TRANSCRIPT

iShares: DIY portfolios to navigate risk and volatility

Speakers: Don Raymond & Mike Keating

Don Raymond: Hello to all of our new viewers, and thanks for coming back to all who attended our last two sessions. For our final presentation today, we'll be discussing DIY portfolios to navigate risk and volatility. My name is Don Raymond, and I'm a regional brokerage consultant with Fidelity Investments. My role is designed to help support investors that are making their own investment decisions. Fidelity has many tools and capabilities, and my role is designed to help you better understand those capabilities so that you can feel more confident in your investment decisions.

I'll be presenting alongside today with Mike Keating from iShares. Mike Keating is a divisional director for iShares. His responsibility for the -- his responsibility for distribution of Blackrock's investment solutions, and thought leadership supporting retail clients. Mike oversees a team that support ETF portfolio solutions, and prior to Mike's current role, he worked with registered investment advisors and family offices in the Northeast.

Now before we get started here, let's take a look at what we have on our agenda. So, if we can go just to the next slide, we're going to be doing a few things here. We're going to be looking at our do it yourself portfolio to navigate risk and volatility, we're going to look at that from two different angles. We're going to look at that from starting new, and also from, if you have an existing portfolio, what adjustments can you potentially make to that? We're going to use some of the technology in our research center, including the guided portfolio summary, and some of the ETF research tools that we have found on Fidelity.com.

Now as we get started in today's presentation, today's presentation is going to be a conversation with Mike and I. I'm going to be asking Mike questions to build a portfolio from scratch, we're going to be getting some of his thoughts, we're going to get some great talking points that Mike can provide. And do note that these are conversations that our regional brokerage consultant team have with our investors really every day, helping investors like you navigate through our technology, navigate through our platform and research so that you can put that all to work for you with your portfolio using the Fidelity offering.

So Mike, before we get started here, let me go over here to Fidelity.com, we're going to spend part of our time, or a good portion of our time today, navigating through the Fidelity website so information that we talk about, we're going to show you real-time where you can go to implement that through our offering.

Mike, let me give you a chance to introduce yourself, and then we'll get started.

Mike Keating: Yeah Don, thank you. And I really appreciate everyone joining the webinar today. It's a pleasure to be here, and I'm excited to spend the next hour with all of you, and go through some questions, and really share, you know, some of the real benefits to owning or investing in ETFs. And I'm excited to do that, and Don, let's go for it.

Raymond: Sounds great, thanks Mike. So, first Mike, I talk to a lot of clients, and a lot of clients that I talk to are either starting to invest, or maybe they cashed out, right? And a lot of those clients are asking me, "You know, I hear a lot about ETFs, might ETFs be the right vehicle for me to, you know, invest in with that new cash from where I cashed out? Or if I came into wealth?" Can we just start with kind of your thoughts on why ETFs, Mike? What should be some of the things to consider when we're looking at ETFs as an investment product?

Keating: Yeah Don, I always think it's really important to start out with the history of really where ETFs came from. And I think that's an important point to bring up, because the funny thing is, ETFs have been around now since 1993. And a lot of people are getting kind of new acquainted with ETFs, but you know, they're actually, you know, globally a $7 trillion market across equity ETFs, fixed income ETFs, and also commodities. So, ETFs have generated significant growth and we've seen more and more really self-directed or retail individual investors starting to gravitate towards ETFs.

So, a couple things. We always start by saying, ETFs offer a diversified, low-cost, and tax-efficient way to access the world's investment markets. So that's truly what ETFs are. So again, a diversified basket of either individual stocks, or individual bonds, or individual bonds that are actually offered on the stock exchange. So, a little bit different than traditional mutual funds, and as many of you may know, mutual funds trade once a day, right, at -- really at the close of business. ETFs are offered on the exchange for investors that can buy and sell ETFS really during open market hours, just like an individual stock.

So, I think it's important to mention that, and also every time I say that, I get questions from people, well who's buying ETFs? And the really cool thing about ETFs is that they're not just for one type of investor, they're for everyone. And ETFs can be a good tool for active traders. So, this could be people that are looking to actively trade their portfolios throughout the day. But they can also be a really good tool for long-term investors, as well. Because again, they give you the exposure that you're looking for, for a very low-cost way.

So, you know, a couple things to focus on here. So, from a cost perspective, ETFs just tend to be lower in cost than traditional mutual funds. In addition to that, like I said, diversification, I know a lot of this presentation is around diversifying your portfolio, managing risk. We've seen investors that were traditional individual stock buyers starting to gravitate towards ETFs, because again, ETFs will give you a basket of those specific stocks. So, you kind of move away from that individual company risk, so called.

So, and then in addition I mentioned tax efficiency. One of the big pillars to an ETF is ETFs just tend to be more tax efficient than traditional mutual funds, and what I mean by that is, ETFs tend to pay out less capital gain distributions at the end of the year than traditional mutual funds.

And Don, just to give you a couple other things, as you know, I represent iShares, I work for Blackrock, iShares are owned by Blackrock. iShares ETFs were launched back in 1997. So, we're one of the longest running ETF providers. We offer over 300 ETFs to clients across stocks, bonds, commodities, sustainable type investments. And also, we represent roughly 36 percent of the market. So, Don, I think you know, to put it in perspective again, low-cost, tax-efficient, diversified approach to investing.

