinforcing bank/sovereign reliance	
	Reactivation of the SMP	Could reduce volatility but increases subordination of private sector creditors	
	Full quantitative easing	Would require a severe crisis point to precipitate change in ECB policy/stance, could be done in ECB capital contribution proportions to ameliorate monetising debt argument	Unlikely. Could require treaty change, ban on the monetisation of govt debt, German constitutional court challenge, likely to require steps towards a more federal EA to assuage moral hazard issue
ESM/EFSF	Recapping banks directly	Breaks negative feedback loop between sovereign & banks, but raises issues over the sovereignty of domestic banking systems , fiscal transfers remain unpopular	Possible in a deep crisis. ESM Board of Governors can take this decision by unanimity by creating a new financial instrument, conditionality would be on the sovereign
	Banking license for ESM and/or ESM buys government bonds	Increases firewall but monetisation	ECB decision, probably prefer to monetising debt themselves but still not keen on the idea
EU	Federal deposit insurance scheme or European bank rescue scheme	Prevent/stem capital flight from peripheral banks, takes time to implement, likely would require federal banking supervision & resolution framework, unlikely to stop a run on Greek banks	EU directive, put together by EC, approved by European Council
Euro Area	Eurobonds	More permanent solution, ensures affordable borrowing costs for weaker EA economies, likely to need fiscal union to get German & other core country approval, could take a long time to get there	Currently not sufficient political support, Germany vocally against, views differ on whether Eurobonds would require Treaty change (Council: no, Commission: yes)

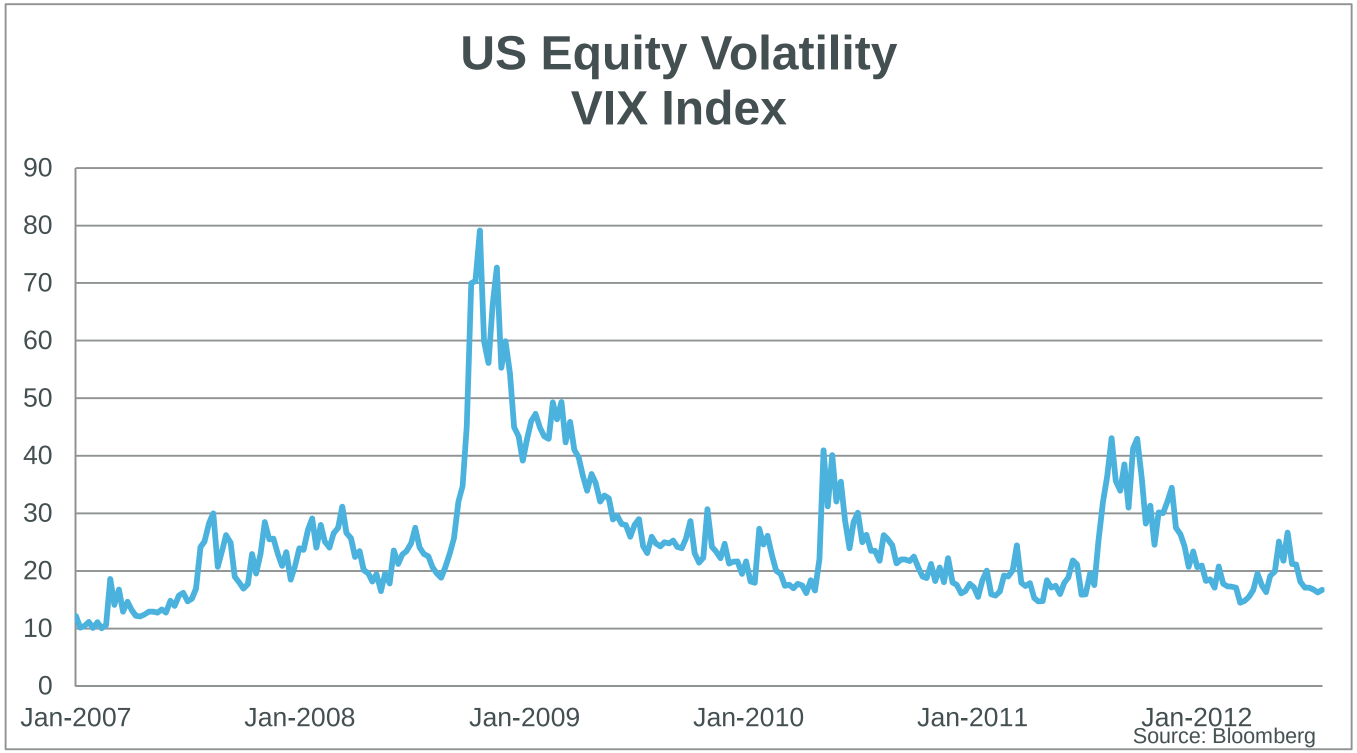
What is discounted? Stagnation, not recession (Percentile rankings against history)



