

iShares[®]
by BlackRock

THE RISE OF MODELS

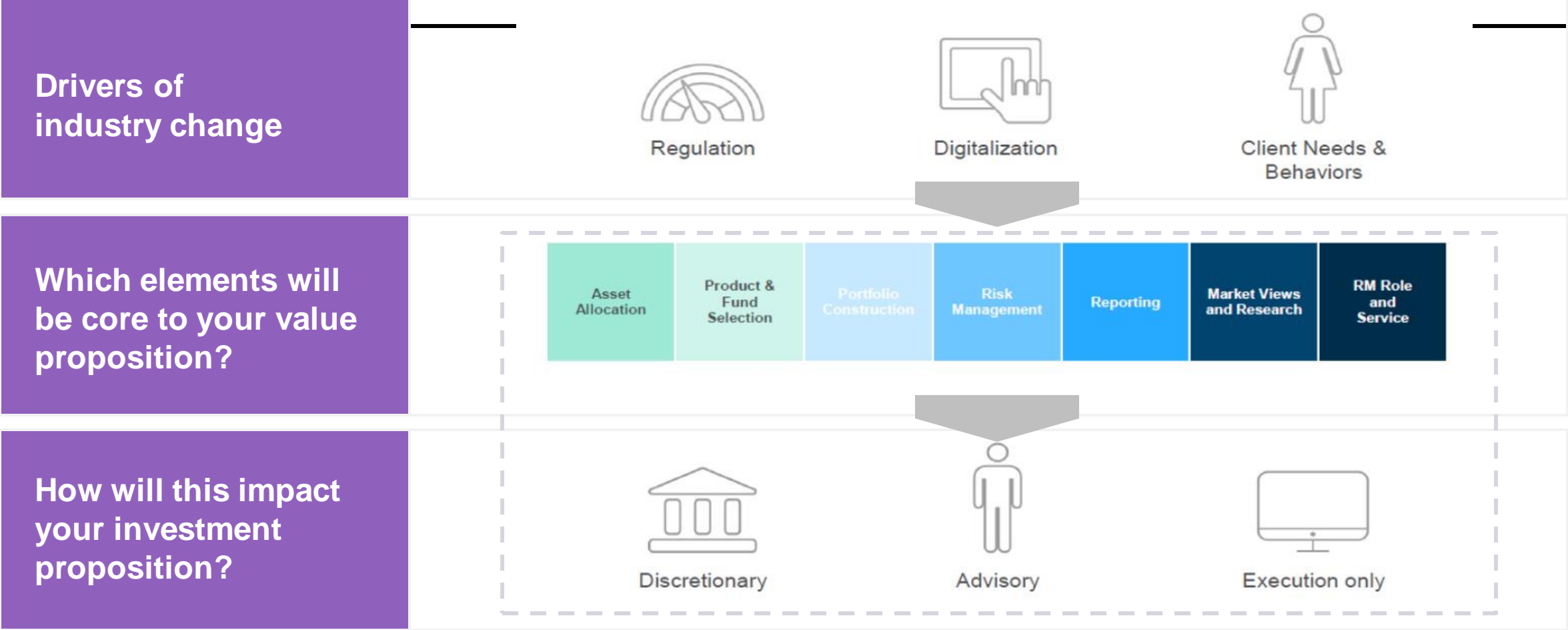
James Waterworth
National iShares Specialist,
BlackRock Australia

WHAT IS SUCCESSFUL INVESTING?

Successful investing is
about **MANAGING** risk,
NOT AVOIDING it.

- Benjamin Graham

FORCES IMPACTING THE GLOBAL WEALTH ADVISORY MARKET



THE PORTFOLIO CONSTRUCTION PROCESS

Building & Managing Portfolios

THE PORTFOLIO CONSTRUCTION PROCESS

We should all follow a thoughtful, well-documented process for portfolio construction.

01 Benchmark

Translating investor outcomes

Set the **foundation** of the portfolio – aligned closely with the client **objective**

02 Budget

Evaluating risks and opportunities

Decide where you want to incur **costs** and take **risk**

03 Invest

Identifying cost-effective and efficient holdings

Determine the most appropriate vehicles to **implement** your strategy

04 Monitor

Keeping a “hand on the wheel”

Regularly **measure** success and **rebalance** with discipline

For illustrative purposes only.