Raymond: Okay, that's great Mike. Lots of great information there. Diversification, low-cost, like you said, targeted access to the marketplace is really key there, I know that's a big part of my conversations with investors in tax efficiency. So now Mike, let's go maybe to the next step, right? I'm an investor, I did my homework, I did my research, I understand the product maybe as much as I should, where I feel confident maybe adding that to my portfolio or building a portfolio with ETFs. Where do I get started? You know, what are some of the things that I should be thinking about as I'm getting started building a portfolio, and keep in mind that it's important that I'm thinking about risk, too.

Keating: Sure, Don. I think this is obviously a very important question to ask yourself or when you, if you're working with a financial advisor within Fidelity, you know, I think the first question is, what type of an investor are you, number one. And number two is, have you determined your risk tolerance? So kind of going into what type of investor are you, are you comfortable with, you know, a volatile kind of portfolio where you're investing in a large amount of stocks, or are you more, a little risk-averse? So, I think that will determine your over all-- your allocation between stocks and bonds, but also in addition to that, what's your timeframe? What's the goal of this money? Is it saving for college, for your children? Is it to buy a house? Is it, you know, things like that, I think, are very important. And that tends to be, you know, some of the building blocks of how you're going to kind of make up your portfolio, and then in the end, choose the makeup between overall stock exposure, and bond exposure. So, I think all these questions are very important, and the interesting thing is, and what we'll go over, is ETF can solve for each one of those.

Raymond: That's great, Mike. And really key points that you mentioned there. Asset allocation, goal, timeframe, all very, very, very important things to consider. One thing I do want to mention is this is where Fidelity really shines, and this is the strength of Fidelity, in my opinion, is all of your local offices, all of your local investor centers, and the conversations with our clients every day, talking about goals, risk, asset allocation, timeframes, to be sure that the objective, or what we're looking to build this portfolio, fits to you as an investor. I always, I always strongly encourage our clients to plan with our local advisors, as that's going to be a big piece of kind of not only putting that portfolio together, but when we think about monitoring the portfolio, rebalancing the portfolio, and staying on track if anything changes, or if the portfolio itself changes. Let me show, let me, Mike, use this as an opportunity to show our clients, if you are looking at your existing portfolio today, where you can go for that piece of that.

So, on Fidelity.com, a lot of our clients start on accounts and trade, and on account positions. And this is kind of the common landing place, Mike, with a lot of the clients that I talk to. This is one of our Fidelity accounts, I'm logged in as Fidelity, and this is an account that I use for webinars like this, in the past Mike, you and I have used this for in person seminars, hopefully at some point Mike, we can get together and do an in person seminar again together, that would be great. But we love having access to technology like this, so that we can still interact with our investors and be able to display what we have here. But a lot of my common conversations start here, because this is where a lot of clients start. This is almost the default log-in page. So, if we're on here and we're on positions, this is kind of, it's there, but it's almost like a hidden gem of the website. So, it's our analysis tool, and we call it guided portfolio summary. And what's the benefit to you as an investor of our guided portfolio summary is if we think about going into our portfolio, and we think about asset allocation, and we think about goals, you know, notice you can build a goal view in here, you can see what's the current asset allocation of any account, you can learn more about the asset allocation of the account. Or you can visit our planning and guidance center if you'd like to use some of our online technology to determine well, what should my potential asset allocation be, given what I know about what I'm trying to accomplish with this wealth that I'm looking to put into the marketplace.

So remember, I got there, I'm going to come back to our summary page, and then it's our analysis tool, or our guided portfolio summary, which is a great place to see where you currently are with that one account, or multiple accounts. This can do an analysis of multiple accounts, too. And then as that wealth is put to work the way that you want to put it to work, you can come in here to see what does that look like? And we're going to go deeper into that later in the conversation.

So Mike, let me think here, we talked about why ETFs and some of the potential benefits of, you know, putting a portfolio to work with exchange traded funds, we talked about where to get started, and things to think about. Asset allocation, goal, timeframe. So now let's say I've gone through those, those conversations Mike, and I've determined, you know, I have an asset allocation that maybe I want to follow, I know what my goal is, I know what my appropriate timeframe is. I did my research on exchange traded funds as a product, and I'm confident investing in that product, because I know it's diversified, it's low-cost, I can get targeted access to the marketplace, all while being tax efficient. Where next then, Mike? Let's say I want to start looking for some of those funds that I might want to kind of build. Can you give me some talking points there?

Keating: Yeah Don, and again this question comes up often from our investors, and the interesting point around this, and like I said before, there's no one type of ETF investor, it ranges across all different categories. So, they're, you know, I would say that investors are using ETFs in several ways. And the very simple way of explaining this is I put it in three buckets, really. So, the first bucket being, if you're an investor, and you're looking to invest in ETFs, and I'm going to give you certain examples here, one type of investor could be someone that just wants to have a very hands-off, passive approach to investing.

So what I mean by that is, they don't necessarily want to have to be involved in rebalancing a portfolio, doing the research in terms of should they be allocated more to large cap companies, mid cap companies, small cap companies, international. And they just want a one-stop solution. So, there are ETFs out there that offer that type of investment, where you can plug into one ETF, and get a portfolio of ETFs that will actually allocate that portfolio based on your preferred risk tolerance.