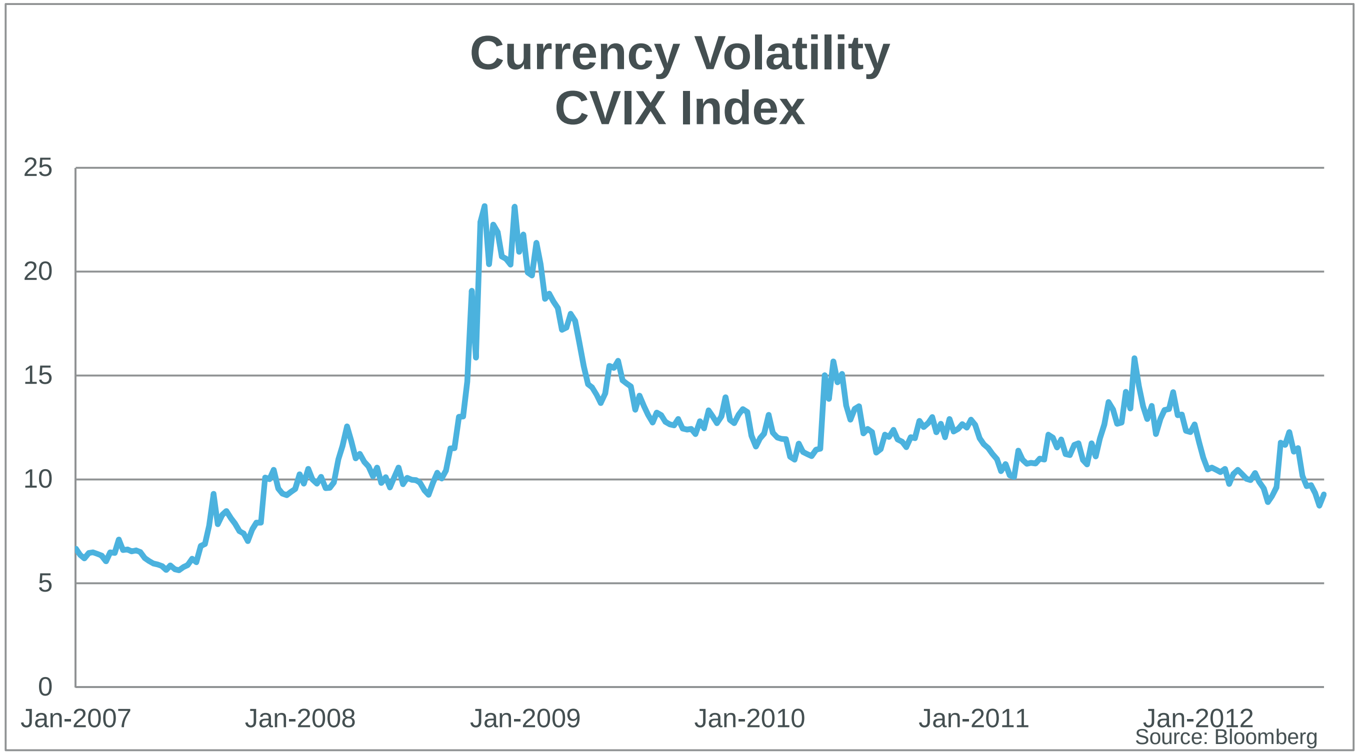
Aggregate Matrix

Scenario	Description	Probability in Second Half
Stagnation (40-45%)	Sluggish global economic growth, with the US and emerging economies losing steam. A European recession and tight credit for those who need it. Risk-on/risk-off rallies dominate trading.	Upgraded. Emerging markets have started to ease and have more room to go, but developed markets are running out of bullets. The European debt crisis will not be solved in the second half. Global banks are shedding assets and governments in the developed world are tightening their belts. Business confidence and investment are deteriorating as corporate profits peak. These forces are offsetting policy easing elsewhere and are delivering near-recessionary growth.
Divergence (35-40%)	Emerging economies outperform while the US and Japan muddle through. Europe recovers at snail's pace while China's economy re-accelerates.	Downgraded. We worry about the weakening US economy and the looming "fiscal cliff." Many emerging economies have slowed while China's efforts to re-accelerate growth have yet to pay off. We are hoping for much-needed recapitalization of European banks, baby-steps toward European bonds and credible growth plans.
Nemesis (15-20%)	Global recession, credit crunch, social upheaval and steep losses across asset classes. Named after the Greek goddess who punishes the proud.	Stable -- and still higher than we would like. A disorderly eurozone breakup appears less likely and China's recent stimulus is likely to avert a "hard landing." But the odds are rising Nemesis may appear accross the Atlantic if polical disfunction in Washinton plunges the nation into the fiscal cliff.
Growth (5-10%)	The global economy weans itself off monetary stimulus and grows just above the long-term trend.	Slightly upgraded. Lower commodity prices and ebbing inflation in emerging economies are positives. Businesses and households have cash to invest.
Inflation (0-5%)	High commodity prices and monetary easing drive up inflation around the world, effectively cutting the developed world's debt load.	Downgraded. Inflation is receding everywhere. If anything, the prospect of deflation is rising.

