iShares® Fixed Income Model Portfolios Overview

Thoughtful Combinations of iShares ETFs
Our goal is simple: as a leader in fixed income, we strive to deliver the best of iShares and BlackRock to make it easier for you to create optimal yield portfolios.
iShares Fixed Income Model Portfolios

DELINEERING THE FIXED INCOME EXPERTISE OF iSHARES AND BLACKROCK TO YOUR PORTFOLIO

Fixed income times have changed. We live in a different world than the one we lived in 5 years ago. Relative values across fixed income securities such as government bonds, corporate bonds and sovereign debt change quickly, requiring active monitoring and oversight of assets, and tactical asset allocation.

Furthermore, every investor is different. Your needs are different from those of your neighbour and that should be reflected in your fixed income investments. A very conservative investor will likely have a different portfolio than that of an investor seeking high income.

iShares fixed income models were designed with that in mind. Diversified, tactically managed fixed income models, that seek to provide a range of potential yield and risk levels. The models are comprised of iShares ETFs and rebalanced on a quarterly basis based on current market conditions. The models are dynamic and yield targets are analyzed on an ongoing basis and adjusted as a result of what’s really going on in the market and how feasible it is to achieve low, moderate or high yield. Although the models have particular yield objectives, which are based on past performance, the yield objectives are not predictive of future performance. There is no guarantee that any model will achieve their objectives. By subscribing* to the models, you will receive regular updates so you can take a hands-on approach to portfolio management.

* BlackRock does not charge a fee to subscribe to the Model Portfolios. The Model Portfolios do not constitute investment advice and do not consider the investment objectives, risk tolerance or financial circumstances of any particular investor.

This information should not be relied upon as investment advice, research, or a recommendation by BlackRock regarding (i) the iShares Funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial advisor know enough about their circumstances to make an investment decision.
Four Key Benefits of iShares Fixed Income Model Portfolios

1. FOCUSED ON GOALS
iShares’ Fixed Income Model Portfolios are focused on addressing specific investment objectives, such as income generation or managing certain risks that may be of importance to you. Our models are designed to be key building blocks for use with larger portfolios.

2. THOUGHTFUL COMBINATIONS OF iSHARES ETFs
As an industry leader in ETFs, iShares and BlackRock deliver guidance on blending fixed income ETFs with the goal of creating highly efficient portfolios. You may benefit from our fixed income allocation expertise that we offer institutional investors.

3. INDUSTRY-LEADING RISK ANALYTICS
Understanding and anticipating risk is essential to capturing opportunities and staying on track toward achieving your investment objectives. Our fixed income model portfolios harness the same industry-leading risk management platform—Aladdin®—that is used by some of the world’s leading financial institutions, sovereign wealth funds and corporations. This provides you insight into the risks and trade-offs of each fixed income model portfolio.

4. TIMELY UPDATES TO THE MODEL PORTFOLIOS
We regularly update our fixed income model portfolios to respond to changing market conditions. Subscribers to our service receive exclusive portfolio updates from our portfolio managers.
THREE STEP “GOAL ORIENTED” INVESTMENT PROCESS

iShares Fixed Income Model Portfolios start with a particular goal and then construct a portfolio designed to achieve that goal with the least amount of expected risk.

1. ESTABLISH PORTFOLIO GOAL(S)
   - Start with the end in mind: identify investment goals that you may have
   - Work with our partners in risk management to help solve for concerns, such as:
     - “How can I generate income but also protect myself against rising interest rates?”
     - “I am concerned about income generation—but I can’t get by on short-term deposit rates. What can I do?”

2. DEFINE INVESTMENT UNIVERSE
   - Asset class universe: building-block models limited to fixed income securities
   - Investment universe: our fixed income models consist of iShares ETFs. As a market leader in ETFs, iShares delivers ideas on how to combine fixed income ETFs to pursue a specific target yield objective.

3. SEEK TO MINIMIZE VOLATILITY
   - Seek to minimize volatility of the portfolio while attempting to meet the portfolio goals

Investment process represents the current investment process for iShares Fixed Income Model Portfolios and is subject to change.
The model portfolios, allocations and data are subject to change. Data shown is for informational purposes only, does not represent an actual account, and is not the result of any actual trading. Actual investment outcomes may vary.