So, what I mean by that, I'll give an example. iShares has a suite of asset allocation ETFs. These have been around for a long time, they basically give investors roughly 7, to 8, to 10, depending on the allocation, iShares ETFs that are in a portfolio. So, in one ETF. So, think about, for an example, one particular is AOR. AOR is a, is our core growth asset allocation ETF. Okay? It's got an expense ratio of 0.25 percent, and it's invested in seven different iShares ETFs to give an investor a growth allocation. So that's roughly 70 percent equity ETFs, and 30 percent fixed income ETFs. So, this is a one-stop shop. One ticker, and you are invested in seven iShares ETFs, and you have that specific growth allocation.

The other one is, if you're more conservative, there's actually a conservative ETF that falls into that. And the really cool thing is, these ETFs actually rebalance twice a year. So again, a one-stop shop where it gives an investor a very simple way of investing. And this is a suite of iShares, it has four of those, anywhere from conservative, balanced, growth, and aggressive growth allocations. And we also offer a suite of sustainable asset allocation ETFs, as well, that basically invest in our suite of sustainable ETFs, and does the same thing. It allows you to access either conservative, up to aggressive allocations.

So, what I just explained there is a lot. But that is the very simple way of, you know, probably the simplest form of investing in an ETF. The second way I would say is having more of an active approach to your portfolio. So there's a lot of people on this webinar today, and I'm sure that there's people out there that say, I'd rather be able to invest in, you know, several ETFs, and I want to be able to monitor, I want to be able to make my decisions on how much of my portfolio I'm going to have, not only in stocks, but within that stock allocation, how much I'm going to have in large caps, or small caps, or mid caps. Think about, you know, the small cap stock space now. Since November, the recent runup that small caps, in terms of outperformance versus large cap and mid caps, have had. So, you may be an investor saying, you know, I want to make that decision, and the really cool thing about this is, there's ETFs that can give you that pinpoint exposure.

I'll give an example of a couple tickers, one is IVV. IVV is an iShares -- is the iShares S&P 500 ETF. So, it gives you pinpoint exposure to the S&P 500 index. That's a large cap allocation, right? So, you have your large cap exposure. Then, you know, for that diversified portfolio, you want to have some sort of mid cap or small cap exposure, well there's mid cap ETFs. One of the tickers is IJH, and that's an iShares ETF, it gives you direct exposure to the S&P mid cap index. And then for small caps, we have IJR. And this is an iShares ETF that gives you exposure to the S&P small cap index.

So, the cool thing about this is, again if you're more hands-on, you could say you know what? Within this allocation, I want to have 30 percent in small caps. You know, just as an example. And maybe 20 percent in large caps. And I want to be able to dial that up or dial that down over time throughout the year. So that's taking a more active approach to your portfolio.

And Don, the last thing I would say is, kind of the number three is kind of in the middle, where you could own really three ETFs, and you can gain exposure to basically a diversified global portfolio. And just an example of that, again I'm going to throw out some tickers to you. ITOT, we call it I tot. This is a, it's an ETF offered from iShares, and it's a one ticker solution to give you exposure to U.S. large cap, mid cap, and small cap companies in one trade. So basically, it's got an expense ratio of 0.03 percent. So, think about that. And you're getting exposure to almost, roughly 3,500 stocks within this one portfolio, one trade, for 0.03 percent. So that's your U.S. allocation. And again, this is kind of the middle ground, that's your U.S. stock allocation.
The second way to gain -- we want some international exposure, right? And some people may not agree with this, but there is, there's what we call home

country bias. So, a lot of people here in America have a portfolio that, what we call is overexposed to U.S. companies. They don't have much international. But if you were an investor that wanted to dial that up a bit, and again, move away from that home country bias, and try to find opportunities internationally, there's another ETF called -- or with the ticker IXUS. IXUS is a portfolio of developed and emerging market stocks, ex-U.S. So, it's giving you pinpoint exposure to international markets, and it's doing that, it's giving you roughly 4,300 international stocks for very low cost. And I think this is the thing that's interesting, when you look at international markets, if you have a portfolio of 4,300 stocks, we're doing this with an expense ratio of 0.09 percent. So right there, with those two trades, you just gained access to global diversified equity markets with those two trades.

And then to round it out, if you want bond exposure which we, you know, many investors want that ballast in their portfolio, there's one ticker solution, AGG, you could deal with. That's just an example. And AGG is a, is the iShares Barclay's Aggregate Bond ETF. It tracks the Barclay's Aggregate Bond Index. It's a portfolio of investment-grade U.S. stocks, and it gives you literally exposure to roughly 8,000 bonds within that one ticker solution. So, you know, if you think about that one at, you're getting that for 0.04 percent expense ratio, so a very low-cost diversified way to gain access to global equities and fixed income.

Raymond: This is great, Mike, this is great information. And I think this is really important to consider as well, because the more involved you are at building the portfolio, and what we mean by that is, are you going to do it in the passive approach, like Mike said, the active approach, or in the middle? And we're not -- when he says passive, active, or in the middle, Mike, you're not really saying how frequently you're rebalancing the portfolio, you're really saying how more involved you are in the investment selection, and how many potential funds are building this portfolio, because you can do it with a few funds, you can do it with many funds, or you can do it with really just one fund, like you were saying there. So, the amount of funds that you're using to put together this portfolio are going to be key when we think about the latter part of our presentation, because when you're thinking about then making potential rebalances and changes, you know, maybe your view changed, or maybe you want to take a tactical overweight in a specific area in the marketplace, the way that you've built this portfolio is going to be key in how you're going to be able to do that, and the flexibility that you have in managing the portfolio going forward.