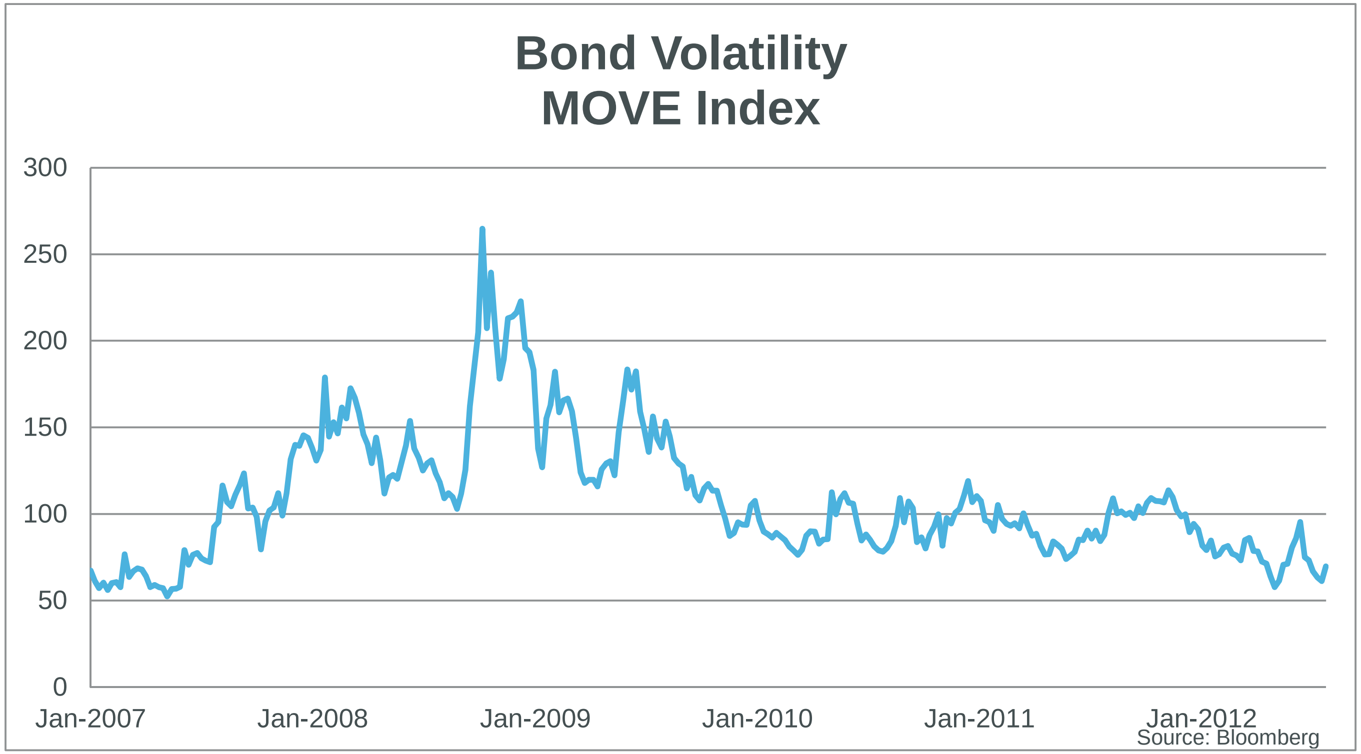
US equity volatility at 4 ½ year lows



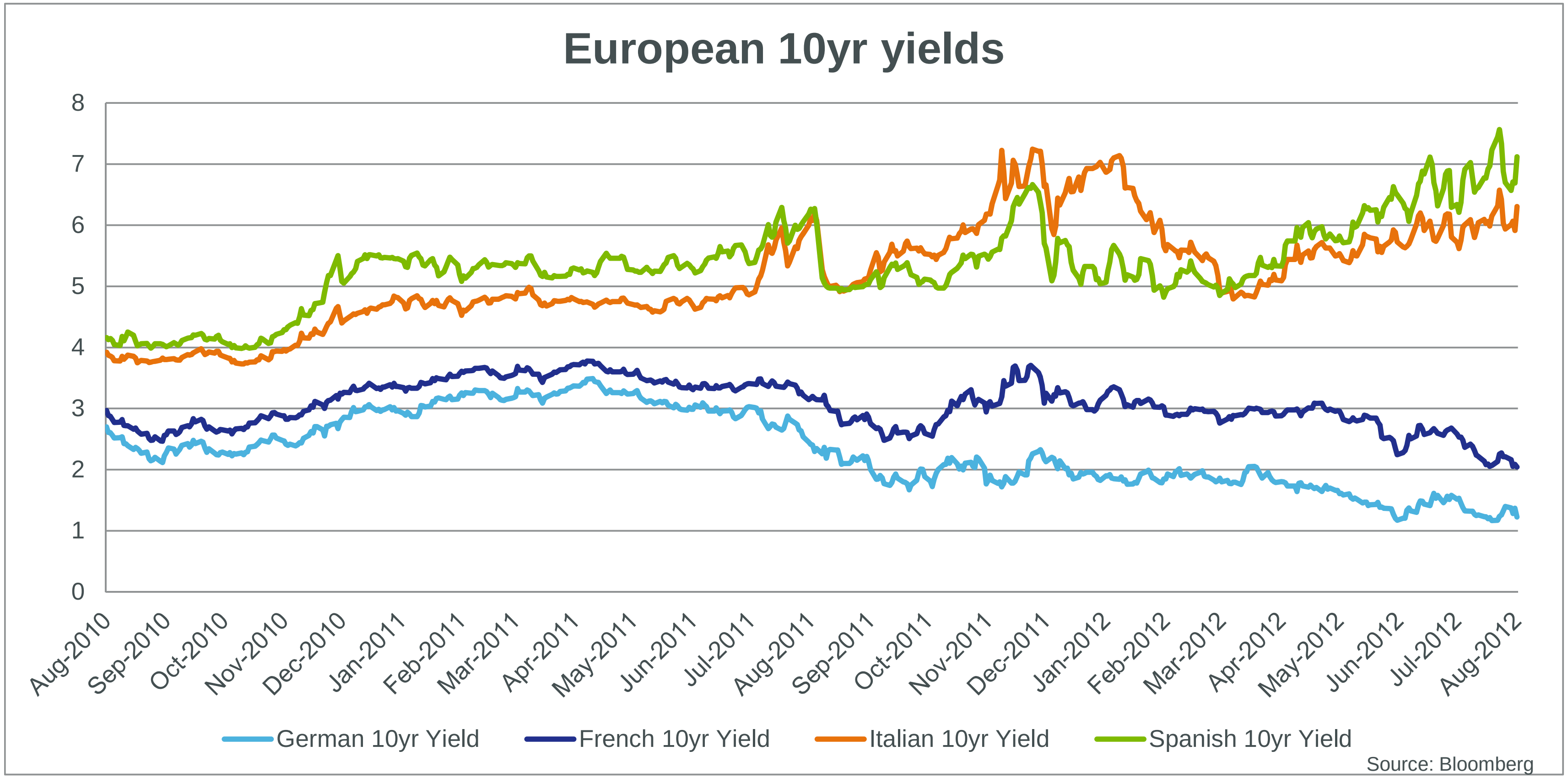
