

Monday, 25 February

Re: Wind up of the BlackRock Asset Allocation Alpha Fund

I am writing to inform you that David Hudson, the lead portfolio manager for BlackRock's Asset Allocation Alpha Fund (the Fund), has decided to retire from the firm. After 30 years in a high intensity industry, including 15 years of valued contributions to the clients of BlackRock, Mr Hudson has chosen to close this chapter of his career.

Recent market conditions have not been conducive for Mr Hudson's thematic, tactical asset allocation style of investing and as a result the Fund's performance in recent years has been disappointing. Both Mr Hudson and I share your frustration with this.

It was with this in mind, and with Mr Hudson's decision to retire, that we undertook a review of the options for the Fund and, after careful consideration, we have decided to wind up the Fund. To allow you sufficient time to make alternative arrangements, such as withdrawing cash or investing in another fund, the wind up will commence on 2 April. Please see the FAQ at the end of this letter for more details.

Behind the \$3.8 trillion in assets we manage globally are millions of people counting on us for a better financial future. It is in this context that I would like to reassure you that I am conscious of the responsibility of leading the Australian arm of the world's largest asset manager. My priority is to ensure we deliver superior investment solutions that meet or exceed your expectations, and those of your clients. To this end, we would welcome the chance to speak with you about our other investment opportunities in the Alternatives asset class.

I trust the FAQ below will address the key questions you may have about these changes. We apologise for the additional work and inconvenience these changes will cause for you and your clients but we would like to thank you for the on-going trust you have placed in us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Justin Arter', with a long, sweeping horizontal line underneath it.

Justin Arter

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Frequently asked questions

What is happening to the Asset Allocation Alpha Fund and why?

Recent market conditions have not been conducive for Mr Hudson's thematic, tactical asset allocation style of investing. With this in mind, and with the decision of Mr Hudson to retire, BlackRock undertook a review of the options for the Fund and, after careful consideration of the options, BlackRock has decided to wind up the Fund.

What is the time line?

From 25 February 2013 the Fund will be invested solely in cash. We have discontinued charging fees and the Fund will no longer accept application requests from new investors.

In order to provide you with sufficient time to make alternative arrangements there will be a period of four weeks from 25 February to 28 March during which investors may request redemptions. Redemption requests received during this time will be administered in accordance with normal processes, as set out in the Product Disclosure Statement for the Fund.

From 2 April, redemptions will not be permitted as the Fund will be in wind up. Monies still remaining in the Fund on 2 April will be returned to investors as soon as possible after this date.

What do I need to do?

Investments may be redeemed during the four weeks from 25 February to 28 March by following the fund's standard redemption process. If you would like to reinvest in another BlackRock fund, please contact your BlackRock account manager who will discuss the options available to you.

If investors do not request a redemption prior to the wind up of the Fund on 2 April, their funds will be returned as soon as possible after this date.

If investors are making ongoing contributions to the Fund, these contributions will continue to be processed prior to the wind up of the Fund. If the investor no longer wishes to make contributions to the Fund during this period please contact your BlackRock account manager for more details.

If your client is invested directly in the Fund via D class or C class units, your client will receive their proceeds as soon as possible after the scheduled wind up of the Fund on 2 April, without having to do anything. Should your client wish to receive their proceeds prior to this date, they may do so via the usual redemption process. We do not expect any delay in the usual timeframe associated with these redemptions as set out in the Fund PDS. As a reminder, the portfolio is now invested in cash.

If your client is invested through a wrap platform, your client should receive their proceeds from their platform operator shortly after the payment to direct investors as outlined above. Should your client wish to receive their proceeds prior to this date, simply apply for a full redemption via the usual wrap platform process. We do not expect any delay in the usual timeframes associated with these redemptions. As a reminder, the portfolio is now invested in cash.

If your client has invested via a Mastertrust, your client may, or may not receive any proceeds upon the wind up of the Fund if the Mastertrust trustee substitutes the proceeds for an appropriate alternative (as per normal course of action). Reviewing these options is the responsibility of the Mastertrust, so please consult with your Mastertrust provider directly to consider next steps.

BlackRock will notify you if there are any changes to these arrangements.

How will the Fund be managed in the interim period?

It will be professionally managed by the same BlackRock fixed income investment team that already manages the Fund's cash investments.

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Will I be charged for exiting the fund?

The sell spread will decrease to zero for units redeemed after 25 February, reflecting the reduced cost of realising a cash investment.

What are BlackRock's other investment options in the Alternatives asset class?

Two high quality investment opportunities in the Alternatives asset class that you may wish to consider are the BlackRock Australian Equity Absolute Return Fund and the BlackRock Scientific Global Markets Fund. These two strategies provide an opportunity to access the on-going research and systematic application of BlackRock's investment insights – insights that are relied on by many of the world's largest pension funds and insurance companies to build the more dynamic, diverse portfolios these times require.

Investors should take care to read the relevant PDS and speak to their financial adviser before making any investment decisions. There are minimum investments for the funds, as set out in the offer documents.

Can you tell me more about the BlackRock Australian Equity Absolute Return Fund?

The [BlackRock Australian Equity Absolute Return Fund](#) offers the potential for superior returns irrespective of the direction of equity markets, striving for positive returns in rising and falling markets. This fund is managed by an experienced local investment team that leverages research from the Scientific Active Equities team of 100 investment professionals across BlackRock. The underlying core fund¹ has delivered positive returns in 11 out of the past 12 calendar years, averaging a 15.5% per annum return (gross of fees) since inception in August 2001.²

The BlackRock Australian Equity Absolute Return Fund aims to deliver returns (before fees) of 8% per annum above the benchmark (RBA Cash Rate Target) over rolling three year periods by gaining exposure to long and short positions across the Australian equity market.

Can you tell me more about the BlackRock Scientific Global Markets Fund?

The [BlackRock Scientific Global Markets Fund](#) provides access to the superior investment performance of our Global Macro Strategies Group. The team of more than 30 investment professionals globally has produced strong results in their flagship fund, accessible in Australia through the Scientific Global Markets Fund. It is a fund which takes a relative value approach to global macro investing which we believe is well suited to today's complex and fast-changing markets.

In the Scientific Global Markets Fund, investors have access to an investment that uses total-return strategies across major asset classes and world markets to enhance portfolio returns while diversifying risk. It should be considered by investors who seek a fund that has a low correlation to equity returns, interest rate moves and other active return sources.

Are these products available on my approved product list or platform?

Please contact your BlackRock account manager for information on the funds' listing on your platform or product list.

Who can I speak to for more information?

Please contact our Adviser Services Centre on 1300 366 100, contact your account manager, or visit www.blackrockinvestments.com.au.

¹ The BlackRock Australian Equity Absolute Return Fund invests in, and has the same underlying strategy as the BlackRock Australian Equity Market Neutral Fund (BEMAN). BEMAN has an inception date of 31 August 2001 and is only available to wholesale clients.

² Past performance is not a reliable indicator of future performance. Past performance for the BlackRock Australian Equity Absolute Return Fund and BEMAN may differ due to fee differences.