DIVERSIFY YOUR PORTFOLIO WITH ETFs
Getting started with iShares
OUR AGENDA TODAY

• Why diversification is important
• Why ETFs
• Tools to diversify your portfolio
• How to choose the right ETF
WHY DIVERSIFICATION IS IMPORTANT
The US stock market is up 11.3% over the last 5 years, but many stocks lost money

Source: Morningstar as of 12/31/19. Mutual Funds and ETFs are the Morningstar US Equity Category, oldest share class only. Individual US Stocks include all securities on the NYSE and NASDAQ. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. Performance is historical and does not guarantee or indicate future results.
A diversified portfolio...

<table>
<thead>
<tr>
<th>Years</th>
<th>S&amp;P 500</th>
<th>Diversified portfolio</th>
<th>Source: Morningstar as of 12/31/18. Diversified Portfolio is represented by 40% S&amp;P 500 Index, 15% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg Barclays US Aggregate Bond Index, and 10% Bloomberg Barclays US Corporate High Yield Index. Diversification may not protect against market risk or loss of principal. Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Index performance does not represent actual iShares Fund performance. For actual fund performance, please visit <a href="http://www.iShares.com">www.iShares.com</a> or <a href="http://www.blackrock.com">www.blackrock.com</a>.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 – 2002</td>
<td>(37.6%)</td>
<td>(16.3%)</td>
<td>“I lost money”</td>
</tr>
<tr>
<td>2003 – 2007</td>
<td>+82.9%</td>
<td>+73.8%</td>
<td>“I didn’t make as much”</td>
</tr>
<tr>
<td>2008</td>
<td>(37.0%)</td>
<td>(24.0%)</td>
<td>“I lost money”</td>
</tr>
<tr>
<td>2009 – 2017</td>
<td>+258.8%</td>
<td>+152.2%</td>
<td>“I didn’t make as much”</td>
</tr>
<tr>
<td>2018</td>
<td>(4.4%)</td>
<td>(4.6%)</td>
<td>“I lost MORE money”</td>
</tr>
<tr>
<td>Total Return</td>
<td>+146.6%</td>
<td>+166.1%</td>
<td>“Diversification can be beneficial even when it feels like losing”</td>
</tr>
<tr>
<td>Gr $100k</td>
<td>$246,570</td>
<td>$266,060</td>
<td></td>
</tr>
</tbody>
</table>

Source: Morningstar as of 12/31/18. Diversified Portfolio is represented by 40% S&P 500 Index, 15% MSCI EAFE Index, 5% Russell 2000 Index, 30% Bloomberg Barclays US Aggregate Bond Index, and 10% Bloomberg Barclays US Corporate High Yield Index. Diversification may not protect against market risk or loss of principal. Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Index performance does not represent actual iShares Fund performance. For actual fund performance, please visit www.iShares.com or www.blackrock.com.
A portfolio can win over time by losing less in down markets

Breaking even

$1
-50%
$0.50
+100%

Return needed to break even

Investment loss

<table>
<thead>
<tr>
<th>Loss %</th>
<th>Return needed to break even</th>
</tr>
</thead>
<tbody>
<tr>
<td>-5%</td>
<td>5.3%</td>
</tr>
<tr>
<td>-10%</td>
<td>11%</td>
</tr>
<tr>
<td>-20%</td>
<td>25%</td>
</tr>
<tr>
<td>-30%</td>
<td>43% x loss</td>
</tr>
<tr>
<td>-40%</td>
<td>67% x loss</td>
</tr>
<tr>
<td>-50%</td>
<td>100%</td>
</tr>
<tr>
<td>-60%</td>
<td>2x loss</td>
</tr>
<tr>
<td>-70%</td>
<td>2.5x loss</td>
</tr>
</tbody>
</table>

Source: BlackRock. For illustrative purposes only.
WHY ETFs
ETFs (exchange traded funds) offer a diversified, low cost, and tax efficient way to invest

What are ETFs?

**Stock**
- Tradable during the day
- Like a stock, an ETF can be bought and sold whenever the market is open

**ETFs**
- Diversified funds that trade like stocks
- Like a mutually managed, diversified portfolio

**Mutual fund**
- Diversified
- Like a mutual fund, an ETF is professionally managed, diversified portfolio

Transactions in shares of ETFs can result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. For more information on the differences between traditional mutual funds and ETFs, see the end of this document.
Why use ETFs?