Currency volatility at 4 ½ year lows



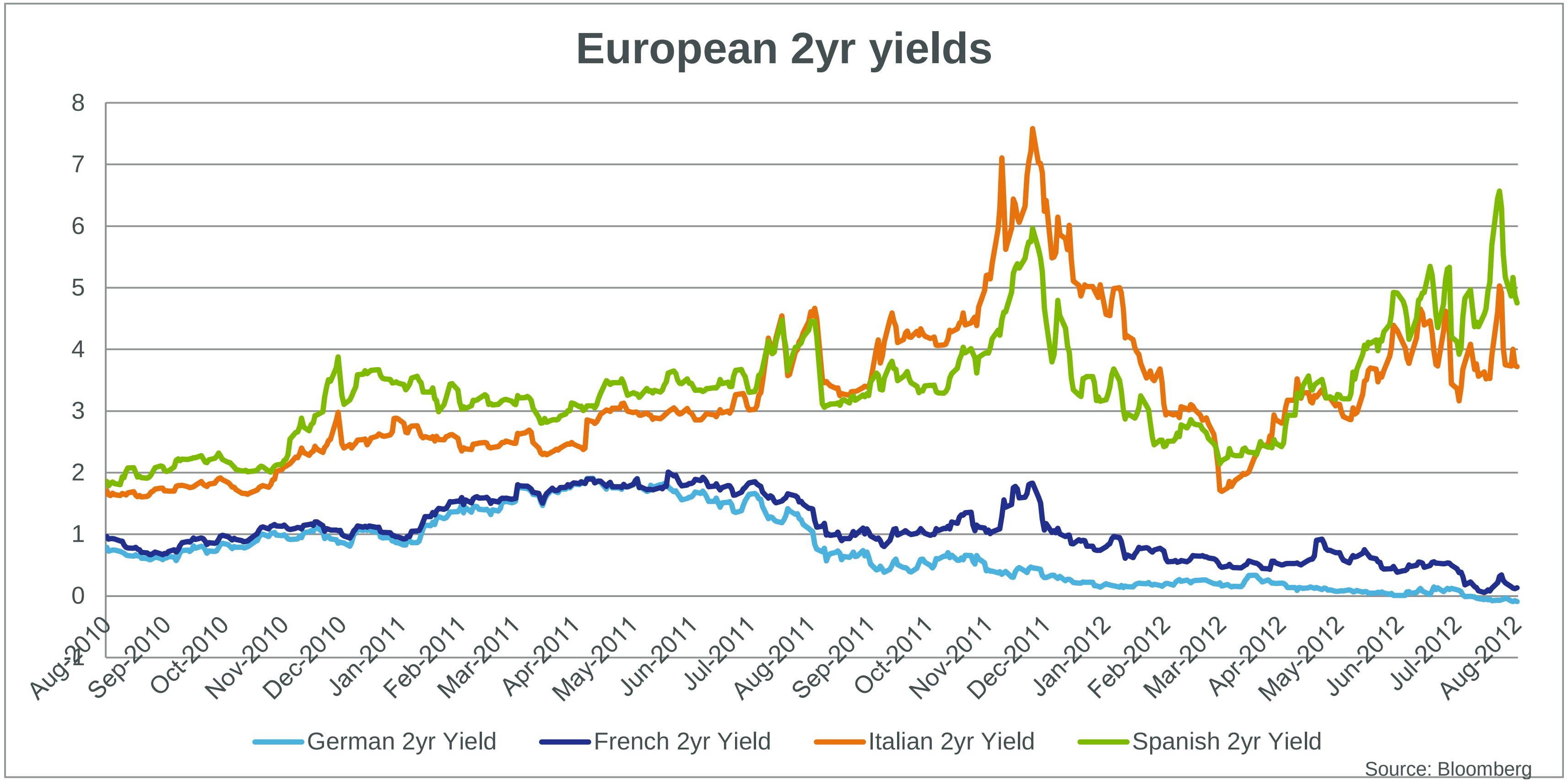
Bond volatility at 5 year lows