Let's put a little of this to work, Mike. Let's look on Fidelity.com, I want to point out a few things that you mentioned here. I want to one, talk about the ETFs as a product, where can we go as an investor to learn a little bit more. From there, I want to take a look at where you can go to search for funds on Fidelity.com, and then where we can go to learn about some of the funds that we talked about.

So, the first piece I'm going to do here is, I'm going to go to news and research, and I'm going to come down to our Learning Center. The reason I'm bringing you into our Learning Center is because there's all kinds of great education, whether it's ETFs, mutual funds, stocks, bonds, any product, or even just market updates, you can get our quarterly market, or our quarterly sector update, we present through here to our clients too. But if I wanted to learn more about ETFs as an investment product, let's come over here to the left, and just click on investment products, if you can see that? And then ETFs. And the reason I'm going to bring us here is because if I want to learn more about this, I can choose the area about ETFs that I want to learn more about, Mike. I could say I want to learn more about ETFs for today's market, maybe I want to learn more about the basics of ETFS, right? We talked about diversification and loan cost. But maybe the tax efficiency piece is just a little bit more complex, and I want to understand that a little bit better, what do you mean by that? You know, all that's right in here, and you can come into our Learning Center here, if I scroll down, you'll see what we see when you choose one of those topics. And you'll see you can just go to the right to learn a bit more. So, when we think about --

Keating: Hey Don --

Raymond: Yes?

Keating: Just to interrupt you, can you go to that, just that dropdown box again? I love that dropdown box because this is, if everyone sees this, this, like Don said, gives an education to sophisticated and entry-level ETF participants. So, like Don said, basics of ETFs, where you can go through that, really just get a feel for really what ETFs are. And all the way up to trading with ETFs, using ETFs as tools, using ETF tools as well. Tax considerations for ETFs. So, this is a really good tool, and I just wanted to kind of hone in on that. Thanks.

Raymond: Yeah, this was a recent update that we made, Mike, and we're really excited about this, because what it's doing for our investors is we have -- common feedback that I get, Mike, is we have a lot of information and it's all really, really helpful, and if we can make it easier to find the information, we can put more of it to work, to our investment strategy, to our plan, and just to learn more. So, this is something that we're excited about, is this update here to our Learning Center, which we did maybe just a few months here ago. You can come in, and you can choose the topic, you can choose the skill level, and then you can really hone in what do I need to know a little bit more about in this product to feel more confident about either building my portfolio, or adding ETFs to my portfolio?

So, I wanted to point out that this is a space that you can come to, to get that information. Remember I went to news and research, I went to Learning Center, and then over here on the left is the investment products piece, and then the ETFs, that's how I found my way here.

So Mike, let's go next and say all right, let's think about the next things that you talked about, where we're thinking about whether I'm looking for one fund, a handful of funds, or maybe I want three funds for my equity side exposure, or three funds for bonds, or whatever the number is, where do I go to find those funds on Fidelity, and where do I go to learn about them? It's on the same starting point, news and research, but then we're going to go to ETFs.

So this is the ETF research center that we have from here, and before we start looking at funds, or doing any searches, let me just kind of describe to you what this page is, and what type of information we offer here. So the first thing up here, Mike, if I know a fund that I want to learn more about, you mentioned ITOT, I can either type in the symbol, or I can type in the name of the fund, or maybe words that I think might be in the name of the fund, and it'll help me find funds that way.

The universe of funds, Mike, I know you said, what'd you say, '93 was the first ETF, is that what you said Mike, '93?

Keating: That's correct. (overlapping dialogue).

Raymond: It's grown since then to over 2,000, I think it's 2,100, 2,000, every time I go in here it's more. So, we need technology to easily navigate through it, because there's so many. And this is what we've designed here, are kind of like shortcut buttons to help you find common themes that we're asked about. Fidelity funds, iShares funds, funds by market cap, this is one of the things that you mentioned Mike, was how do I want to build this portfolio, do I want to look at my equity exposure by multi cap, or do I want to break that down and have a fund for large cap, for mid cap, and micro cap? And if so, I can do those searches, and I can find the funds that I might want to compare, do research on, and start to build my portfolio with. And again, sometimes it's not easy to find access to international, the diversification in the low cost just really, really stands out in the international space. This is a great way to be able to come in and have access to funds here.

If I click on multi cap, you'll see what we're going to get, it's going to put us right into our screener. And then we can start to do our filter and get a list of total market funds. Here is the one that you mentioned, and if I want to learn more about the one that you mentioned I can click on it, and it'll bring me to that page, so I'm going to come back to that page in a minute. Or what I can do is remember from here, I can go in and I can just search by the name. I do want to point out a few more of these shortcut buttons here, Mike, before we start to go into any fund, because I think it's important to know the additional resources that are here.

Keating: Right.

Raymond: Sector, right? Sometimes we talk about sectors, we have lots of questions come in around business cycle, and you know, do I potentially want to have maybe even a tactical overweight in this space if that's the case? You mentioned having targeted access to the marketplace, you can do that on the sector level, too. We did talk about bonds and different type of bond funds, so this is where we can search for them. And then the two other tiles in here, socially responsible and of course, the new Fidelity actively managed ETFs, you have a link for in here, too.

