

Weathering uncertain markets
Staying focused on your long-term goals



BLACKROCK

Preparing a strategy that guides you

At BlackRock®, we believe one of the most important components to a successful investment strategy is being prepared: being prepared for a successful long-term investment plan; being prepared for potential financial setbacks; being prepared to invest in new opportunities; and, of course, being prepared to weather uncertain market conditions.

The current market environment, however, has made it more difficult for many investors to stick to their long-term investment strategies.

The intensity of the credit crunch has resulted in the failure of several financial institutions and banks, and the government takeover of some major financial firms. The overall economic picture has weakened sharply, with most observers now believing that the U.S. and global economies are in a recession. At the same time, the outlook for corporate earnings remains uncertain, and geopolitical factors add to potential risk levels in the market. Given all of this uncertainty, it should not be surprising that equity markets have been experiencing record levels of volatility.

In this sort of environment, some investors may be inclined to head to the sidelines, withdrawing money from the markets in an effort to wait out the storm. Other investors may abandon broad diversification strategies and move money into asset classes and sectors that have been soaring as they try to “chase” performance. In our opinion, however, such actions would be a mistake.

We believe that keeping sight of your investment objectives during difficult times is often a determining factor in long-term success, and can help you stay prepared for whatever may lie ahead. During times of turbulence and volatility, we believe it is more important than ever for investors to work closely with their financial advisers to ensure their expectations and investments align with their long-term plans and goals. The following pages present what we believe are sound, long-term investment strategies and some historical perspectives to the markets that can be used as a foundation for future decision-making.



Managing investment risk

Faced with a high degree of economic uncertainty, equity markets recently have been experiencing high levels of market volatility. What can you, as an investor, do to successfully weather these turbulent times?

There are three basic courses of action:

1. Stay the course

Do not panic and pull out of the market during a downturn. The rallies you miss could significantly hurt your overall return.

2. Take advantage of the downturns

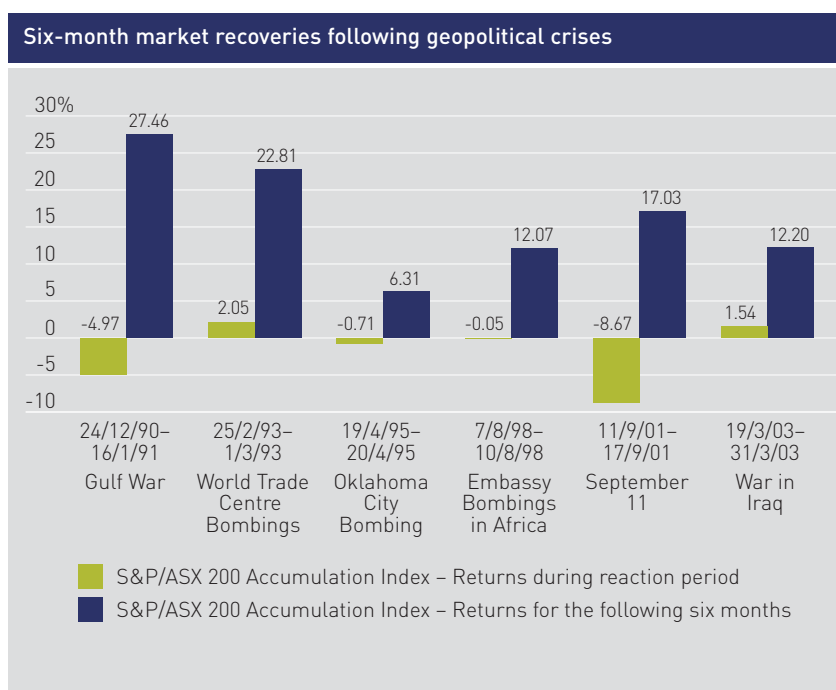
By viewing market declines as buying opportunities, you may significantly enhance your long-term return potential when the market rebounds.

3. Diversify your portfolio

Rather than trying to pick a single investment type and time the market, diversifying across asset classes may decrease your risk and therefore enhance long-term return potential.

Before making any investment decisions, we recommend speaking with your financial adviser to reassess your financial situation and future goals. Keep in mind these strategies do not ensure profit and do not protect against loss.