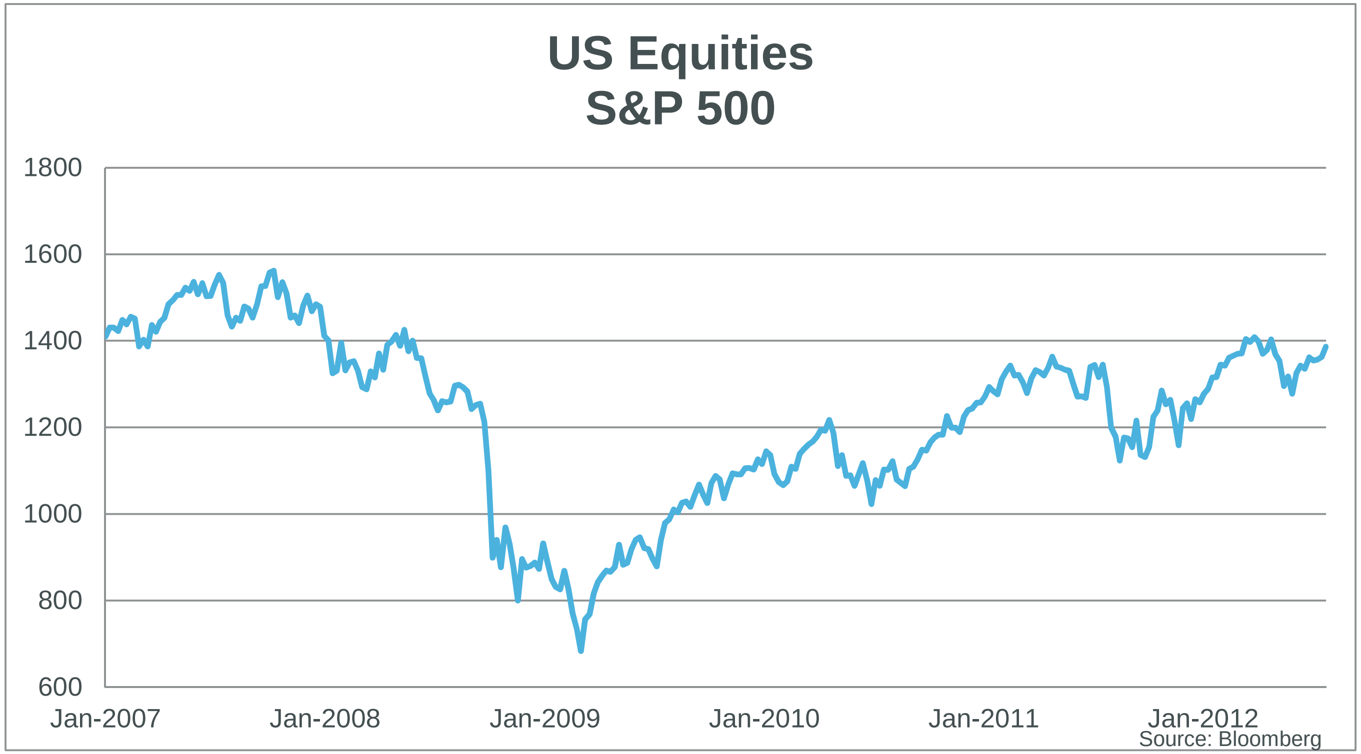
European 10 yr bonds – Spain and Italy at unsustainable yields