THERE IS NO SUCH THING AS A PASSIVE DECISION IN INVESTING



Asset Allocation

Choice of asset mix

Dynamic Management

Reacting to macro events and adjusting long term views

Manager/Security Selection

Choosing the best funds for your objectives

Implementation

Implementing the right way to solve for objectives



All are active decisions

Efficient, index based solutions help solve these

For illustrative purposes only.

THE IMPORTANCE OF ASSET ALLOCATION – SETTING YOUR BENCHMARK

Asset Allocation



NORGES BANK

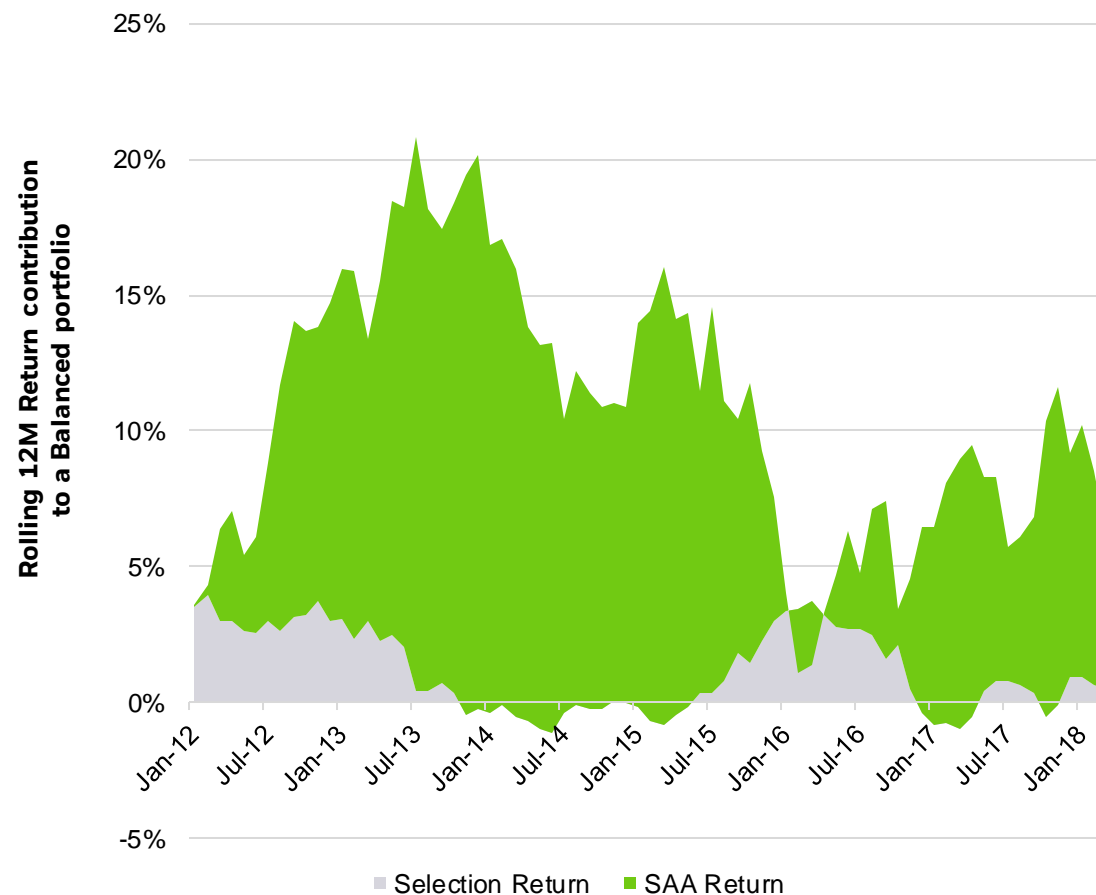


99.4% Of portfolio variance explained by benchmark choice *

0.2% Mean active return, after cost, over benchmark *

50% Of variation in active return is attributable to factors *

Fund Selection



Source: * A Review of Norges Bank's Active Management of the Government Pension Fund Global. Magnus Dahlquist, Bernt Arne Ødegaard, 5 January 2018. Reference to the company names mentioned in this document is merely for explaining the investment strategy and does not constitute investment advice, or investment recommendation for those companies.