Before exploring each of the three suggested strategies in a more in-depth level, it is useful to understand historical stock market behavior and how markets have reacted during periods of crisis. Continued acts of violence in the Middle East and elsewhere in the world exacerbate worries over possible terrorism at home or abroad and add to the list of events that could rattle global financial markets and economies. Despite the horrific nature of terrorism and other geopolitical crises, the financial effects of individual acts tend to be brief, and markets have shown the ability to recover quickly. Staying invested during these time periods can be critical in helping to determine your long-term investment success.



Source: BlackRock, S&P/ASX 200 Accumulation Index.

For illustration only; results shown do not represent the performance of any BlackRock fund. S&P/ASX 200 Accumulation Index returns assume reinvestment of all distributions. The dates indicated refer to the initial reaction periods following each event (the dates of initial negative or flat performance following the event) and the six months following each event. Following the 1993 World Trade Center bombing and the September 11 attacks, the stock market closed for several trading days. These time periods are not included in the calculation, and the reaction time starting period for the September 11 attacks is based on the closing price on September 10, 2001. It is not possible to invest directly in an index.

Past performance is not a reliable indicator of future performance.

Staying the course may prove rewarding over the long-term

Every market cycle has both up days and down days. Often, a few very good days account for a large part of the total return. Staying the course ensures investments will be “in the market” on the good days. Some people try to time market movements by selling stocks when they think the market is about to decline and by buying stocks when they think the market is about to rise.

Consistently predicting which months will move in which direction, though, is virtually impossible and can be very costly. As the chart below shows, missing only a few of the best months over the last 12 years would have had an adverse effect on total return. A hypothetical \$10,000 initial investment in the S&P/ASX 200 Accumulation Index held over the entire period of 1 January 1998 through 31 March 2009 would have grown to \$21,521. Missing just the six best months would have reduced the ending value to \$14,612. Missing out on other key trading months affects returns even more significantly.

Resist being a market timer.

By trying to time the market, you potentially miss out on market rallies that could substantially improve your overall return and long-term wealth. Thus, what is most important is not timing the market, but rather time in the market. Staying the course when confronting difficult markets may prove very rewarding in the long run.



Source: BlackRock, S&P/ASX 200 Accumulation Index.

For illustration only; results shown do not represent the performance of any BlackRock fund. The chart depicts the ending investment value of a \$10,000 investment in the S&P/ASX 200 Accumulation Index for all trading months as well as for time periods in which the best trading months are missed. Assumes reinvestment of all distributions. It is not possible to invest directly in an index. The index is unmanaged and does not take transaction charges into consideration.

Past performance is not a reliable indicator of future performance.

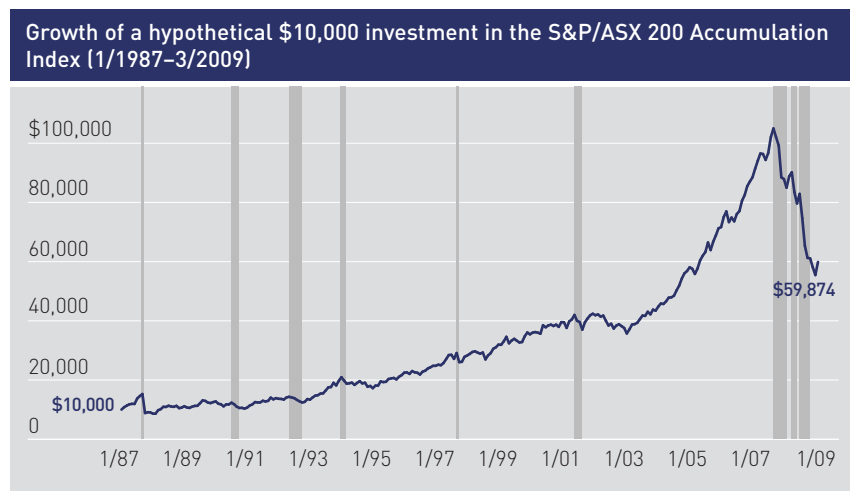
Taking advantage of market downturns

Down markets may provide great buying opportunities for long-term investors. While no one can predict with perfect precision when markets will decline or rebound, a strategy of adding to holdings when markets are “on sale” may provide significant advantages.

By viewing market declines as great buying opportunities, you can help enhance your long-term return potential when the market eventually rebounds. While no one can predict when markets will decline or rebound, a strategy of adding to holdings when markets experience a downturn may provide significant advantages versus a strategy of pulling out of the market.

While past performance is not a reliable indicator of future performance, historically the market has trended upward over the long run and investors who bought when prices were relatively inexpensive generally will be rewarded for their foresight.