Let's go in and show you three more things in here, just if I -- if -- this is powerful information here, Mike. If I wanted to go in and look for funds by stock, you know, say I'm an individual stock investor, and I know I want exposure to a certain few stocks, maybe I like what you talked about, the diversification piece. If I don't know what funds to look for, maybe I don't know what characteristics to search for, but you know that you're looking for exposure to those stocks, we can go in here and put up the five stocks, and it'll give you a list of funds that have exposure to those securities.

Let's, before we go in, Mike, (overlapping dialogue) yeah?

Keating: Real quick, I just want to hone in a little bit, and not that you have to go through this, but fixed income, as everyone can see there, that is a, you know, conversation that's been coming up more and more with the environment around fixed income. But I didn't hone in enough on this, I don't think. But fixed income is a really interesting market, even in the ETF space, because it's truly another area where we're changing the way people invest. And similar to equity ETFs, where you can basically get any type of exposure, it's the same thing with fixed income now. So if you're an investor that's looking for either income, or you're looking to make your portfolio a little more conservative, or you're looking to adjust it based on the market environment, or the fixed income market, you can do that using ETFs. And there's ETFs to, that give you exposure to, you know, just low duration, or low maturity, short maturity ETFs, where it's, you know, invest in a basket of bonds that only mature within one to five years. Or you can invest in an ETF that goes out further, in long-term bonds. And also, high-yield, Treasuries, investment-grade bonds. So, it's a really interesting market, and I just wanted to highlight that a little bit.

Raymond: That's great Mike, I appreciate you sharing that information. I'm going to go right in here to the fund that you mentioned, this total U.S. stock market ETF. We did filter for that by going into the market cap and we looked at the total market, we saw that that fit into there. So, here's some of the information, some of the talking points that I think that you gave to this fund, Mike. We do know that, you did mention that this is very low-cost, and we can see that here, it really is, expense ratio 0.03 as your net expense ratio. Mike, we did talk about, in some of the education on ETFs, like trading ETFs, and when you think about trading ETFs, volume's going to be an important characteristic to consider, so you can see there, you have today's volume, and you have the 90-day average volume, and you can see today's volume was significantly higher than our 90-day average volume here for this fund, and you can see this fund does have a significant amount of volume in it. We do make available the net assets in the fund, Mike, and you can see the total amount of assets in this fund.

Some of the other things that you talked about here, thinking about the fund, we do have the fund's objective, the prospectus. Mike, I like to sometimes say it trades like a stock, so it charts like a stock. And what that means to you as an investor is you can look at these different timeframes, you can compare other funds, so if I wanted to compare this to some of the other funds you mentioned, you certainly can. You can compare stocks to this too if you wanted to do so.

But let's think about now using this fund as maybe building into a portfolio a few things that you did say about this, as we scroll down, is that there's a lot of holdings. So, buy one share of this fund, you're getting over 3,600 holdings, and you're seeing just the top 10 here, but I know sometimes when you and I present together, we also say transparency is a nice thing to have with ETFs, as not only are you getting a lot of holdings here, but you're getting to know what the holdings are. So, you're getting all 3,600 of them, you can click and know what you own by coming to the website here and looking at that. But when we come back to the --

Keating: Sorry, just very important, I think that's a really good point to bring up, is the fact that you can view, as of last night, every holding within that specific fund, which is obviously different from traditional mutual funds, ETFs are extremely transparent and you can go right through that portfolio and find every stock down to the actual percentage, which is really cool, as well.

Raymond: Let me keep moving here, Mike. I want to kind of bring some of this back to what we were talking about earlier. And building the portfolio, right? Using this as a building block to build a portfolio. What am I getting with this fund as a building block to my portfolio? Some of the things that you mentioned here, Mike, and feel welcome to add anything on. We did say that we're getting U.S. exposure, right? And we're seeing that this is the domestic exposure, and here's the percentages. We talked a bit about market cap, right Mike? You said that this was a total market fund, so what does that mean? By buying this fund, not only are you getting a lot of holdings, but you're getting exposure to large, mid, and small cap.

So, by buying this one fund, you're getting this exposure to your U.S. equity exposure, but the other thing that you mentioned, Mike, was the more active approach. And by more active, remember, we weren't saying active by trading the funds, but by potentially using more funds. So, three funds that you said Mike, were IVV for large cap, IJH for mid cap, and IJR for small cap. And what does that mean to an investor, Mike? What I'm thinking here is, what if I don't want my large cap U.S. exposure to be 70 percent, but what if I potentially want it to be 80, or 60? Or 65, or 75? By using the other three funds, you can get access to large, mid, and small cap, but by doing it through three funds, you have more control over what percentage is to each, and then also the changes that you make if you want to maintain a certain percentage, you can do that for multiple funds. Anything you want to add to that, Mike?

Keating: No, it's a great point. And the examples I gave, those kind of three buckets, those are just the simplest kind of forms of explaining like, how investors are using it. But Don, like you said, I think this is really important, because if you look at the percentage in large cap, mid cap, small cap, if you're more of an actively involved investor, you may not like that. So that's where some investors may even continue to own ITOT, but they may build around that using a small cap ETF, or a mid cap ETF to dial it up. Or you don't want to own ITOT at all, and you do it on more of those building blocks, like IVV, down to the actual market cap weightings. Great point.

