



AN ENTIRE INDEX  
IN ONE SHARE

A man and a woman in business attire are shown in profile, looking out over a city skyline at sunset. The woman is on the left, wearing a dark blazer over a light blue collared shirt. The man is on the right, wearing a dark suit jacket. The background is a blurred cityscape with a warm, golden light from the setting sun.

**iShares** is the world's leading provider of Exchange Traded Funds.\*

\* Source: ETF Landscape Industry Review, October 2009.

## ETFs are the ideal vehicle for modern investment strategies.

**The value of experience.** In the world of investments experience breeds innovation. We believe few organisations are better placed to provide innovative new products than BlackRock, Inc. (“BlackRock”), one of the world’s largest fund managers.

The iShares range of Exchange Traded Funds (ETFs) has evolved from our experience, knowledge and expertise. ETFs offer you many of the benefits of index investments but with more flexibility. In short, everything you can do with equities (listed shares), you can do with ETFs.

BlackRock co-operates with a wide range of global financial organisations to ensure that the iShares range of ETFs is of a high quality and available at the right time and place.

**More control of your investments.** With a wide range of ETFs, iShares gives you access to the world’s investment markets. These funds allow you to obtain exposure to a specific index without having to pick individual shares. This means you can invest in a highly diversified, cost-effective and more risk-controlled way.

Simply put, iShares are funds that behave like any other shares on a stock exchange. The only difference is that rather than representing the value of just one company, each iShares ETF gives exposure to the companies in an entire index. The performance of the shares reflects the performance of the index, including payment of any distribution, minus the charges applied by the fund.

## The rapid growth of ETFs.

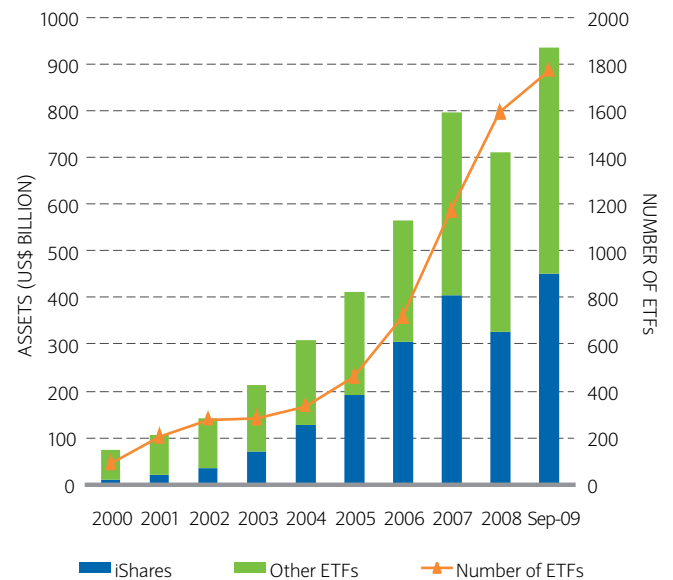
The first fund that can be described as an ETF was launched in the US in 1993. Steady growth ensued and by 1997 total assets under management in ETFs approached US\$8.2 billion.

Since then, the ETF market has taken off. Its rise was helped by the stock market boom in the late 1990s but unlike many technology stocks, the success of ETFs has not faded. On the contrary, the message of cost-effective, well-diversified investing has hit home making ETFs an ideal vehicle for modern investment strategies.

By end September 2009, total assets under management of ETFs around the world topped US\$933 billion. There are now over 3,200 listings for ETFs around the world.

And remember, iShares is the world's leading provider of ETFs, with over 390 funds available worldwide and over US\$452 billion in assets under management.

**The growth of ETFs worldwide**



## The **key benefits** of iShares.

**iShares are liquid.** High or low demand for an iShares fund is unlikely to affect its market price. If the demand for an iShares fund rises, new baskets of securities can be created in the US. This process works in reverse if the demand should “fall”. This ensures the iShares fund value and price only represent the prices of the shares it holds.