Market corrections can be unsettling, and can cause investors to question their long-term investment strategies. Market corrections, however, are a normal part of market cycles and savvy investors will recognise that, over time, markets tend to recover. As shown in the chart below, over the past 22 years, the S&P/ASX 200 Accumulation Index has experienced market corrections of more than 10% on 9 different occasions (indicated by the shaded areas). Despite those downturns, however, if an investor had invested \$10,000 in the index 22 years ago, that investment would have been worth \$59,874 by the end of March 2009.



Source: BlackRock, S&P/ASX 200 Accumulation Index.

For illustration only; results shown do not represent the performance of any BlackRock fund. This data depicts the hypothetical growth of \$10,000 in the S&P/ASX 200 Accumulation Index from 31/1/87 through 31/3/09. Shaded areas represent market declines of 10% or more. Return data assumed reinvestment of all dividends. It is not possible to invest directly in an index. The index is unmanaged and does not take transaction charges into consideration.

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Using dollar cost averaging to temper price volatility

While taking advantage of market downturns may be a good strategy, choosing the exact best time to invest is very difficult or even impossible. Dollar cost averaging, in which you invest a fixed amount of money at regular intervals, ensures you buy more shares of an investment when prices are low and less when they are high. Ultimately, a lower average cost translates to a higher return when the market swings back up.

In the hypothetical example below, the investor used a dollar cost averaging strategy, making regular investments of \$100 per month. When the share prices were higher, the investor bought fewer shares and when the share prices were lower, the investor bought more shares.

As a result, the investor's average cost per share (\$19.39) was lower than the average market price (\$20.25) over the same time period. Of course, while there can be no assurance that any investment strategy will prevent losses, dollar cost averaging may mitigate the risk of investing at an inopportune time.

Dollar cost averaging may pay off. It can turn volatility – the ups and downs of prices – into a potential positive. And accomplishing this need not be difficult, since automatic investment programs allow you to make regular periodic investments.

Dollar cost averaging – hypothetical example															
	Month Purchased	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total Cost	Average Cost Per Share [†]
	Share Price	\$25	\$25	\$20	\$20	\$18	\$16	\$15	\$15	\$17	\$20	\$25	\$27	\$243*	
Dollar Cost Averaging Strategy	Investment Amount	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200	\$19.39
	Shares Purchased	4	4	5	5	5.6	6.3	6.7	6.7	5.9	5	4	3.7	61.9	(\$1,200 ÷ 61.9 Shares)