Raymond: Let's take a look at that quickly. I'll point out here, and this is great, we offer the sector and the industry exposure. And this is going to tie into when we go back into our guided portfolio summary, because we do break down, for your portfolio, the sector exposure of an account, or multiple accounts that you might be taking a look at. But let's say, for example, we wanted to look at one of those other funds, Mike. I'll use IVV as our example. So, our S&P 500 iShares ETF as our example, same thing as before, same information, volume, expense ratio, 52-week performance. Mike, I am going to point out here though that when we're looking at price performance right here, it is indeed price performance and not total return. So, remember, if you want total return, we can find that on the website here, too. But you can give yourself a note, set an alert, add this to a watchlist if you want to track, and of course here's your buy sell ticket to buy more or sell.

Let's go down and look at some of that same information. So, if we were just looking at this one fund, same thing as like before, we can compare, we can scroll down, we can see similar funds if we want to do comparisons of similar funds. Here's our holdings, Mike. So, this is one of the things you talked about. Now this one was your large cap exposure example that you used. And you'll notice that we're getting 509 holdings. Again, we're getting all of the holdings, but as we scroll down and look, again it's still U.S., but we'll see here with our market cap, we're getting more large and that mid cap exposure in here with that. So, as you start to use maybe a few funds to put this together, you can start to see how you can kind of tweak that more.

Keating: And Don, one other thing to point out, if you go to, scroll up a bit, right around where you see the expense ratio, so these are, you know, as everyone can see, it's the IVV, VOO, SPY, they're all very similar portfolios in terms of what they invest in. But if you look at the costs, the costs are a little bit different. And as you can see there. So, you know, these are some different things that I think some people may overlook, and it's good to kind of hone in on that, just to point that out.

Raymond: There's a lot that you can compare in here, I'm glad you pointed that out, Mike. I'm not going to go in here, but if you do go into more on your own, you're going to be able to compare other characteristics that you like to see of any funds side by side, you can do that with similar funds on the equity side, the international side, the bond side, very helpful tool. Within there, you can customize your own view, so you can pick and choose what columns or what characteristics of funds that you like to compare, and then you can save that, so any time you come back and compare a fund, you'll have your own personalized view of the way that you like to compare ETFs on here.

Mike, I'm going to move on a bit and talk a little bit to, we pick the funds, we decided if we wanted to be with a few funds, or with one fund, and the allocations that we want to put together. And now we've built our portfolio, and now I want to maybe monitor it a little bit, because time has passed, right? And markets have been volatile, so I know what my asset allocation was when I built this, and I know the sector allocations and everything that I was trying to put together, but where am I now, and where do I monitor that? Because it's important to review and understand your portfolio on a regular basis.

So, I'm going to bring us back to the guided portfolio summary and show you a few talking points there to where you can go to find that information. So, back here to accounts and trade, and to portfolio. Remember, we talked about this being a common landing place for a lot of investors that I work with, where they tend to start. We went to analysis, which is our guided portfolio summary, I'm going to point out a few things in here that I think are going to be helpful.

So first thing, if I go to summary views, and I go to asset allocation, I can see, like we're looking at now, what's the asset allocation of this account that I'm doing an analysis of, and you will notice that it's all in stock, and you will also notice that it's as far right to the more risk allocation as it can get, because of that overweight in domestic equity. If you did want to add more fixed income exposure to the portfolio, and you wanted to move this from the right to the left, Mike gave some examples and Mike, I'll give you the chance to maybe talk to the bond side again in just a second.

But other things that I want to point out in here is we talked about large, mid, small cap. We can see the exposure of the portfolio here, too. We can see the large, the mid, the small cap exposure, which being -- is being displayed here in the blue, the account selected. We are looking at one account, if you wanted to do an analysis of more than one account, remember you can. And then on the right, Mike, we're looking at, as an example, the Dow Jones U.S. Total Market Index.

We have also a sector view, so you're seeing that this portfolio's also overweighted in just one sector, which is also creating another risk. So, when you think about managing risk in the portfolio, you want to think about not just the asset allocation and the market cap allocations, but your sector allocation too can be very important characteristic to consider.

Mike, let's take a --

Keating: One thing to mention, sorry. We did a lot of these in person, obviously we're not doing those much anymore, but a lot of times when we'd be in person, we'd be able to ask the audience how many of you have been, you know, surprised or by volatility in either a certain stock, or a sector fund, things like that. And a lot of times we've get people raise their hands saying yes, and I think that's a great point that Don's bringing up in terms of monitoring the specific, could be overexposed to certain industries, overexposed to certain areas of your portfolio, so I think that's a really good tool to point out. And that's again where ETFs shine, is giving you exposure to either very concentrated sector exposure, or a very diverse portfolio where you're gaining access to all different markets and industries.

Raymond: Mike, we're going to have those questions, we have a lot of questions here, and I appreciate everyone that's asking them, we're going to get to them. I'm going to get to them maybe in about five or six minutes, we're going to wrap with the questions towards the end, so I have a lot of good questions for you, Mike.

Keating: All right.

Raymond: Before we get there though, I just want to hit on a few other topics, and we'll find our way there. We looked at our portfolio, we want to make some adjustments to it, Mike. But maybe my adjustments might not be, you know, changing my asset allocation, but maybe it might be more of you, or a theme that I want to get more exposure to. I do get a lot of interesting questions around like, sustainable investing, Mike, if there's any talking points you have to that, or where would I even get started?

