

## NEWS RELEASE

### ETFs offer answer to Nick Sherry's dilemma

**Sydney, 21 May 2009:** Exchange Traded Funds (ETFs) offer an answer to the concerns that prompted the Minister for Superannuation Senator Nick Sherry to announce an inquiry into the superannuation system: relatively high fees and poorly performing default investment.

Co-head of iShares, Tim Bradbury, says the low expense ratios of ETFs present the logical way to reduce super fund costs by building the core of the fund with ETFs that track indices.

"There are now 29 ETFs and exchange traded commodities trading on the ASX from which to create an equity portfolio core. Each ETF provides huge diversity and significant liquidity advantage over individual company shares, as well as being a more efficient, lower cost method of building a portfolio.

"Wider use of ETFs in superannuation funds would lower the overall costs of the industry and help meet Senator Sherry's goals," Mr Bradbury states.

Senator Sherry has criticised the fact that despite super assets growing from \$50 billion 20 years ago to \$1.1 trillion now, investors have not received benefits of scale. Overall fees still remain around 1.25 per cent. Added to that, some funds continually under-perform the market.

"ETFs now make up the core of many funds overseas because of their diversification, liquidity and efficiency. As an example, the iShares management expenses and fees (MEF) ratio ranges from the lowest 0.09 per cent for the iShares S&P 500 (ASX:IVV) to 0.74% for the top stocks in China (ASX:IZZ)," Bradbury says.

Some unlisted international funds have recently been forced to lift their fees due to the economic crisis affecting profitability and fund performance, making ETFs even more competitive. Rising costs of currency hedging have been one factor in driving management fees of traditional international investment funds higher. iShares are unhedged.

#### **FPA proposal will level the field for ETFs**

Bradbury also forecasts that new remuneration principles proposed by the Financial Planners Association of Australia (FPA) will lead to greater investor use of ETFs.

"Financial advisers need to become more comfortable with their role as experts in asset allocation and advice - rather than "experts" in attempting to pick all the best active fund managers," he adds.

The FPA proposes in its recently released consultation paper, 'Financial Planner Remuneration', a new regime to come into effect on July 1, 2012, with consumers, rather than product providers, paying for financial planning services. FPA chief executive, Jo-Anne Bloch, was reported saying: "We recognise that the days of commission-based advice are over."

Tim Bradbury believes this change will level the playing field for all financial products. "The decision of whether investors should enter a sector via an ETF or a traditional unlisted fund will depend less on the commission payment to the adviser and more on the relative benefits of each form of investment," he says.

## Global growth

Globally, ETFs continue to grow in popularity as investors become more aware of their benefits, including transparency of the portfolio composition, ability to track performance constantly, and to buy and sell any quantity immediately because of the unique market maker aspect of ETFs.

Internationally there has been a massive move from managed funds to ETFs. In 2008, there was a net funds outflow from traditional managed funds estimated at US\$204.7 billion worldwide. In contrast, net inflows into ETFs were US\$214.8 billion because of their liquidity and risk control advantages.

iShares continues to be the leading exchange traded funds provider, both globally and locally. In Australia 19 iShares now trade on the ASX. The most recent additions were three new global sector funds providing investment in the defensive sectors of healthcare, telecommunications and consumer staples.

Globally, iShares is the largest ETF provider in terms of both number of products, 381 ETFs, and assets of US\$336.17bn, reflecting 47.6 per cent market share; State Street Global Advisors is second with 104 products and US\$110.14bn, 15.6 per cent market share; followed by Vanguard with 39 products and assets of US\$51.04bn and 7.2 per cent market share at the end of April 2009.<sup>1</sup>

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### Background information

**iShares Exchange Traded Funds** from Barclays Global Investors, are the world's leading family of exchange traded funds (ETFs). Over 361 iShares are traded on major stock exchanges around the world. iShares account for close to half of the ETF market worldwide.<sup>2</sup> Barclays Global Investors has launched 19 iShares ETFs in four tranches on the ASX, the first in October 2007:

<b>International Exchange Traded Funds listed on the ASX</b>	<b>ASX code</b>	<b>Fees (%)</b>	<b>Description</b>
<b><i>Global sector funds</i></b>			
iShares S&P Global Consumer Staples	IXI	0.48	97 food and household product stocks
iShares S&P Global Healthcare	IXJ	0.48	81 global healthcare stocks
iShares S&P Global Telecommunications	IXP	0.48	46 major telecommunication groups
iShares S&P Global 100	I00	0.40	100 multinational companies
<b><i>Regions – developed economies</i></b>			
iShares MSCI EAFE	IVE	0.34	Europe, Australasia, Far East
iShares S&P Europe 350	IEU	0.60	350 shares across Europe
<b><i>Regions – emerging economies</i></b>			
iShares MSCI Emerging Markets	IEM	0.72	More than 20 emerging economies
iShares MSCI BRIC	IBK	0.72	Brazil, Russia, India, China
iShares S&P Asia 50	IAA	0.50	50 shares across Asia
<b><i>Country indices – developed economies</i></b>			
iShares S&P 500	IVV	0.09	US large caps