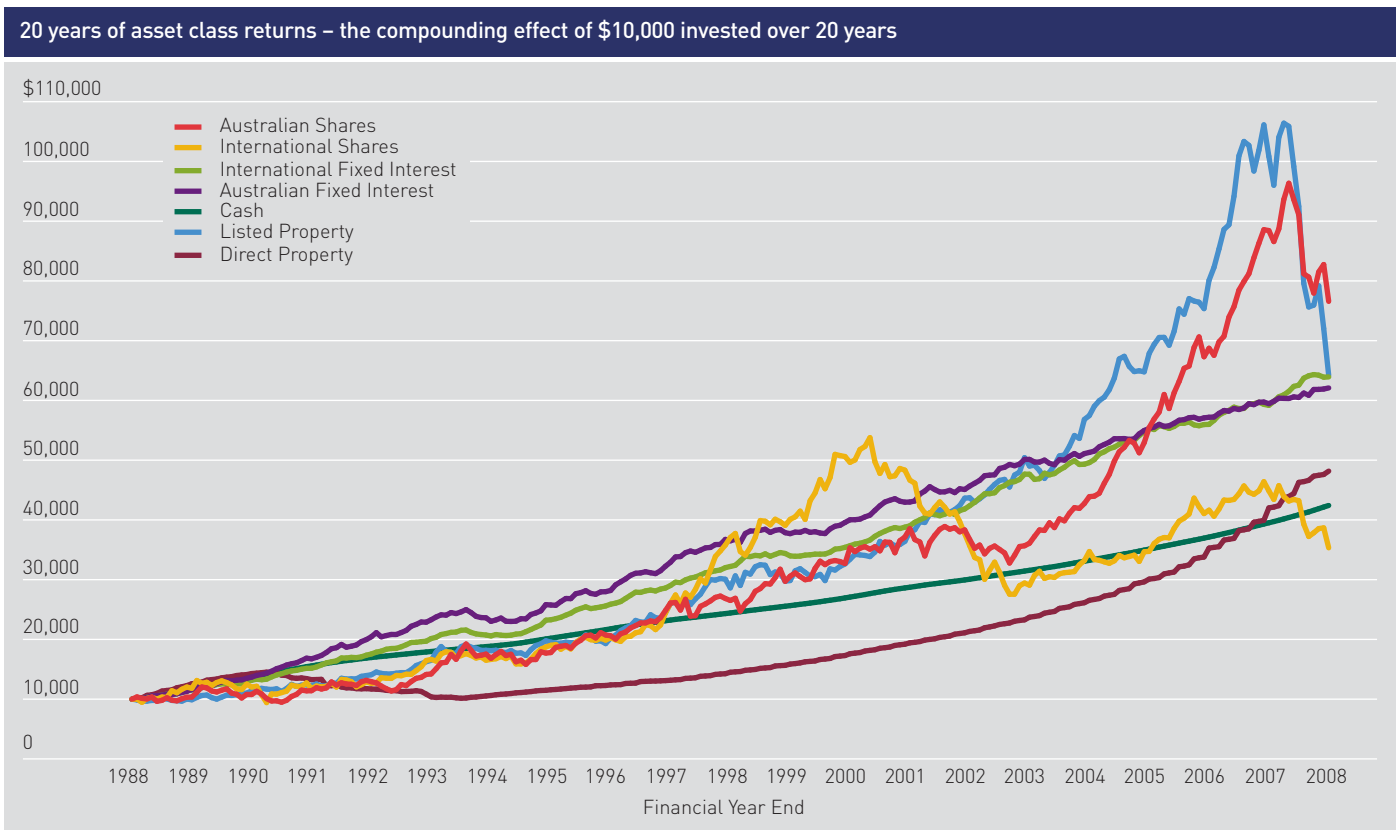
Hypothetical example. Does not represent any particular investment. No investment is risk free, and a systematic investment plan does not ensure profits or protect against losses in declining markets. Because dollar cost averaging involves continuous investment in securities regardless of fluctuating price levels, you should carefully consider your ability to continue to purchase during periods of price declines.

* Average market price per share for 12-month period = \$20.25 (\$243 ÷ 12 months). † Total investment amount divided by total number of shares purchased.

Diversifying your portfolio may reduce risk, enhance returns

Diversification may reduce the overall volatility of your entire portfolio, thereby helping you achieve greater long-term returns. It is important to remember, however, that diversification does not protect against loss in broadly declining markets.

Like markets in general, different investment styles come in and out of favour in cycles – some have positive years when others have negative years and some have record gains when others have only average gains or even losses. How can you choose the right investment style? Diversify.



Source: MSCI, Iress, Mercer

Indices used are as follows: **Australian Shares** S&P/ASX 200 Accumulation Index from April 2000, prior to this ASX All Ordinaries Accumulation Index; **International Shares** MSCI World Index ex Aust AUD; **Australian Fixed Interest** UBSWA Composite Bond Index All Maturities from 1990, prior to this the CTH Bond Acc Index All Series All Maturities Australia; **Hedged International Fixed Interest** Lehman Global Aggregate 500 Index (AUD Hedged) from July 2001, prior to this the Citigroup World Government Bond Index (Hedged AUD); **Direct Property** Mercer Property Index; **Listed Property** S&P/ASX 200 Property Trust Index from April 2000, ASX Property Trust Accumulation Index; **Cash** UBSWA Bank Bill Index, prior to July 1987 ASX 90 Day Bank Accepted Bill Index.

Past performance is not a reliable indicator of future performance.

Rather than trying to predict which investment is likely to be the best performer in the future, investing in a well-diversified portfolio can help you seek returns while managing for volatility.

Diversification strategies may be especially important in a volatile market environment, when sector rotations and market fluctuations happen continuously.

Investing across multiple styles enhances the potential for being invested partially in the best-performing style and reduces the impact of being solely invested in the worst.