1. While each current yield objective was determined with reference to the current yields of the underlying funds, it is specific to each model and is not a prediction of fund or model yield or reflective of actual results. Realized yields will vary and may be lower. Past performance is not predictive of future results. Data shown is for informational purposes only, does not represent an actual account, and is not the result of any actual trading. This information should not be relied upon as research, investment advice or a recommendation regarding the funds or any security in particular. This information is subject to change. Actual investment outcomes may vary.

2. Contribution to risk measures the historical changes to risk associated with changes in a particular risk factor. Time period used was 8/31/08 to 8/31/12. Risk contributions are designed to sum to equal the total volatility of the portfolio. Past performance does not guarantee future results. The inception date of the model portfolios is 08/31/12. The data shown prior to inception is based on the allocations for each fund at model inception. There is no guarantee that if the portfolios had been in existence during these time periods that the weightings and/or performance would have been the same. The data shown after inception is based on the allocations for each fund according to the allocations during the time periods shown. Information on previous allocations and model changes is available upon request.

Risk contribution factors here are:
- Total Basis Points Risk is the total standard deviation of the portfolio and is the sum of the risk contributions across rate, credit, FX and other risk.
- Rate risk contributions, which capture volatility associated with portfolio covariation with benchmark government interest rates.
- Credit risk contributions, which capture volatility associated with portfolio covariation with investment grade, high yield and distressed debt credit spreads over benchmark interest rates.
- FX risk contributions, which capture volatility associated with portfolio covariation with foreign exchange rate fluctuations.
- Other risk contributions capture the remaining portion of volatility that is idiosyncratic relative to Rate, Credit and FX risk.

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Investment Team

RUSS KOESTERICH, CFA
Managing Director, Global Chief Investment Strategist for iShares, BlackRock

Mr. Koesterich is a founding member of the BlackRock Investment Institute, delivering BlackRock’s insights on global investment issues as well as a member of BlackRock’s Central Strategy Group. During his 20+ year career as an investment researcher and strategist, he has served as the Global Head of Investment Strategy for Scientific Active Equities and as a senior portfolio manager in the US Market Neutral Group at BlackRock.

Mr. Koesterich is a frequent contributor to financial news media and can regularly be seen on CNBC, Fox Business News and Bloomberg TV. In addition, he represents the firm globally at client and media events. He is the author of two books, including his most recent “The Ten Trillion Dollar Gamble,” which details how to position portfolios for the impact of the growing US deficit. He is also regularly quoted in print media including the Wall Street Journal, USA Today, MSNBC.com, and MarketWatch.

Mr. Koesterich earned a BA in history from Brandeis University, a JD from Boston College and an MBA in capital markets from Columbia University.

DANIEL MORILLO, PhD
Managing Director, Global Head of Investment Research for iShares, BlackRock

Dr. Morillo’s service with the firm dates back to 2003, including his years with Barclays Global Investors (BGI), which merged with BlackRock in 2009. At BGI, he served in a variety of senior research and portfolio management roles including Head of Global Equities within the Scientific Active Equity group. Prior to joining BGI, Dr. Morillo served as a Senior Research Manager at PanAgora Asset Management for three years, where he developed US Equity risk and alpha models.

Dr. Morillo earned a BS in economics from Universidad San Fran de Quito in 1995, an MS in statistics from the University of Illinois, and a PhD in econometrics from the University of Illinois in 2000.

AUBREY BASDEO
Managing Director, Fixed Income Portfolio Management Group, BlackRock Inc.

Aubrey Basdeo, Managing Director, is a member of BlackRock’s Model-Based Fixed Income Portfolio Management Group.

Mr. Basdeo’s service with the firm dates back to 2005, including his years with Barclays Global Investors (BGI), which merged with BlackRock in 2009. At BGI, Mr. Basdeo was the head of the Canadian fixed income business. Prior to joining BGI in 2005, he was the head of the Relative Value Group at Ontario Teachers’ Pension Plan where he pursued absolute return fixed income strategies within the G7 Bond markets.

Mr. Basdeo earned a BSc in engineering from the University of Waterloo in 1983, and an MBA from the University of Toronto in 2003.
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