

UNDERSTANDING CURRENCY EXPOSURE

iShares Exchange Traded Funds (ETFs) provide investment exposure to both international equity markets and foreign currencies. The price of an iShares ETF listed on the ASX reflects: 1) the value of the underlying securities (denominated in their local currencies) and, 2) the exchange rate between the Australian Dollar (A\$) and the respective foreign currencies.

This document explains:

- the currency exposure of a single country iShares ETF;
- the currency exposures of a regional or global iShares ETF; and
- currency considerations in a broader portfolio.

The currency exposure of a single country iShares ETF

An investment in a single country iShares ETF, such as iShares MSCI Japan (ASX: IJP), provides exposure to Japanese securities and therefore exposure to the Japanese Yen (Yen). In assessing how IJP has performed, it is important to look at the performance in the underlying holdings as well as how the A\$ has moved against the Yen.

ASX price performance*

Performance of Japanese securities		Movement of A\$ relative to Yen		iShares MSCI Japan price		All else being equal...
–	0%	↓	–2%	↑	+2%	As the A\$ weakens relative to the Yen, the net asset value of IJP will represent more A\$ and the market price on the ASX is likely to rise.
–	0%	↑	+2%	↓	–2%	As the A\$ strengthens relative to the Yen, the net asset value of IJP will represent less A\$ and the market price on the ASX is likely to fall.
↑	+2%	↑	+2%	–	0%	If the underlying securities increase, and the A\$ strengthens against the Yen, IJP is likely to remain unchanged.
↑	+2%	↓	–2%	↑	+4%	If the underlying securities increase, and the A\$ weakens against the Yen, IJP is likely to rise.
↓	–2%	↑	+2%	↓	–4%	If the underlying securities decrease, and the A\$ strengthens against the Yen, IJP is likely to fall.
↓	–2%	↓	–2%	–	0%	If the underlying securities decrease, and the A\$ weakens against the Yen, IJP is likely to remain unchanged.

* The table assumes movements in Japanese securities occur in equal proportion to movements in the Yen.

IJP is cross-listed on the ASX from the New York Stock Exchange. This does not mean that it contains exposure to the US Dollar (USD). iShares ETFs which hold US underlying securities have exposure to the USD. IJP holds Japanese securities, so investors have exposure to the Yen.

The currency exposures of a regional or global iShares ETF

A number of iShares ETFs cover regional and global indices, meaning they have holdings from a number of countries. Consequently, these iShares provide exposure to a number of currencies. For example, iShares MSCI Emerging Markets (ASX: IEM) provides exposure to over 20 emerging economies, and thus more than 20 emerging economy currencies. Having exposure to several countries and currencies is another way to diversify a portfolio.

Top 10 currency exposures in iShares MSCI Emerging Markets¹

Country	Currency	Allocation
Brazil	Brazilian Real	14.2%
South Korea	Korean Won	13.4%
Taiwan	Taiwan Dollar	10.5%
China	Chinese Yuan	10.5%
South Africa	South African Rand	8.2%
India	Indian Rupee	6.7%
Hong Kong	Hong Kong Dollar	6.5%
Russian Federation	Russian Ruble	5.9%
Mexico	Mexican Nuevo Peso	4.6%
Israel	Israeli New Shekel	3.3%

1 Allocation as at 30 September 2009

2 Data as at 30 September 2009

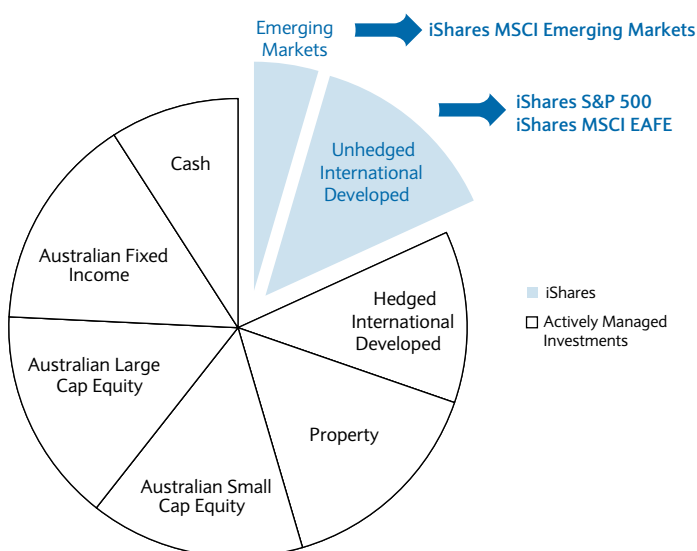
Currency considerations in a broader portfolio

Investors blend hedged investments with unhedged investments to minimise the impact of currency movements on their portfolios. The range of iShares ETFs listed on the ASX can help investors build out the unhedged international equity allocations of their portfolios.

Using iShares, investors can build an unhedged, developed international share portfolio with just two ASX trades. An equal investment in iShares S&P 500 (ASX: IVV) and iShares MSCI EAFE (ASX: IVE) gives an investor exposure to MSCI World ex-Australia. This portfolio solution provides diversified exposure to over 950 securities across more than 20 countries, and therefore exposure to more than 20 different currencies². Investors can also use the iShares MSCI Emerging Markets (ASX: IEM) to gain access to unhedged, international emerging equities.

By combining unhedged international investments such as iShares with domestic securities, investors achieve portfolio diversification across asset classes, countries and currencies.

iShares within a strategic asset allocation*



* Asset allocation weights are for illustrative purposes only.

Where to next?

For further information about the currency aspects of iShares ETFs please read the "Currency Aspects of iShares ETFs" white paper, available on iShares.com.au.

For more information

Visit our website at iShares.com.au

Call 1300 iShares (1300 474 2737)

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.

Prepared by BlackRock Asset Management Australia Limited ABN 33 001 804 566, AFSL 225 398. BlackRock Asset Management Australia Limited is the local agent and intermediary for iShares (iShares, Inc. ARBN 125 632 279 formed in Maryland, USA; iShares Trust ARBN 125 632 411 organised in Delaware, USA. The liability of shareholders is limited). iShares funds are registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940.

Information in this document relates to iShares funds quoted on the Australian Securities Exchange ("ASX"). Use of the "ASX" abbreviation is not an endorsement by ASX. Trades on ASX in the shares of an iShares fund are settled using CHESS Depository Interests ("CDI"s).

"MSCI" and the "MSCI Index" are trademarks and servicemarks of MSCI, Inc. "S&P" and "Standard & Poor's" are trademarks of Standard & Poor's (a division of The McGraw-Hill Companies, Inc.). The iShares funds are not sponsored, endorsed, issued, sold or promoted by MSCI, Inc., or Standard & Poor's. None of these companies make any representation regarding the advisability of investing in the iShares funds. Each of these companies has licensed the use of their respective marks to BlackRock Institutional Trust Company, N.A. The performance of an iShares fund is not guaranteed by any foreign or Australian regulatory or depository institution or any BlackRock or other entity.

© 2009 BlackRock Asset Management Australia Limited. All rights reserved. iShares® is a registered trademark of BlackRock Institutional Trust Company, N.A.. All other trademarks, servicemarks or registered trademarks are the property of their respective owners.