**DIVERSIFICATION**

ETFs can hold hundreds of securities within a single fund to easily diversify your portfolio.

**LOW COST**

ETFs can keep fees lower than other diversified strategies because they largely track indexes, reducing costs.

**TAX EFFICIENT**

Because of their strategy and structure, ETFs can generally help reduce tax consequences.

iShares Funds are obliged to distribute portfolio gains to shareholders by year-end. These gains may be generated due to index rebalancing or to meet diversification requirements. Trading shares of the iShares Funds may also generate tax consequences and transaction expenses.
Fees and taxes are obstacles investors must overcome

Average mutual fund costs by investment category vs. iShares style box ETFs

<table>
<thead>
<tr>
<th>Category</th>
<th>Mutual fund category average</th>
<th>iShares style box ETF average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large cap</td>
<td>1.02%</td>
<td>0.13%</td>
</tr>
<tr>
<td>Mid cap</td>
<td>1.14%</td>
<td>0.19%</td>
</tr>
<tr>
<td>Small cap</td>
<td>1.22%</td>
<td>0.19%</td>
</tr>
</tbody>
</table>

Top quartile funds: 10 year annualized returns in excess of relevant S&P benchmark

<table>
<thead>
<tr>
<th>Category</th>
<th>Excess returns pre-tax</th>
<th>Excess returns after-tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large cap</td>
<td>-0.58%</td>
<td>-0.08%</td>
</tr>
<tr>
<td>Mid cap</td>
<td>0.38%</td>
<td>-0.17%</td>
</tr>
<tr>
<td>Small cap</td>
<td>-0.96%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Morningstar and BlackRock as of 12/31/18. 1 Fee comparison is between the prospectus net expense ratio for the oldest share class of active U.S. mutual funds and iShares S&P Style Box ETFs within the respective category. Morningstar categories for large cap active U.S. mutual funds include U.S. Equity Large Cap Blend, U.S. Equity Large Cap Value and U.S. Equity Large Cap Growth. Mid cap active U.S. mutual funds include U.S. Equity Mid Cap Blend, U.S. Equity Mid Cap Value and U.S. Equity Mid Cap Growth, and small cap active U.S. mutual funds include U.S. Equity Small Cap Blend, U.S. Equity Small Cap Value and U.S. Equity Small Cap Growth. Large cap S&P style box iShares ETFs include IVV, IVW, NE and OEF. Mid cap S&P style box iShares ETFs include IJH, IJK and IJJ. Small cap S&P style box iShares ETFs include IJR, IJS and IJT. 2 Top quartile fund returns defined by Morningstar based on U.S. Equity Large Cap Blend, U.S. Equity Mid Cap Blend, and U.S. Equity Small Cap Blend categories. Large Cap benchmark is the S&P 500, Mid Cap benchmark is the S&P Midcap 400, Small Cap benchmark is the S&P Small cap 600. Past performance does not guarantee future results.
TOOLS TO DIVERSIFY YOUR PORTFOLIO
3 Ways to Get Started with ETFs

1. **Build a strong core**

   - **U.S. Equities**
     - IVV: S&P 500
     - IJH: S&P Mid Cap
     - IJR: S&P Small Cap

   - **International Equities**
     - IEFA: MSCI Developed
     - IEMG: MSCI Emerging

   - **Bonds**
     - AGG: U.S. Investment Grade

2. **Seek enhanced performance**

   - **Factors**
     - VLUE: Value
     - QUAL: Quality
     - MTUM: Momentum
     - SIZE: Size
     - USMV: Minimum volatility

3. **Pursue opportunities**

   - **Megatrends**
     - IRBO: Robotics and A.I.
     - IDRV: Self-Driving Cars
     - IGF: Global Infrastructure

   - **Sustainable**
     - DSI: Socially responsible US companies
     - CRBN: Low Carbon
     - ICLN: Clean Energy

For illustrative purposes only.
Build a strong core

U.S. Equities
- S&P 500: IVV
- S&P Mid Cap: IJH, ITOT
- S&P Small Cap: IJR

International Equities
- MSCI Developed: IEFA
- MSCI Emerging: IEMG

Bonds
- U.S. Investment Grade: AGG
- U.S. Total Bond Market: IUSB

iShares Core Allocation ETFs
- AOK: Conservative
- AOM: Moderate
- AOA: Aggressive
- AOR: Growth

Illustrative purposes only, not a recommended asset allocation
Seek enhanced performance