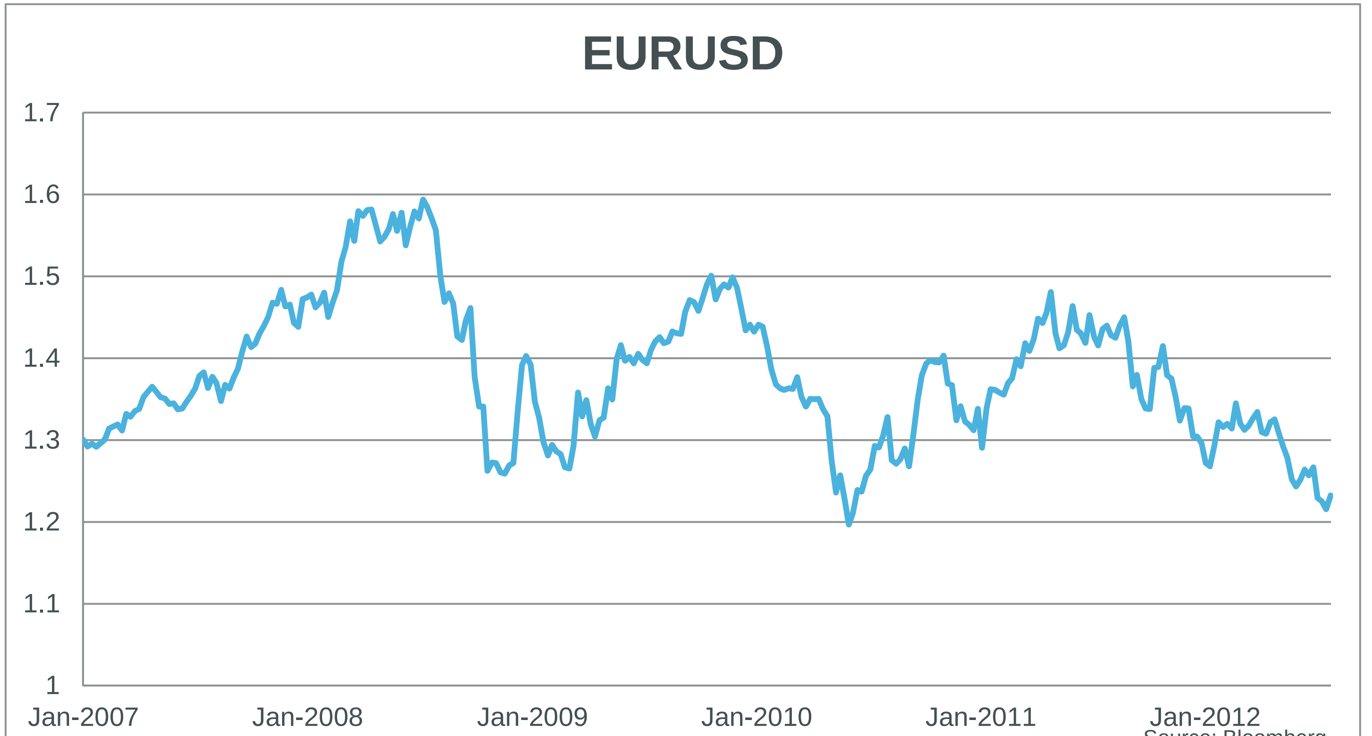
European 2 yr bonds – Spain and Italy under huge pressure



US equities – up double digits year to date (31 July 2012)