BUILDING A MODELS BASED PRACTICE

BUILDING A MODELS-BASED PRACTICE

“The why” that’s driving the success of top producing advisors.

The benefits of a models-based practice



Scale and simplify your practice

Pursue more fee-based revenue and free up time



Manage fees with low cost ETFs and funds

Help address threat from new competitors i.e. Robo-advisory



Implement a defined investment process

Heightened regulatory scrutiny impacting advisor practices

WHAT'S THE UPSIDE? IMPLEMENTING A DEFINED INVESTMENT PROCESS

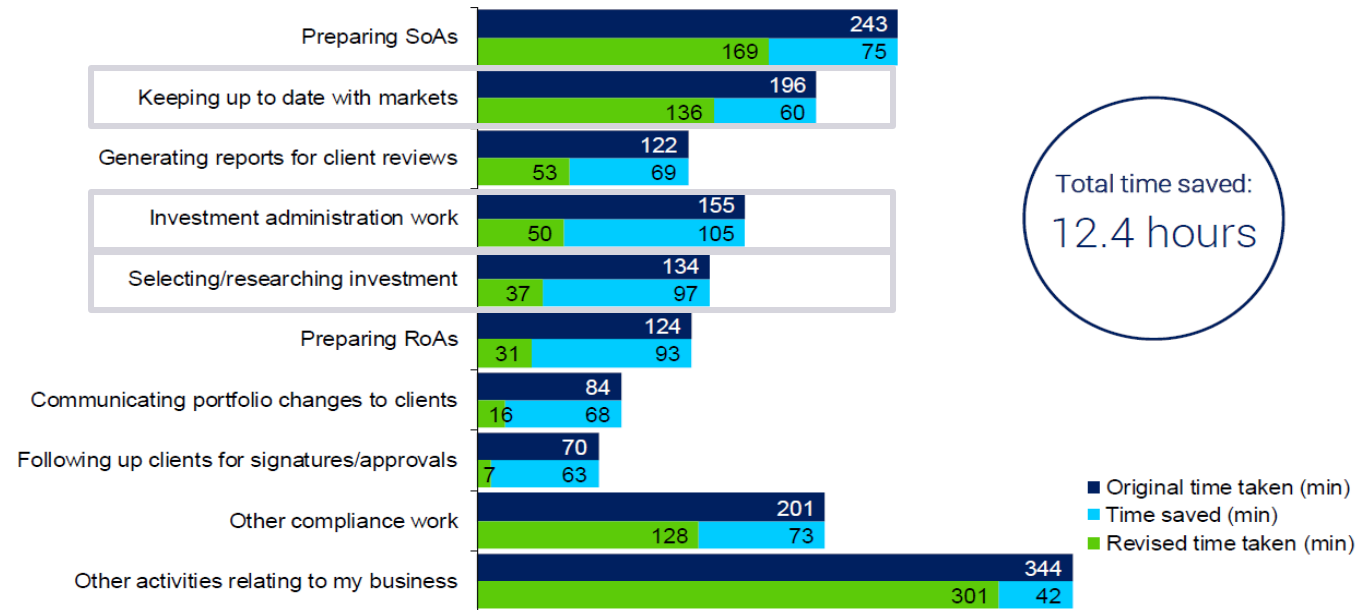
BEFORE models

- ✓ Different outcomes for clients with the same risk profile
- ✓ “Orphan” funds on the books with no documented due diligence



