

An introduction
to iShares ETFs





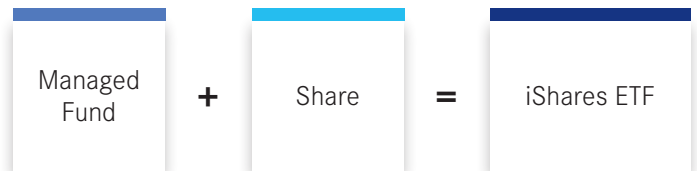
iShares is the world leader in
Exchange Traded Funds

What are iShares ETFs?

Exchange Traded Funds (ETFs) are one of the fastest-growing investment products in the world, offering investors a simple and cost-effective way to achieve diversification in their investment portfolios.

iShares ETFs blend the benefits of both managed funds and shares. They offer efficient, low-cost diversification, combined with flexibility and liquidity.

iShares ETFs can be bought and sold on a stock exchange like shares. And, like managed index funds, they contain a diversified portfolio of securities designed to track specific indices. Some indices are narrow, tracking a single market sector with minimal holdings, while others are as broad as the entire market with hundreds of holdings. This means investors can use iShares ETFs to gain the exposure and diversification they want, quickly and simply.



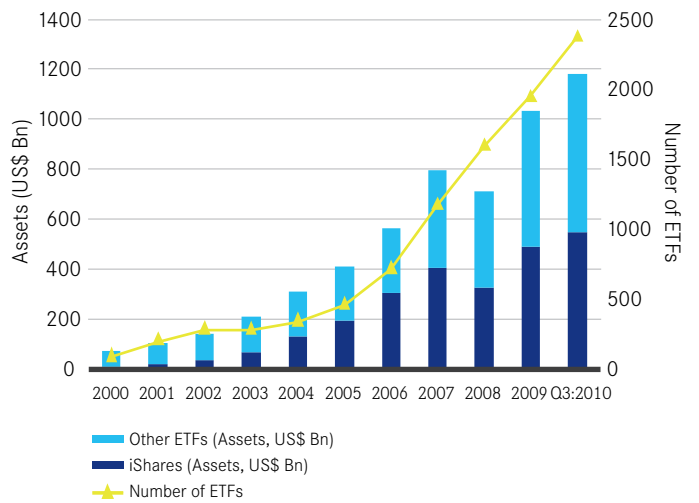
ETFs – a rapid growth story

The growth in the ETF industry has been phenomenal.

Since the launch of the first ETF in 1993, the ETF industry has grown to over US\$1 trillion in assets with over 2,300 ETFs available around the world. iShares is the world's leading provider of ETFs, with over 460 funds available worldwide and over US\$530 billion in assets under management.

The graph to the right shows the global growth in ETF and iShares assets during the past ten years.

Global growth of ETFs





iShares ETFs offer investors all
the benefits of index investments
but with far more flexibility

Key benefits of ETFs

Diversification

A single ETF trade provides instant exposure to a diversified portfolio of securities. This can be as broad as a few hundred shares in the case of an index like the MSCI Australia 200, or as narrow as 20 holdings in the case of the S&P/ASX 20 Index. This diversification helps reduce concentration risk in portfolios.

Cost efficiency

iShares ETFs are a cost-effective way to gain exposure to a diversified portfolio of securities. They are generally less expensive than investing in actively managed funds and even some index funds. They can also be less costly than purchasing a large number of individual shares as there are less trading costs.

Flexibility

Like shares, iShares ETFs provide investors with the flexibility to trade at any time during market hours. Priced throughout the trading day, iShares can be bought or sold like a share, through any broker, investment adviser or online trading platform. And, because ETFs trade like shares, they can be bought on margin and place limit and stop orders.

Transparency

With holdings published as often as daily, iShares ETFs are highly transparent, you always know exactly what you own. ETFs are also transparent around costs through upfront fee disclosure, so you know exactly what you are paying for.

Liquidity

ETFs are as simple to buy and sell as individual shares. The listed nature of ETFs provides investors with the liquidity to react to changing market conditions quickly and simply.

Tax efficiency

Compared to actively managed funds, ETFs may prove more tax efficient as a result of lower levels of portfolio turnover. Also, trading in and out of ETFs does not increase portfolio turnover within the ETF, which can help keep them tax efficient.

Diversification: a case in point

Diversification through a single trade

iShares ETFs are designed to track an index that represents an asset class (such as large or small caps). To do this requires that the ETF holds many different shares, and usually dozens from within that asset class. So with a single trade on the ASX, iShares ETFs let you instantly gain index-like diversification over an entire asset class.

Every iShares ETF, such as the iShares S&P/ASX 20 provides a well-diversified representation of its asset class that can be accessed in one simple trade.

iShares S&P/ASX 20*

BHP Billiton	Westfield Group
Commonwealth Bank of Australia	Woodside Petroleum
Westpac Banking Corp	CSL
ANZ Banking Group	QBE Insurance Group
National Australia Bank	Origin Energy
Wesfarmers	Macquarie Group
Woolworths	Foster's Group
Rio Tinto	Suncorp-Metway
Newcrest Mining	AMP
Telstra Corp	Brambles

*Index data as at September 30, 2010, which is provided for illustrative purposes only. Holdings are subject to change. Source: Bloomberg.