Keating: Yeah. So sustainable… I mean this is a really interesting area of the ETF market, I think what we saw last year was a record year in terms of money, or flows, asset flows that we saw coming into sustainable ETFs, or what we can ESG type investments. So, this specific category attracted roughly 86 billion globally last year in 2020, and that was actually three times the size of what we saw in 2019. And we here at Blackrock expect that space to grow to roughly a trillion in assets by the end of the decade. So sustainable investing is here to stay. This is an area that we are taking, especially we here at Blackrock, and also Fidelity, are taking a serious stance on, and we've offered, actually we've come out with a suite of roughly 28 sustainable ETF stock. Now these specific ETFs can be, again, going back to do you want to be very detailed, or do the research. So, they could be focused on specific areas of the sustainable market, or you could gain access through, you know, one fund that's very diversified.

And want to mention there Don, just so you know, as an example, ESGU, this is an iShares Sustainable ETF. And you're gaining access to a wide array of ESG-type companies, and these are ways that you can gain access to that. The expense ratio of that is 0.15 percent, and again it gives you broad exposure to a diversified basket of sustainable investing. So really interesting stuff there.

Raymond: Yeah Mike, I want to point out a difference here on our website, because this is a common question I get asked, what's the difference between news and research ETFs, or investment products ETFs? We went news and research and ETFs, and that brought us into the ETF research center. It gave us the ability to search for funds and do research on funds. If I come over to investment products and ETFs, some of the things that I want to point out here is you get investing ideas, you can get a list of the Fidelity funds, but also this is the landing page, Mike, for the iShares ETFs, where you can get some iShare ideas. Let me bring us to this page here, and give you a chance to -- any talking points you want to provide on any of these funds? Especially as the other question that I wanted to ask is, if there was a trend that I believe in, and

I want to invest in, I know we have some ideas on here, but any talking points you want to provide to trends as well would be great.

Keating: Yeah Don, I love talking about this specific segment of the market as well, because we get a lot of questions from individual investors, and also institutions, more sophisticated investors, on you know, some of the, you know, transformative forces that are reshaping the way we invest today, and some examples of that are you know, artificial intelligence, self-driving cars, you know, tech breakthroughs like robotics, cybersecurity, you know, climate change, demand for clean energy, you know, so these are really, to me, really cool, for lack of a better word, cool areas of the ETF market where we're seeing significant interest, and foresee significant growth in the long-term. So Don, I'm looking at the website now, this is the iShares landing page on Fidelity.com, if you go looking at the hottest megatrends, so there it is, lower left box there, and this is a really cool landing page that gives investors guidance or, you know, it guides you through different areas of where we're seeing trends in the market, or interest in the market, and one of those is hottest megatrends. So, Don, like you said, this is an area where investors, we've seen investors want to gain exposure, and now we're offering those through ETFs.

So again, another area of growth within the ETF market, and I think this is one of the areas that we're seeing a tremendous amount of interest from not only individual investors, but also institutions and large sophisticated investors as well.

Raymond: Yeah, that's great. And again, kind of bringing us back to one of the original things you mentioned Mike, is just access to the market, right? So, access to the market, if you want to invest sustainably, access to the market, if you're looking for a trend or a theme, access to the market, if you're looking for potential income, or growth, it's there in different buckets, or in different categories to really seek a specific objective to try and help you as an investor get the diversification and the low cost with the simplification. I got a lot of questions Mike, so I'd love to get to as many of them as I can.

Keating: Sure.

Raymond: I'm going to start at the first one here that just came through is, if you want to talk a little bit more about how ETFs compare to mutual funds, more specifically when you're looking at diversification and risk, anything you want to kind of mention or talk about there?

Keating: Yeah, I mean that's, again, another question that comes up any time we talk about ETFs versus mutual funds, everyone raises their hand and says well, what do you mean? What's the big difference? And I think the key thing here is one, they have similarities as well where they are diversified baskets of securities. So mutual funds own, same thing, a diversified basket of either stocks or bonds, ETFs does the same thing. I think the key difference here is that ETFs, generally speaking, are index-based, where we do not -- or ETFs do not have an active manager looking to overweight or underweight specific areas of the market. So, ETFs will track a specific index. Like, for instance, S&P 500, that's the simplest kind of form of talking about an ETF, is that they track an index.

In addition to that, Don, low cost. So as everyone saw here a little bit earlier, 0.03 percent expense ratios, and I think that's another key difference. And also, the fact that you can, if you wanted to, and this is where I said there's a range of difference investors, you could buy or sell an ETF throughout the day. So if you have a specific idea, if you wanted to just jump into the market at a specific time, you can place that trade right on Fidelity.com and gain access to an ETF, which is a little bit different than a mutual fund where you have to wait until the end of the day, four o'clock, to gain access.

So, I think those are generally high-level ways where we see the differences between ETFs and mutual funds. And also, one of the things which I mentioned before is the tax efficiency, in terms of less capital gain distributions, which is a risk management piece that I would throw in there, is that you have less cap gain distributions, capital gain distributions at the end of the year with ETFs.

Raymond: Mike, we talked a lot about know what you own. But we really didn't mention too much on know where you own it. And we have a question about, you know, can I use ETFs in an IRA, can it be a Roth IRA? If you can talk a little bit more about, you know, owning ETFs in different types of accounts, any thoughts you have there, that you want to share.