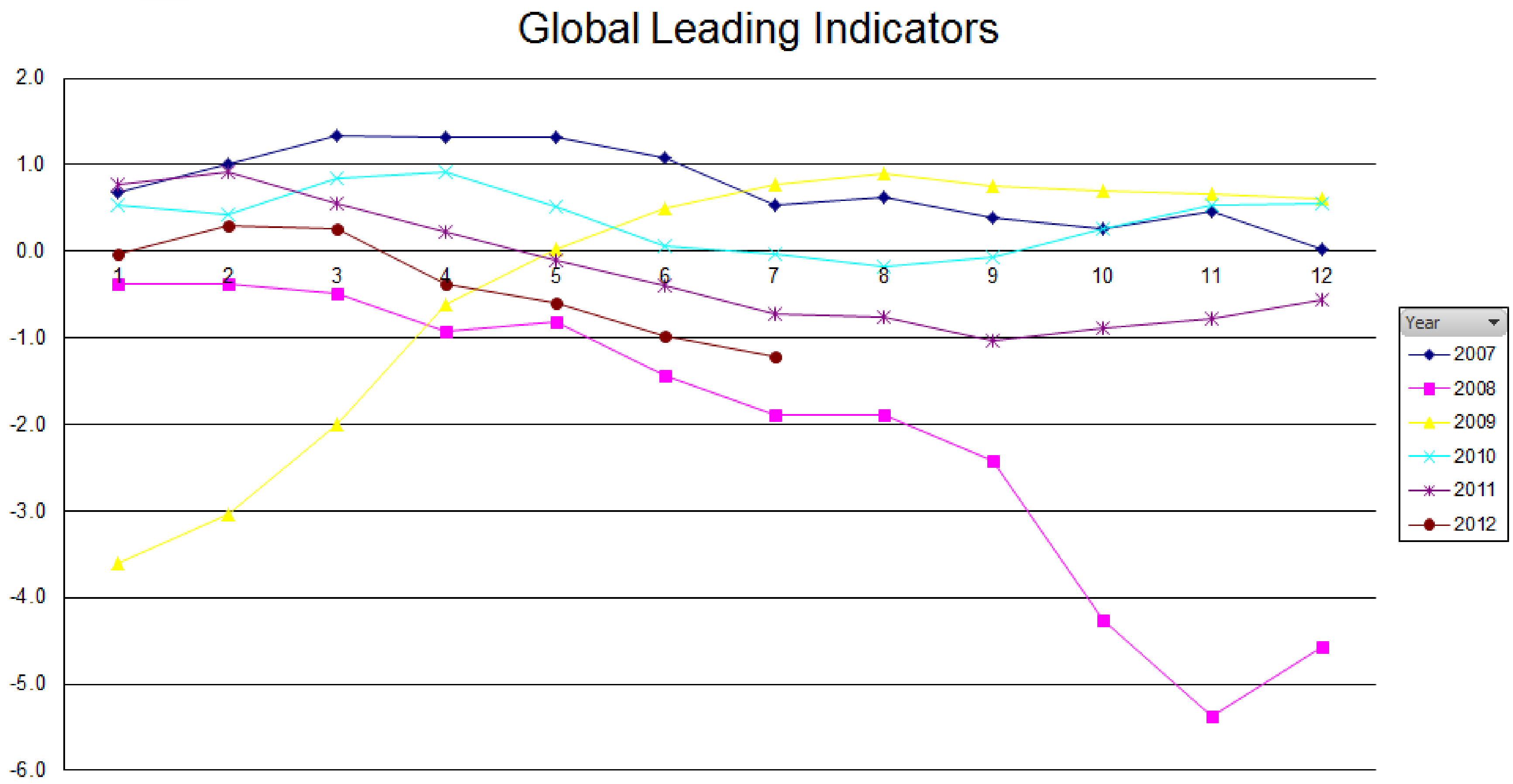


Euro – a range trade despite the woes

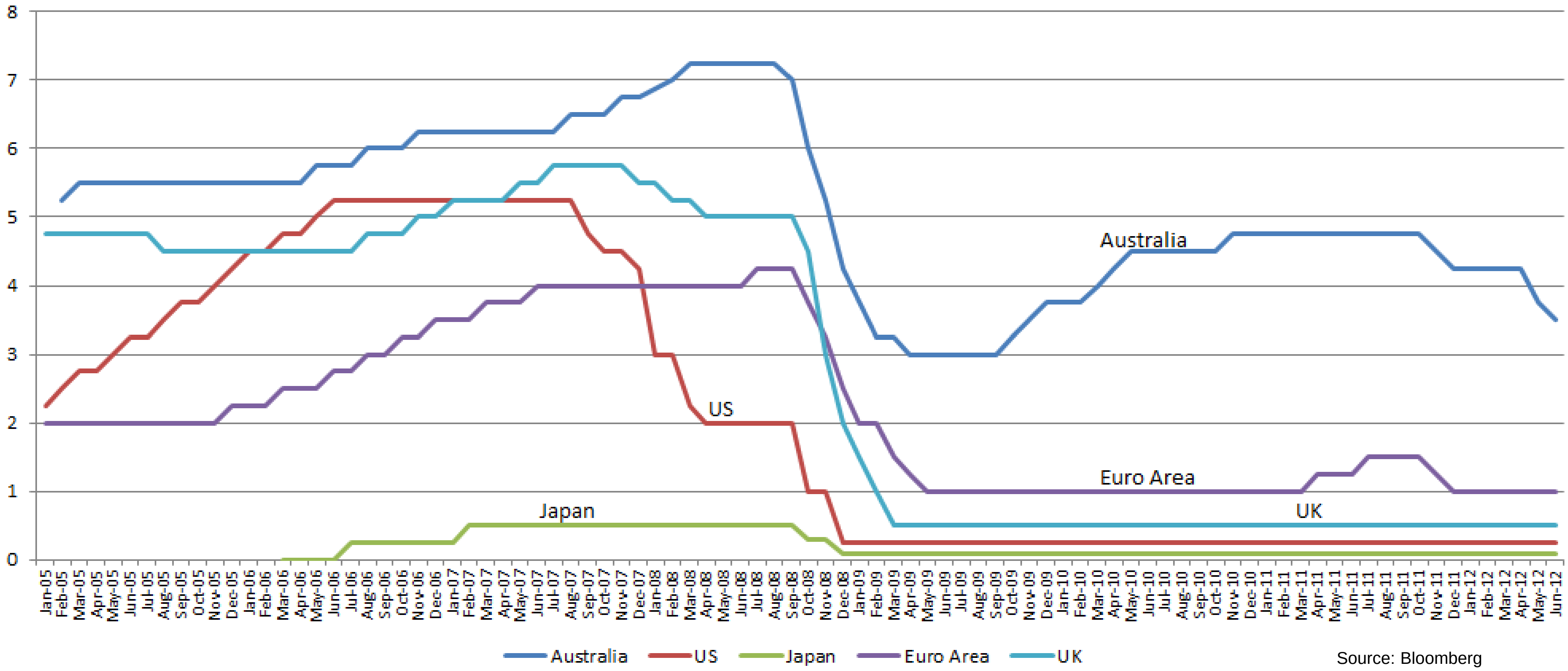


Source: Bloomberg

Leading indicators weakest since 2008 at this time of the year



Australia has high short-term interest rates compared to other developed economies