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<sup>1</sup> ETF and ETP Industry Review

<sup>2</sup> Source: ETF Industry Preview from Barclays Global Investors, December 2008.

iShares S&P MidCap 400	IJH	0.20	US shares US\$1b – US\$4b
iShares S&P SmallCap 600	IJR	0.20	US shares US\$300m – US\$1b
iShares Russell 2000	IRU	0.20	US small caps
iShares MSCI Japan	IJP	0.52	Japanese shares
iShares MSCI Hong Kong	IHK	0.52	Hong Kong shares
iShares MSCI Singapore	ISG	0.52	Singaporean shares
<b>Country indices – emerging economies</b>			
iShares MSCI Taiwan	ITW	0.73	Taiwanese shares
iShares MSCI South Korea	IKO	0.63	South Korean shares
iShares FTSE/Xinhua China 25	IZZ	0.74	25 leading Chinese shares

ETFs are index funds that are bought and sold like ordinary shares on a stock exchange. They provide instant exposure to an entire index through a single trade. ETFs combine the advantages of shares with the benefits of index funds. iShares ETFs are attractive to individual and institutional investors and financial intermediaries because of their trading flexibility, cost-effective diversification and transparency benefits. iShares ETFs can be used to achieve many investment strategies, such as completing a portfolio's strategic asset allocation, core-satellite investing and reducing portfolio risk through diversification. For further information on iShares ETFs and strategies for using them, visit [iShares.com.au](http://iShares.com.au).

### Barclays Global Investors

Barclays Global Investors (BGI) is one of the world's largest asset managers and a leading global provider of investment management products and services. It has nearly 3,000 institutional clients and over AUD\$2.2 trillion of assets under management (November 2008). It transformed the investment industry by creating the first index strategy in 1971 and the first quantitative active strategy in 1979. BGI is the global product leader in exchange traded funds with over 361 iShares ETFs for institutions, intermediaries and individuals globally. BGI is a majority-owned subsidiary of Barclays PLC, one of the UK's largest companies and one of the world's foremost providers of financial services with operations in over 60 countries.

### Barclays Global Investors Australia

Barclays Global Investors Australia (BGIA) has been one of the fastest growing investment managers in Australia with currently over AUD\$31 billion in funds under management (November 2008). BGIA offers a wide range of total return, risk-controlled active and index strategies across both developed and emerging markets. In addition to this, iShares, the world's leading family of exchange traded funds (ETFs), were launched in October 2007. BGIA serves a range of clients including Australian corporations; industry, public sector and superannuation funds; master funds; and wrap account distributors.

For further information about Barclays Global Investors, please visit our website [www.barclaysglobal.com](http://www.barclaysglobal.com).

### 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 Barclays Global Investors Australia Ltd ABN 33 001 804 566, AFSL 225 398 ("BGIA") on behalf of iShares, Inc. ARBN 125 632 279 and iShares Trust ARBN 125 632 411. Barclays Global Fund Advisers ("BGFA") serves as an adviser to the iShares funds that are registered with the United States Securities and Exchange Commission under the Investment Company Act of 1940. BGFA is a subsidiary of Barclays Global Investors, N.A. ("BGINA"). BGIA and BGINA are majority-owned subsidiaries of Barclays Bank PLC. Unless otherwise stated, any opinions expressed, analysis and assumptions made in this press release reflect BGIA's judgement as of the date of publication and are subject to change. The information in this document relates to iShares funds quoted on the Australian Securities Exchange ("ASX"). Trades on ASX in the shares on an iShares fund are settled using CHESS Depositary Interests ("CDI"s). International investments such as an iShares fund may have different risk characteristics compared to investments in other securities listed on the ASX that do not have international exposure.. The performance of an iShares fund is not guaranteed by ASX, any foreign or Australian regulatory or depositary institution or any Barclays or other entity. Use of the "ASX" abbreviation is not an endorsement by ASX. An iShares fund is not sponsored, endorsed, promoted, issued or sold by MSCI Inc, Standard & Poor's, the London Stock Exchange and The Financial Times Limited ("FTSE"), FTSE/Xinhua Index Limited ("FXI") or Frank Russell Group. © 2008 Barclays Global Investors Australia Limited. All rights reserved. iShares® is a registered trademark of Barclays Global Investors, N.A. All other trademarks, servicemarks, or registered trademarks are the property of their respective owners.