Best performing asset classes 1988 – 2008

Financial Year End	Australian Shares	International Shares	Australian Fixed Interest	Hedged Intern Fixed Interest	Direct Property	Listed Property	Cash
1988	-8.6%	-9.8%	16.9%	12.4%	29.1%	-2.8%	12.5%
1989	3.5%	18.1%	5.9%	16.4%	25.8%	-1.1%	15.7%
1990	4.1%	1.9%	16.1%	13.1%	13.6%	15.2%	18.4%
1991	5.9%	-2.0%	22.4%	15.3%	-7.1%	7.7%	13.5%
1992	13.3%	7.1%	22.1%	15.7%	-11.8%	14.7%	9.1%
1993	9.9%	31.8%	13.9%	14.7%	-11.3%	17.1%	5.9%
1994	18.5%	0.0%	-1.1%	2.2%	2.3%	9.8%	4.9%
1995	5.7%	14.2%	11.9%	13.1%	9.0%	7.9%	7.1%
1996	15.8%	6.7%	9.5%	11.2%	7.0%	3.6%	7.8%
1997	26.6%	28.6%	16.8%	12.1%	6.3%	28.5%	6.8%
1998	1.6%	42.2%	10.9%	11.0%	10.2%	10.0%	5.1%
1999	15.3%	8.2%	3.3%	5.5%	9.4%	4.3%	5.0%
2000	15.5%	23.8%	6.2%	5.0%	10.9%	11.9%	5.6%
2001	9.1%	-6.0%	7.4%	9.0%	10.4%	13.9%	6.1%
2002	-4.7%	-23.5%	6.2%	8.6%	9.9%	14.9%	4.7%
2003	-1.7%	-18.5%	9.8%	12.5%	11.1%	12.1%	5.0%
2004	21.6%	19.4%	2.3%	4.1%	11.9%	17.2%	5.3%
2005	26.4%	0.1%	7.8%	11.6%	13.4%	18.1%	5.6%
2006	23.9%	19.9%	3.4%	1.2%	17.2%	18.0%	5.8%
2007	28.7%	7.8%	4.0%	5.7%	19.1%	25.9%	6.4%
2008	-13.4%	-21.3%	4.4%	8.0%	14.7%	-36.3%	7.3%

Best performing asset class each financial year highlighted in green

Source: MSCI, Iress, Mercer

Indices used are as follows: **Australian Shares** S&P/ASX 200 Accumulation Index from April 2000, prior to this ASX All Ordinaries Accumulation Index; **International Shares** MSCI World Index ex Aust AUD; **Australian Fixed Interest** UBSWA Composite Bond Index All Maturities from 1990, prior to this the CTH Bond Acc Index All Series All Maturities Australia; **Hedged International Fixed Interest** Lehman Global Aggregate 500 Index (AUD Hedged) from July 2001, prior to this the Citigroup World Government Bond Index (Hedged AUD); **Direct Property** Mercer Property Index; **Listed Property** S&P/ASX 200 Property Trust Index from April 2000, ASX Property Trust Accumulation Index; **Cash** UBSWA Bank Bill Index, prior to July 1987 ASX 90 Day Bank Accepted Bill Index.

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Weathering turbulent markets

Investors have seen a number of shocks and disruptions to global financial markets caused by both political and economic factors, and markets may react dramatically in response to specific events. Getting – and staying – prepared for difficult times, however, is often a determining factor in long-term success.

Seasoned investors know that in the long run, markets have shown remarkable resilience in times of crisis. Investors who are informed, invested, resolute, opportunistic and diversified can have a greater degree of confidence that their investment goals can be met.

History has shown that markets can be volatile, but you do not have to navigate these challenging times alone. BlackRock has the experience, insight, global resources and investments to help you stay the course and meet your financial goals. Through our strengths in the areas of investment excellence, global reach, risk management, intellectual leadership and service – as well as our partnership with your financial adviser – you can feel confident that your assets are being managed by some of the most experienced and best-prepared investment professionals in the industry.



Talk to your financial adviser today

Uncertain markets reinforce the need to be prepared and the value a financial adviser can offer, including:

- review of your long-term investment plan and tolerance for risk
- development of an individual asset allocation strategy
- periodic portfolio reviews and monitoring to ensure that your expectations and investments align with long-term plans and goals

And, most importantly, a financial adviser can provide individual guidance in all market conditions, especially essential during uncertain times.

Opportunity favours the prepared mind.

www.blackrock.com/au

About BlackRock

BlackRock is a premier provider of global investment management, risk management and advisory services. The firm manages portfolios and provides investment solutions for a broad array of investors that includes corporate, superannuation funds, insurance companies, mutual funds, endowments, foundations, charities, corporations, official institutions and individuals worldwide.

We offer a unique blending of qualities that makes us a preferred choice among individual investors and financial advisers:

- Sharp investment minds
- Powerful investment technology
- Global perspective and connectivity
- Breadth of investment solutions
- Entrusted with billions by premier institutions

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