Source: Bloomberg

The RBA is well placed to respond to moderating growth

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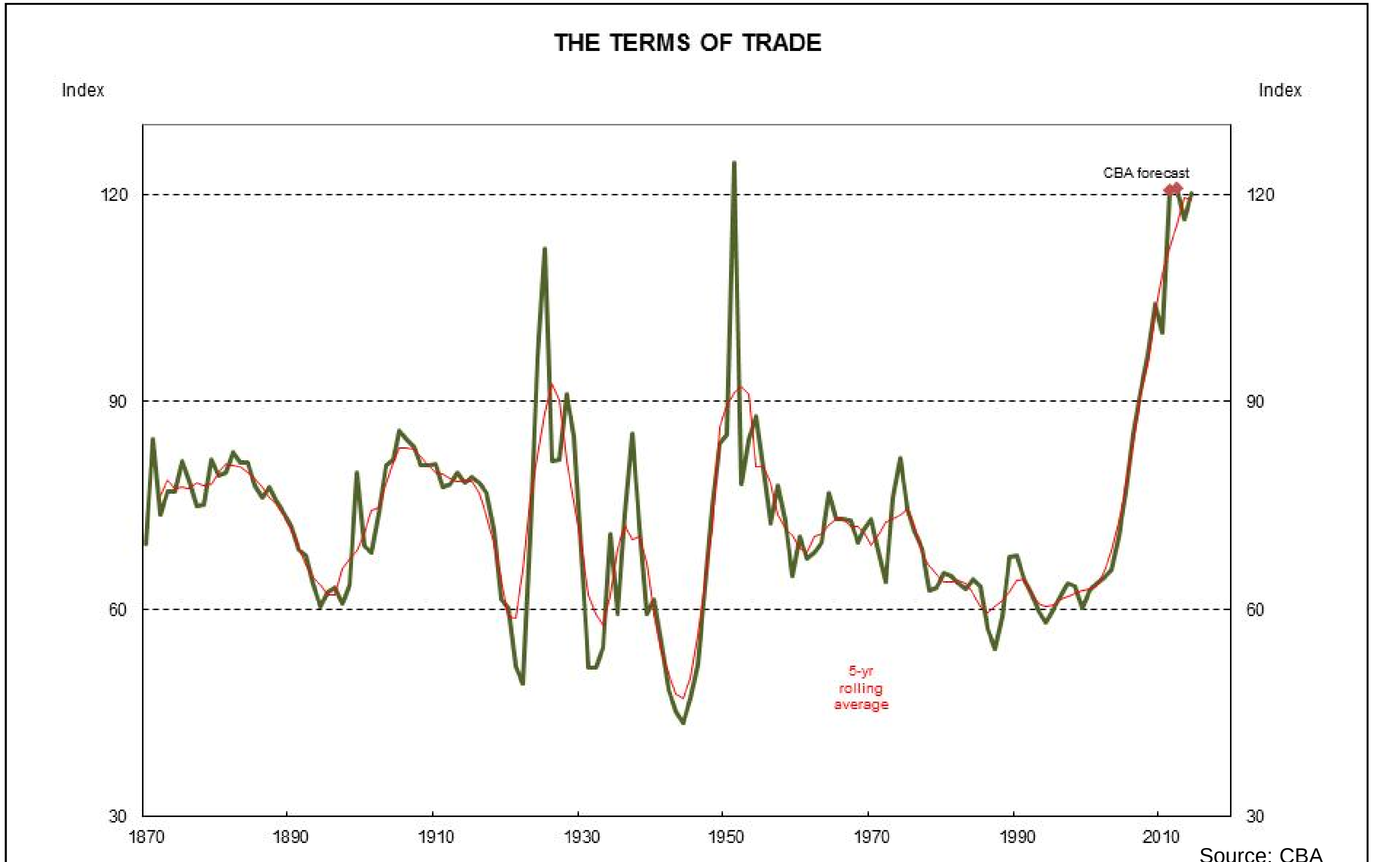
The China boom has seen the terms of trade reach levels not seen in the last 150 years. Can it continue?



Source: CBA

While some retracement may be expected, the Chinese authorities are similarly well positioned to respond to moderating domestic growth.
Australia is also a significant food (grains) producer. Soft commodity prices are on the rise.

Current and Prospective Thematics

VIEW	POSSIBLE PORTFOLIO POSITIONS
Asset Allocation	
1. Equities outperform bonds (Prospective)	Long S&P 500 vs 10 year bonds
Equity	
2. US equity volatility to rise (Current)	Long VIX calls
3. Equities to correct in Q3 (Current)	Short US equities and Koren equities put options
Fixed Income	
4. US Treasuries to rally (Current)	Long Treasury call options
5. Australian sovereign risk to increase (Current)	Long Australian sovereign risk protection
6. France sovereign risk to increase (Current)	Long France sovereign risk protection
Currency	
7. USD to out-perform Euro, GBP, AUD, CAD (Current)	Long USD vs EUR, GBP, AUD, CAD
8. Euro to under-perform AUD, Brazilian Real, CAD (Current)	Short EUR vs AUD, BRL, CAD
9. GBP to under-perform CAD (Current)	Short GBP vs CAD
Commodity	
10. Gold vulnerable to short term correction (Current)	Long gold puts

Source: BlackRock

Additional Information

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Tracking error is a measure of active risk, that is the level of risk taken in the management of the Fund. This is a statistical measure of the potential for differences in the returns generated by the Fund from those of the Fund's benchmark. Tracking error for the Fund is estimated on an "ex ante" basis, i.e. an estimate in relation to future performance. No guarantee or assurance is provided in relation to the achievement of a particular tracking error. This is not a guarantee of the performance of the Fund.

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