- Minimum volatility
- Size
- Momentum
- Quality
- Value

USMV

ICRMH0220U-1072932-14/22
### Pursue opportunities

#### iShares Global Clean Energy

<table>
<thead>
<tr>
<th>Companies</th>
<th>Sectors</th>
<th>Location</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siemens Renewable Energy</td>
<td>Industrials</td>
<td>Spain</td>
<td>5.90</td>
</tr>
<tr>
<td>Vestas Wind Systems</td>
<td>Industrials</td>
<td>Denmark</td>
<td>5.70</td>
</tr>
<tr>
<td>Xinyi Solar</td>
<td>Info Tech</td>
<td>China</td>
<td>5.34</td>
</tr>
<tr>
<td>SolarEdge Technologies</td>
<td>Info Tech</td>
<td>United States</td>
<td>5.19</td>
</tr>
<tr>
<td>Companhia Energetica Minas Gerais</td>
<td>Utilities</td>
<td>Brazil</td>
<td>4.69</td>
</tr>
</tbody>
</table>

Portfolio weights as of 01/29/2020. Subject to change.

#### iShares Self-Driving Electric Vehicles and Tech

<table>
<thead>
<tr>
<th>Companies</th>
<th>Sectors</th>
<th>Location</th>
<th>Weight (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesla</td>
<td>Consumer Discretionary</td>
<td>United States</td>
<td>5.25</td>
</tr>
<tr>
<td>Samsung</td>
<td>Info Tech</td>
<td>South Korea</td>
<td>4.51</td>
</tr>
<tr>
<td>Google</td>
<td>Communication</td>
<td>United States</td>
<td>4.13</td>
</tr>
<tr>
<td>Siemens</td>
<td>Industrials</td>
<td>Germany</td>
<td>3.77</td>
</tr>
<tr>
<td>Toyota</td>
<td>Consumer Discretionary</td>
<td>Japan</td>
<td>3.76</td>
</tr>
</tbody>
</table>

Portfolio weights as of 01/29/2020. Subject to change.
HOW TO CHOOSE THE RIGHT ETF
A framework for evaluating ETFs

**MANAGER**
How well do you know your manager / provider?

**INVESTMENT OBJECTIVE**
What goals are you trying to accomplish?

**EXPOSURE**
What’s inside your fund?

**COSTS**
How much are you paying in total?
Exposure case study: how different can 2 US small cap indexes be?

Holdings Overlap = 36%

S&P Small Cap 600
Russell 2000

Just 595 overlapping stocks

S&P Small Cap 600 Excess Returns vs. the Russell 2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Excess Returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.86</td>
</tr>
<tr>
<td>2015</td>
<td>2.44</td>
</tr>
<tr>
<td>2016</td>
<td>5.25</td>
</tr>
<tr>
<td>2017</td>
<td>-1.41</td>
</tr>
<tr>
<td>2018</td>
<td>2.53</td>
</tr>
<tr>
<td>2019</td>
<td>-2.74</td>
</tr>
</tbody>
</table>

Source: BlackRock and Morningstar. Data as of 12/31/2019. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Index returns do not represent actual Fund performance. For actual fund performance, please visit www.iShares.com or www.blackrock.com.
Expense ratio is only one part of the total cost of ownership

<table>
<thead>
<tr>
<th>Explicit costs</th>
<th>Implicit costs</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense ratio</td>
<td>Trading costs</td>
<td></td>
</tr>
<tr>
<td>Brokerage commission</td>
<td>Performance vs. benchmark (tracking difference)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Taxes on distributions</td>
<td></td>
</tr>
</tbody>
</table>

When faced with a choice among ETFs in a category, consider all **explicit** and **implicit** costs.

**Costs to consider:**

- Purchase price
- Maintenance
- Fuel efficiency
- Insurance

**Total cost of car ownership**
In summary

**WHY ETFs**
- Diversification
- Low cost
- Tax efficient

**TOOLS TO DIVERSIFY**
- Build a strong core
- Pursue opportunities
- Invest in what you care about

**GET STARTED**
- MANAGER
- INVESTMENT OBJECTIVE
- EXPOSURE
- COSTS
APPENDIX
Important Information

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting www.ishares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and than the general securities market. Technology companies may be subject to severe competition and product obsolescence. Small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger capitalization companies.

There can be no assurance that performance will be enhanced or risk will be reduced for funds that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a fund may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses.

Diversification and asset allocation may not protect against market risk or loss of principal.

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