AFTER models

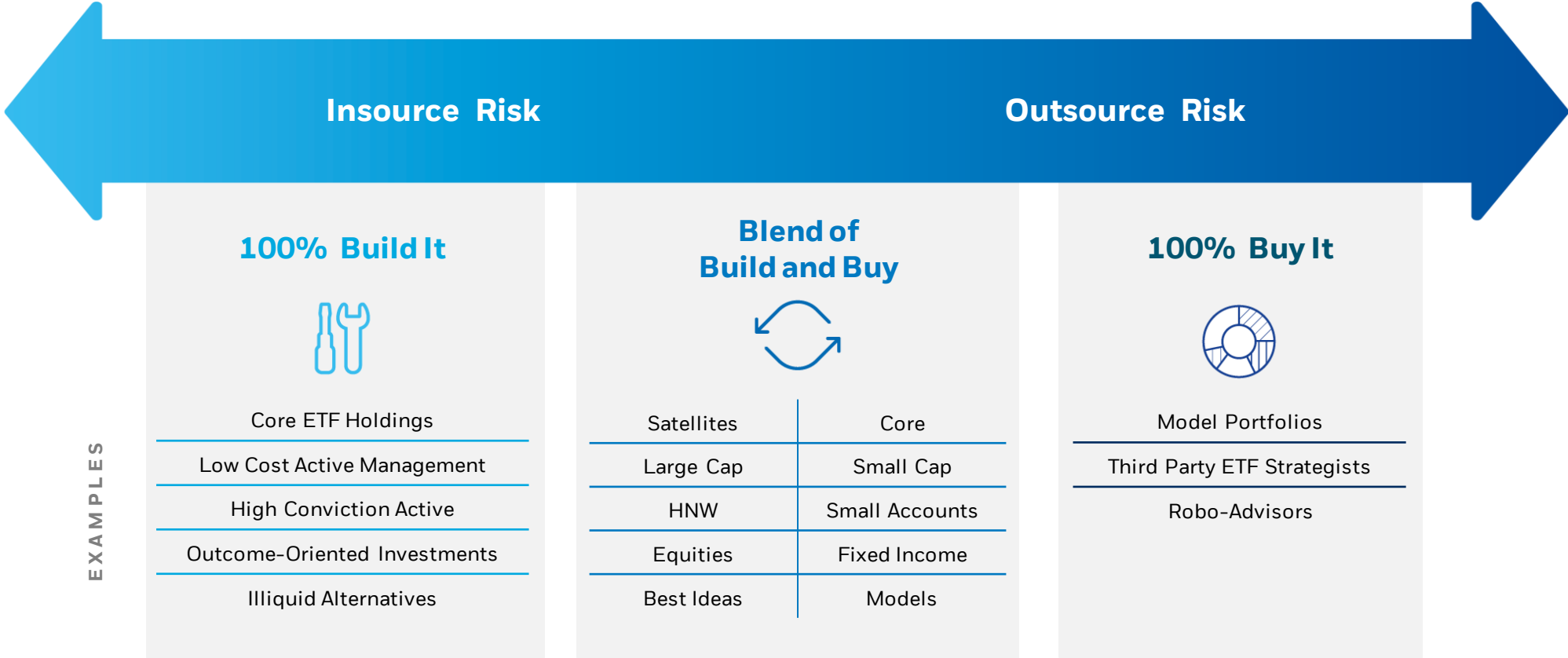
- ✓ Seek consistent client returns by risk profile
- ✓ Short list of ETFs/funds commonly held across clients



Source: Investment trends February 2018 Managed Accounts Report.

BUILD, BUY OR BLEND?

Your decision to build portfolios yourself or outsource some or all of the process may change on a client-by-client basis.



INSIGHTS LEARNED AS A GLOBAL, 3RD PARTY MODEL PORTFOLIO PROVIDER

What are advisors looking for in a model portfolio?

Simple Solution

- Intuitive, transparent portfolios
- No surprises – portfolios anchored closely around a stated risk profile

Steering Wheel

- Market aware
- Ability to respond to evolving market regime quickly
- Dynamic allocation, rebalancing & clear, tactical market views

Save client's money

- “Active for the price of passive”
- Low-cost underlying exposures within the model

Superior investment performance

- Not all great portfolio managers are necessarily great model managers.
- Need for strong pedigree in asset allocation, portfolio construction, ETF & fund due diligence expertise.

“Surround Sound”

- Advisor training
- Quarterly & Monthly commentary, webinars – includes trade rationale, market views & risk analytics
- Technology to streamline & support client conversations (social media, blogs, newsletters, video conferences, webex).