**iShares are transparent.** iShares aim to reflect the performance of an index, so you know what you are investing in. iShares disclose their holdings as often as daily so you know exactly what you hold in your portfolio. Actively managed equity funds usually disclose holdings much less regularly.

**iShares are diversified.** Rather than the higher risk strategy of concentrating your investment on a few individual companies, index investing gives you broader exposure to entire markets. This means you can still make targeted investments in your chosen areas – but with more risk control.

**iShares are cost-effective.** The cost of investing in iShares is generally less than in most actively managed equity funds and even some equity index funds. They are also more cost-effective than holding the same exposure via individual shares. To achieve the level of diversification an iShares ETF offers, you would normally have to buy a large number of individual shares, taking on the trading costs for each transaction.

**iShares are flexible.** They can be bought or sold just like shares, traded through investment adviser, brokerage or internet trading accounts. Because iShares are so flexible, institutional and individual investors are using them in a whole range of investment strategies.

**...but there are risks.** Investing in iShares gives rise to foreign currency exposure. This means that the value of your iShares investment will vary depending both on movement in the underlying shares as well as exchange rates. As with all investments, iShares are subject to risk. It is important to understand that you can lose money on your investments or that they may not meet all of your investment objectives.



Simply put, **iShares** are funds that behave like any other shares on a stock exchange.

## The best of both worlds.

iShares capture the best features of both managed funds and individual shares.

	iSHARES ETF	MANAGED FUND (UNLISTED)	SINGLE SHARE
<b>Pricing</b>	Real time, intra-day	End-of-day net asset value	Real-time, intra-day
<b>Accessibility</b>	Stockbroking firms and investment advisers	Fund manager, fund platforms appointed by fund company or fund distributors	Stockbroking firms
<b>Market price versus Net Asset Value (NAV)</b>	Generally no significant and sustainable discount nor premium due to the ETF mechanism	NAV subject to entry, exit and management charges	Share price
<b>Transparency of underlying portfolio</b>	Fund holdings disclosed as often as daily at <a href="http://iShares.com.au">iShares.com.au</a>	On request, not normally daily	N/A
<b>Transaction fees</b>	Fees and/or commissions on trades through a broker	Issuing commission fee depends on seller	Fees and/or commissions on trades through a broker
<b>Diversification</b>	High, an entire index of assets	Depends, as some managed funds are more diversified than others	No
<b>Liquidity</b>	Yes, open-end fund structure [note: certain listed funds are less liquid than others]	Yes, open-end fund structure and end-of-day net asset value	Yes, depends on market demand
<b>Long/short position</b>	Long and short	Long only	Long and short
<b>Management costs</b>	Yes, includes management and administration fees	Yes, includes management and administration fees	No

## As **versatile** as you need.

iShares cover the investment landscape from all angles. You can invest in them by asset class, country, market capitalisation and sector. In consultation with your investment adviser, you can adopt any number of strategies which may be appropriate for your particular investment objectives, situation and financial needs, including:

**Core/satellite investing** – holding a core of lower risk investments, while seeking higher returns in the satellite investments.

**Tactical asset allocation** – shifting between different regions and economies as a reflection of economic events or in anticipation of a changing market.

**Buy-and-hold** – as part of a long-term investment strategy. iShares offer investors the benefits of index investments but with far more flexibility.