Keating: Yeah, Don I got to actually reply a little bit, and then deflect that to you as well, because I know you deal a lot with, you know, allocating to specific areas of the market and specific accounts, but yes, I mean ETFs, that's the benefit also is that you can own ETFs in taxable, which is non-retirement accounts, but also you can own them in IRAs. So, they're very flexible in terms of which type of accounts you can own them on.

Raymond: Yeah, and I'll add to that Mike, I'll kind of bring it back to one of the questions we asked early on when we started with why ETFs, and then we went to well, what's next? And we talked about asset allocation, what's your goal, what's your timeframe? That's kind of a great question to build into your plan, right? And then also, where you own, what you own, but where you own it. And great question to kind of work with when you think about our advisors in all of our local offices, because they're going to do a great job of having that in depth conversation with you as an investor, and putting that unique plan together, and helping you, and giving you unique ideas. Because all of that kind of plays a role into your overall potential returns.

So excellent question, and to answer the question that was in here was can I use ETFs in a Roth IRA, or an IRA? And the answer is yes. Mike, here's a question that I'd love to get your thoughts on. So, this is kind of a two-parter. Any thoughts you have on precious metals and gold, how that might kind of fit in, and then also we were asked, does iShares have a gold or metals ETF?

Keating: Oh, great question. So, I'm not going to give, I don't want to go and talk about, you know, is it the right time to buy these? But yes, absolutely. And I think this is usually an example that Don and I, we do use, it's a great question, and that we do use in a lot of our, in a lot of our presentations. But the fact that you can gain pinpoint exposure to just about any country, region, market, but also in terms of commodities, you can actually gain pinpoint exposure to gold. Gold bullion. And one example of that is a fund that iShares offers, which is the ticker on that is IAU, that is an iShares ETF.

If you look it up, you can actually see that the fund actually owns gold bullion. So, you track the price of gold, which is a really cool concept that a lot of people are like, "Wow." Because I always say this fund was actually launched over 15 years ago. So, it's been on the market for the last 15 years, and you know, we see investors using this, and I feel that this fund truly transformed the way people invest in gold. So, it's a good thing to bring up, and I see you bringing it up online now.

Raymond: Yeah, bringing it up there, Mike, appreciate you sharing it. Again, it kind of brings us back to right, you can get targeted access to really anything in the marketplace, doesn't have to be stock, bond, U.S., international, it could be something like gold, here's the example that you shared with us. Again, how does it fit into your plan? That's a big part of considering what you're looking, your goal is, your timeframe, what -- how you're looking to build that portfolio is all key, and it's unique to you as an investor.

I want to try and hit on one last thing, and then I am going to wrap us up here, Mike. Let's see. This is something you talked about earlier, was if I'm looking for like, just a core bond exposure, I think you provided an example, if you can hit on that again?

Keating: Yeah, core bond exposure, again a very low-cost way to do that. I gave that ticker earlier, AGG is one of them. Again, it gives you exposure to over 8,000 individual bonds in one ticker. So that's a way to gain access to U.S. investment-grade bonds. You know, there's other ways to do it as well, there's ways where, you know, again I know I went over this where if you're an investor, you say well I don't want to own, you know, the entire fixed income market. I'd rather, as an investor, I have an active, or a view that rates are rising, or rates are going down, and maybe short-term bonds are most at risk, or you know, so you can move away from those, you don't have to have exposure to those, you can allocate into single maturity ETFs, where you know, you have something that we call iBonds, if anyone looks that up, iBonds are specific maturity ETFs that actually mature at a specific year. So, you have access to -- say you wanted to gain access to bonds that went out to 2025, Don, there's an ETF that you can gain access to that. So, you know, there's what we call iBonds, these are another way of accessing the fixed income market where you can do it in a basket of specific maturities that are maturing on the same year.

So really interesting stuff, but again either very diversified, broad exposure, to very detailed pinpoint exposure within the fixed income market.

Raymond: Yeah, absolutely. And I'm just going to bring up that first fund that you mentioned again here, Mike. AGG, this is the first fund that you mentioned, here's where you can come in, like we talked about before, you can get the net expense ratio, you can see again lots of volume. Again, significantly more trading volume today than the 90-day average. This is something we didn't show before, but I'm going to point out here, because it's a little different when we're looking at the bond fund, but when we click on see more.

Here Mike, these are some of the things I think you talked about. Not only being able to see what you own, but now instead of looking at maybe the sector exposure, what's the credit grade exposure, what's the maturity, what's the type of debt that's in the fund? And it's all here through the website.

I'm going to wrap with that Mike, and I do want to take a couple of minutes to first, thank you and all of our other presenters today. We greatly appreciate, you know, our partnership with iShares and the education that you provide to our investors. Thank you for the thoughts and everything that you were able to provide to our clients today. Thanks to our clients, of course, for attending. We appreciate everyone that attended, whether it was one, two, or all three of our sessions. It means a lot to us.

And then lastly, if you want to go deeper into the resources that we looked at, all of our local regional brokerage consultants want to meet with you, and be able to help answer your questions, help you become more efficient and successful using some of the resources that we have for you.

With that, we're going to wrap, and everyone stay safe, and enjoy the rest of your afternoon.

Keating: Thank you, everyone. Appreciate your time.

END OF AUDIO FILE

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