Using iShares ETFs in portfolios

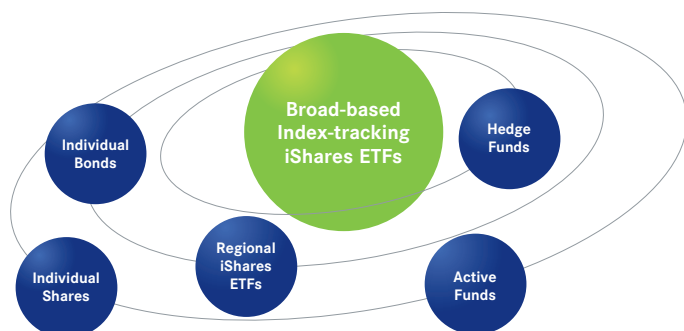
iShares cover the investment landscape from all angles. You can invest by asset class, market capitalisation, country and sector. The simple and flexible nature of iShares ETFs means they can play a central role in any investment portfolio. In consultation with your investment adviser, you can adopt any number of strategies using iShares ETFs.

Core solutions with iShares

iShares ETFs offer efficient solutions for building the core of your portfolios.

Investors can use iShares ETFs based on a broad market index, such as the MSCI Australia 200, as a cost-efficient core component of their portfolio. The aim of the core is to deliver returns in line with the market's performance. Using an ETF to buy a core position provides cost-effective diversification and reduces overall portfolio risk.

Then there are the satellites, which are typically more focused investments aiming to generate returns above those of your core portfolio. Satellites can include ETFs with specific exposure, such as single country or sector iShares ETFs, or individual stock positions.



Portfolio rebalancing

iShares ETFs provide a simple, quick and cost effective way to rebalance the exposures in your portfolio. Regularly rebalancing your portfolio ensures that your investment portfolio consistently reflects the original asset allocation strategy and investment objectives.

Access specific asset classes

iShares ETFs can be used to instantly invest in a specific market sector, country or region that you believe may outperform the overall market. In addition, iShares ETFs allow you to gain exposure to markets that are often difficult to access, such as Brazil, China or India.

Buy and hold

As part of a long-term investment strategy, iShares ETFs offer investors the benefits of index investments but with far more flexibility.

Know the differences...

Know the differences between investing in ETFs, direct shares and managed funds...

	Share	ETF	Traditional managed fund
Diversification of investment	Low – Individual securities	High – Basket of securities	Depends on different funds – Basket of securities
Pricing	Continuous intra-day pricing	Continuous intra-day pricing	Daily quote after market close
Liquidity	Varies	Comparatively higher	Varies between daily, monthly and quarterly
Transparency	n/a	Fund holdings disclosed as often as daily	Varies
Fee	Varies, but multiple trades may increase transaction costs	Comparatively lower due to fewer trades and index style investing	Varies, but active funds generally incur higher management costs
Short-selling (of investment)	Yes	Yes	No
Limit order	Yes	Yes	No

How to buy iShares ETFs

iShares ETFs trade on the Australian Securities Exchange (ASX). Buying and selling iShares ETFs work in the same way as listed shares:

- Can be bought and sold anytime during ASX trading hours through any broker, investment adviser or online trading platform.
- Use the same trading strategies associated with shares (market, limit and stop orders, for example).
- Pricing is daily, meaning you can view the price movements just as you would with shares.
- There is no minimum investment amount.

The people behind iShares ETFs

iShares is the world's leading family of ETFs with over 460 funds trading on 19 exchanges worldwide. These funds account for close to 50 per cent of the global market; more than triple our nearest competitor*. iShares ETFs were first launched in Australia in October 2007.

iShares ETFs are brought to you by BlackRock, one of the world's leading investment managers and itself an index-investing pioneer over many decades. At September 30, 2010, BlackRock's assets under management (AUM) were US\$3.446 trillion. Headquartered in New York City, the firm has approximately 8,900 employees in 24 countries and a major presence in key global markets, including North and South America, Europe, Asia, Australia, the Middle East and Africa. This presence in every major capital market gives BlackRock vital insights into global financial markets and is a reason behind the company's phenomenal growth in the past decade.

BlackRock's strength and stability are just some of the reasons for choosing iShares ETFs.



Like a share, iShares ETFs can be bought and sold through any broker, investment adviser or online trading platform.



For more information

Talk to your investment adviser

Visit our website at iShares.com.au

Call 1300 iShares (1300 474 2737)

Important Information

Before investing in an iShares exchange traded fund, you should carefully consider whether such products are appropriate for you, read the applicable prospectus or product disclosure statement ("PDS") available at iShares.com.au and consult an investment adviser.

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