

# iShares Edge MSCI Australia Multifactor ETF (AUMF)

BUILDING BETTER PORTFOLIOS • October 2016

## Why iShares Edge MSCI Australia Multifactor ETF?

- ▶ **Seek factor-driven outperformance** over the long term in a portfolio of Australian stocks with a similar profile and risk to the broad market
- ▶ **Target four proven drivers of return** in your Australian equities exposure: Quality (financially healthy firms), Value (inexpensive stocks), Size (smaller companies) and Momentum (trending stocks)
- ▶ **Gain cost-efficient access** to a rules-based factor investing strategy at less than one quarter of the average cost of Australian managed funds<sup>2</sup>

## Understanding the MSCI Australia IMI Diversified Multiple-Factor (AUD) Index

The MSCI Australia IMI Diversified Multiple-Factor (AUD) Index constitutes a subset of the MSCI Australia IMI (AUD) Index, which offers exposure to large, mid and small-cap stocks. Its aim is to provide investors with an index that maximises factor exposure while targeting a market risk similar to the MSCI Australia IMI (AUD) Index. The index is constructed by factor scoring all MSCI Australia IMI (AUD) Index securities and subsequently passing them through an optimisation process to determine the index's constituents and weightings. It is rebalanced on a semi-annual basis.

**AUMF**

iShares Edge MSCI Australia Multifactor ETF

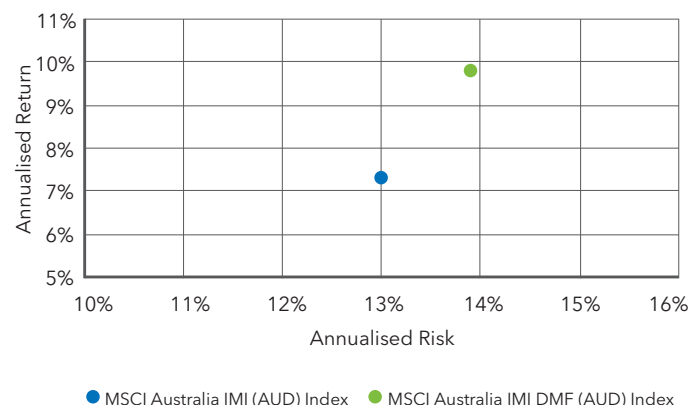
### Key Facts<sup>1</sup>

Ticker	AUMF
Domicile & Listing	Australia, ASX
Benchmark Index	MSCI Australia IMI Diversified Multiple-Factor (AUD) Index
Distribution Frequency	Semi-Annual
Management Fee	0.30%
# of constituents	93

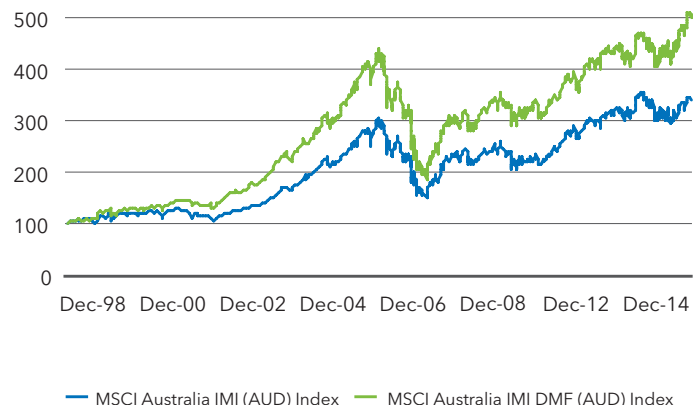
## Historical Performance

- ▶ Using back-tested data the MSCI Australia IMI Diversified Multiple-Factor (AUD) Index has outperformed the MSCI Australia IMI (AUD) Index over the long-term
- ▶ The improved returns have been achieved with a similar level of risk to the parent index, the MSCI Australia IMI (AUD) Index

## RISK RETURN COMPARISON, DEC 1998-AUG 2016<sup>1</sup>



## PERFORMANCE COMPARISON, DEC 1998-AUG 2016<sup>1</sup>



<sup>1</sup> Source: BlackRock and MSCI, as at 7 September 2016. Net returns in AUD. Annualised risk is measured by calculating the standard deviation of historical monthly returns. Some of the above index data refers to simulated past performance which is not a reliable indicator of future performance.

<sup>2</sup> Source: BlackRock, Morningstar, as of 31 March 2016. Comparison is between the management fee (or indirect cost ratio) of the iShares Edge Smart Beta ETF range (0.30% for MVOL, WVOL, AUMF and 0.35% for WDMF) and the average indirect cost ratio of the Morningstar Australian Investment Trust universe (1.42% excluding outliers to provide a more conservative measure). The Morningstar Australian Investment Trust universe is comprised of over 2,800 open-ended funds, including Unit Trusts, Superannuation Funds, Allocated Pensions and Term Allocated Pensions. Management fee / indirect cost ratio is quoted as a percentage of annual average net assets. For illustrative purposes only. This is not a 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. Past performance is not a reliable indicator of future performance.

# MSCI Australia IMI Diversified Multiple-Factor (AUD) Index Methodology

STARTING UNIVERSE: MSCI AUSTRALIA IMI (AUD) INDEX (216 CONSTITUENTS<sup>3</sup>)

EACH SECURITY IS RATED FOR THE FOLLOWING FOUR FACTORS<sup>4</sup>



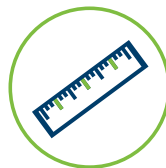
## QUALITY

Companies with healthy balance sheets



## VALUE

Stocks that are cheap relative to fundamentals



## SIZE

Smaller, more nimble companies



## MOMENTUM

Stocks on an upswing

- ▶ Each security receives a score for each factor
- ▶ The factor scores are then weighted equally and combined to form an aggregate score

All securities are passed through an optimisation process to select the subset of securities producing the highest factor exposure at similar market risk to the MSCI Australia IMI (AUD) Index

### Construction Process

- ▶ Maximises exposure to the four factors
- ▶ Targets total risk in line with starting universe
- ▶ Limits constituent, sector and country weights
- ▶ Limits unintended style bets
- ▶ Limits turnover

Excluded MSCI Australia IMI (AUD) Index securities, based on optimiser output (124 securities<sup>3</sup>)

MSCI Australia IMI Diversified Multiple-Factor (AUD) Index (93 constituents<sup>3</sup>)

## Brought to you by BlackRock

BlackRock is a leader in smart beta with over 30 years of expertise in research and implementation. While active managers have employed these strategies for decades, today iShares offers investors access to factors in low cost, transparent ETFs.

BlackRock is trusted to manage more money than any other investment manager in the world,<sup>5</sup> helping millions of people and the world's biggest institutions and governments reach their investing goals.

<sup>3</sup> Source: MSCI as at August 2016.

<sup>4</sup> For information on MSCI's Factor Indexes, please visit: <https://www.msci.com/factor-indexes>.

<sup>5</sup> Source: BlackRock. Based on US\$4.89 trillion in AUM as of 30 June 2016.

## Want to know more?

 Learn more about the complete suite of iShares Edge Smart Beta ETFs at [blackrock.com/au/smartbetaseries](http://blackrock.com/au/smartbetaseries)

### IMPORTANT INFORMATION

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