BLACKROCK MANAGED PORTFOLIO STRATEGIES

OUR VALUE PROPOSITION

Investment expertise simply delivered

| | |
|---|--|
| Active Management at Passive Prices | Adapt to changing market environments, leveraging low-cost, tax-efficient ETFs |
| Institutional Capabilities to Individual Investors | Focus on seeking consistency of results by leveraging BlackRock's industry-leading risk analytics and technology |
| A Range of Outcomes | Offer a comprehensive model suite and resources to serve as your one-stop-shop for portfolio needs |

ENHANCED STRATEGIC MODEL PORTFOLIO ALLOCATIONS – 8TH NOVEMBER 2019

| Portfolio Constituents & Weights – 08 November 2019 ¹ | | Conservative | Moderate | Balanced | Growth | Aggressive |
|--|---|--------------|--------------|--------------|--------------|--------------|
| | | | | | | |
| Composite Management Fee ² | | 0.19% | 0.19% | 0.20% | 0.19% | 0.18% |
| Australian Fixed Income | | 47.2% | 38.3% | 26.6% | 14.7% | 6.0% |
| IAF | iShares Core Composite Bond ETF | 42.5% | 35.0% | 25.0% | 14.7% | 6.0% |
| IGB | iShares Treasury ETF | 4.7% | 3.3% | 1.6% | - | - |
| International Fixed Income | | 18.0% | 14.2% | 10.5% | 6.8% | 3.8% |
| IHCB | iShares Core Global Corporate Bond (AUD Hedged) ETF | 18.0% | 14.2% | 10.5% | 6.8% | 3.8% |
| Australian Equity | | 8.7% | 17.5% | 28.5% | 39.5% | 47.9% |
| IOZ | iShares Core S&P/ASX 200 ETF | 7.2% | 15.5% | 26.0% | 36.5% | 44.4% |
| MVOL | iShares Edge MSCI Australia Minimum Volatility ETF | 1.5% | 2.0% | 2.5% | 3.0% | 3.5% |
| Developed Equity | | 9.1% | 14.0% | 21.5% | 29.0% | 34.3% |
| IVV | iShares S&P 500 ETF | 2.5% | 4.0% | 7.6% | 10.8% | 12.9% |
| IHVV | iShares S&P 500 AUD Hedged ETF | 1.7% | 2.0% | 2.4% | 3.6% | 4.3% |
| IVE | iShares MSCI EAFE ETF | 1.4% | 2.5% | - | 1.3% | 3.0% |
| WVOL | iShares EDGE MSCI World Minimum Volatility ETF | 2.5% | 3.0% | 3.5% | 4.0% | 4.5% |
| WDMF | iShares EDGE MSCI World Multifactor ETF | - | 1.5% | 2.5% | 3.5% | 4.0% |
| IJP | iShares MSCI Japan ETF | 1.0% | 1.0% | 2.5% | 2.5% | 2.6% |
| IEU | iShares Europe ETF | - | - | 3.0% | 3.3% | 3.0% |
| Emerging Equity | | - | 2.0% | 3.0% | 4.0% | 5.0% |
| IEM | iShares MSCI Emerging Markets ETF | - | 2.0% | 3.0% | 4.0% | 5.0% |
| Cash | | 17.0% | 14.0% | 9.9% | 6.0% | 3.0% |
| ISEC | iShares Enhanced Cash ETF | 14.5% | 11.5% | 7.4% | 3.5% | - |
| BAUBIL | AusBond Bank Bill Index | 2.5% | 2.5% | 2.5% | 2.5% | 3.0% |

¹ 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. This is not a securities recommendation to invest in any particular financial product.

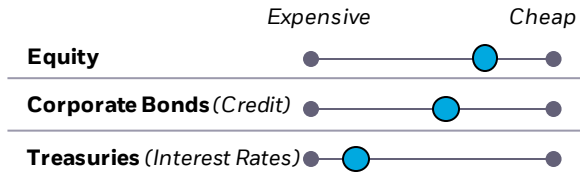
² Composite Management Fee is as of 08 November 2019 and subject to change. Composite Management Fee is the weighted of the underlying individual iShares ETFs' management fees included in the model portfolios.

This not a securities recommendation to invest in any particular financial product. No analysis of their suitability was conducted and no statement of opinion in relation to their suitability is provided.