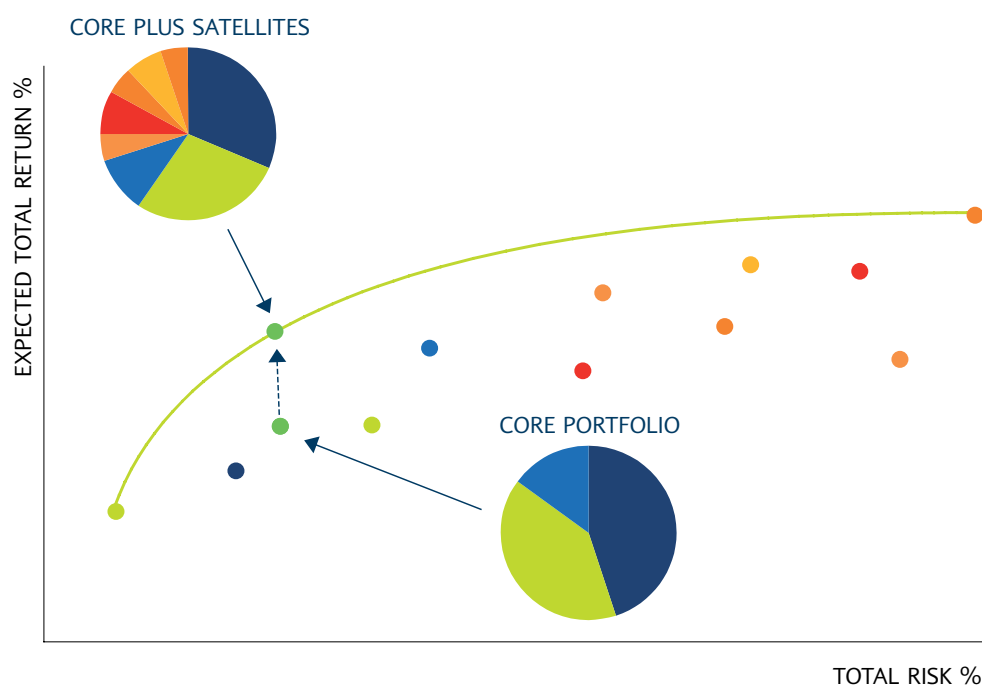


## The **core/satellite** strategy.

Many investors now see indexed and active investments working together. Their strategy is to build a low-risk, cost-effective core investment using broad-based index funds, while pursuing higher returns with more aggressive satellite investments in active funds, exotic index funds and individual stock positions.

The advantage of this approach is that you can tailor portfolios to meet very specific risk return requirements. Before iShares, the barriers to this had been cost. Once an investor starts to use more than one or two investment funds, fees can eat into profits.

iShares can minimise this problem. They are cost-effective, with management costs starting from 0.09% p.a. for the iShares S&P500 (ASX Code: IVV), so you can take positions in a range of funds without worrying about excessive management fees associated with more expensive investments.



Source: BlackRock

## Glossary.

**ASX** – The Australian Securities Exchange.

**Buying on margin** – using borrowed funds, eg. margin loans, to buy more investments.

**Discounts and premiums** – a share price trading below or above (respectively) the NAV of a fund.

**Limit orders** – an order to buy or sell a stated amount of a share at a specified price.

**Long and short selling** – an investor holds a long position when they have bought a stock in expectation that its share price will rise. Short selling involves selling borrowed stock, with the hope that its price will fall. If the price does fall, the share can be bought back and returned to the lender. The investor realises the difference between the price at which they sold and the price at which they bought as profit.

**Market order** – an immediate order to buy or sell a share at the most advantageous price available.

**Management Costs** – total fund management fees and expenses as a percentage of average net assets, and is equivalent in calculation to the indirect cost ratio ('ICR') and the management expense ratio ('MER').

**Net Asset Value (NAV)** – In the case of investment funds, this tends to equate to the market value of the shares an iShares holds, less the expenses charged by the fund.

**Stop-loss order** – a client's instruction to a broker to sell in the event that a share price falls to a certain level.

**iShares** can be bought and sold through investment advisers and stockbrokers.





## For more information

Contact your investment adviser or stockbroker

Visit our website at [iShares.com.au](http://iShares.com.au)

Call 1300 iShares (1300 474 2737)

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### Important Information

**Before investing in an iShares fund, you should carefully consider the appropriateness of such products to your circumstances, read the applicable Australian prospectus and consult an investment adviser.**

**This information is general in nature and has been prepared without taking into account your objectives, financial situation or needs.**

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Transaction costs are incurred when buying or selling shares on an iShares fund on ASX and brokerage commissions if such trades are done through a broker.

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