DESIGNING A WELL-BALANCED ALLOCATION FOR RELATIVE VALUE OPPORTUNITIES

Model objective – To seek to match or outperform the strategic asset allocation benchmark over a rolling five year period.

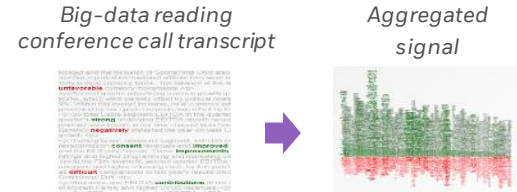
Valuation



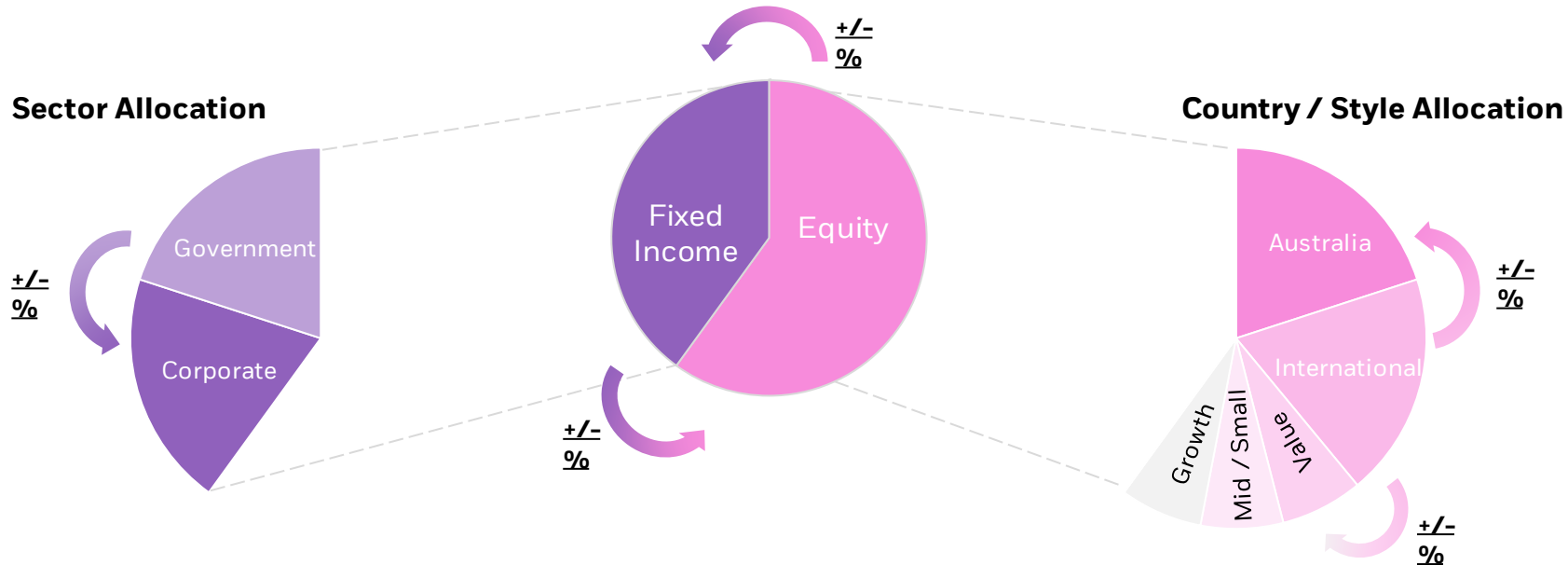
Momentum



Sentiment



Tactical tilts



For illustrative purposes only.

RISK MANAGEMENT IN ACTION

Industry-leading Aladdin® technology

30,000

Investment professionals around the world rely on Aladdin

9,300

Mutual Funds and ETFs analyzed by Aladdin

3,000

Risk factors assessed by Aladdin



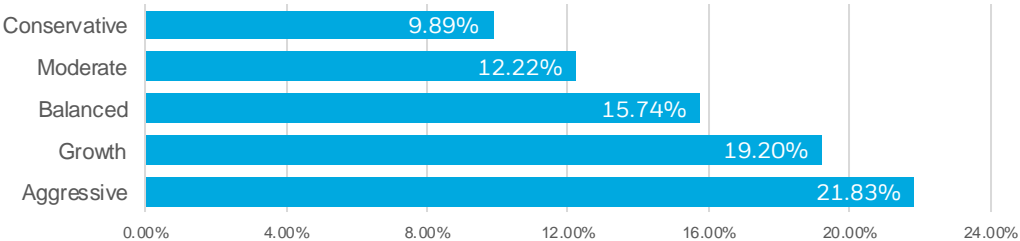
About Aladdin®

- BlackRock's proprietary risk-management technology
- An “X-ray” for portfolio holdings that helps Portfolio Managers make **better-informed decisions**:
 - Understand real risks
 - Avoid unintended exposures
 - Model ‘What-If’ scenario

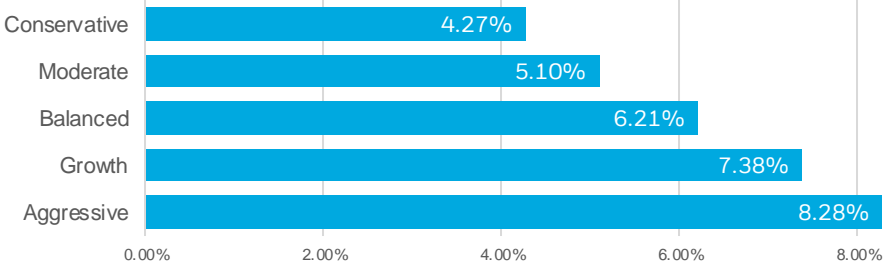
Data as of 11/30/18. For illustrative purposes only.

ENHANCED STRATEGIC MODELS - PERFORMANCE AS OF 31ST DEC 2019

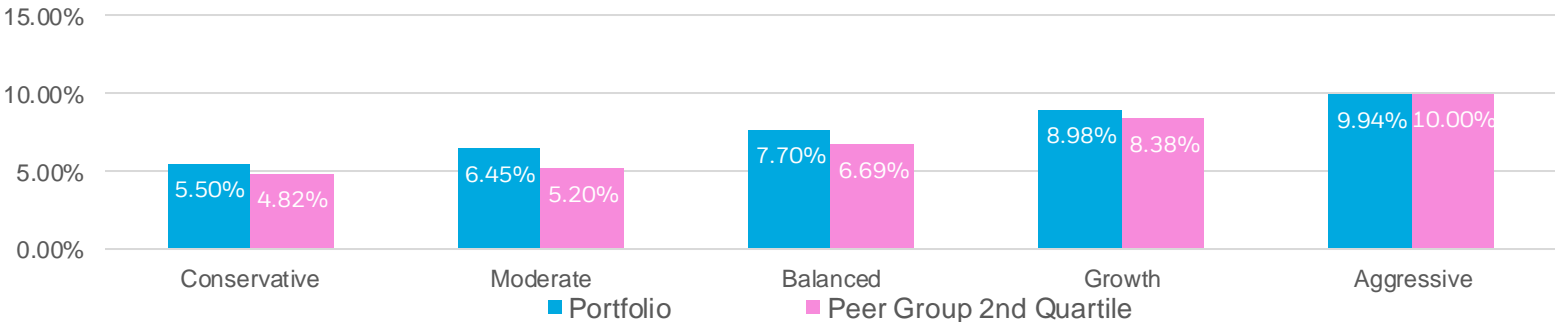
Year-to-Date



Since Inception - Annualised



Trailing Three Years - Annualised



Source: BlackRock, MorningStar as at 30 September 2019. Performance of model portfolios are net of iShares ETF fees (approx. 20-25bps per model p.a.), but gross of the platform fees. Model portfolios have an inception date of 30 January 2015. Since inception returns are annualized. Past performance is not a reliable indicator of future performance. This is not a securities recommendation to invest in any particular financial product. No analysis of their suitability was conducted and no statement of opinion in relation to their suitability is provided. Peer comparison shown is for illustrative purposes only and does not purport to compare all funds in the same investment universe.

QUESTIONS

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