

# A NEW PORTFOLIO APPROACH

**iShares**  
by BlackRock

Minimum Volatility ETFs for the core of your portfolio

Establishing an appropriate asset allocation and staying invested in the markets are important determinants of successful investing. But volatility can unnerve investors, causing them to abandon their plans and jeopardize their long-term goals.

iShares Minimum Volatility ETFs are core equity investments that have delivered market-like returns with less risk.\* And because they can help weather the ups and downs of the market, they can help give investors the confidence to stay invested.

As shown below, these funds have historically lost less during market declines – while still capturing meaningful gains during upswings.

## Focus on upside/downside capture

Upside capture measures the portion of market return captured by a fund during positive months for an index. Downside capture refers to the portion of market return captured by a fund during negative months for an index.

### USMV

**iShares MSCI USA  
Min Vol Factor ETF**  
Exp. Ratio: 0.15%

### EFAV

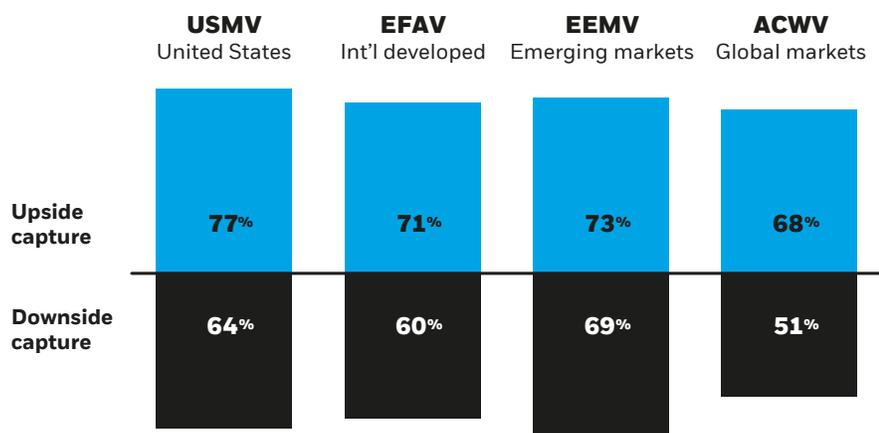
**iShares MSCI EAFE  
Min Vol Factor ETF**  
Net Exp. Ratio: 0.20%†

### EEMV

**iShares MSCI  
Emerging Markets  
Min Vol Factor ETF**  
Net Exp. Ratio: 0.25%†

### ACWV

**iShares MSCI Global  
Min Vol Factor ETF**  
Net Exp. Ratio: 0.20%†



\*Source: Morningstar, as of 9/30/21. Based on fund and index returns from 11/01/11 – 9/30/21. Data compares USMV to the S&P 500, EFAV to the MSCI EAFE Index, EEMV to the MSCI Emerging Markets Index and ACWV to the MSCI ACWI Index. **Index returns are for illustrative purposes only and do not represent actual iShares Fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance, see [www.iShares.com](http://www.iShares.com). For standardized fund performance, see the end of this document.** BlackRock Investments, LLC, has contractually agreed to waive a portion of its management fees for EFAV, EEMV and ACWV. For more information, please see end of this document.

iShares Minimum Volatility ETFs can help strengthen portfolios

**1**

#### The problem:

Volatility can drive poor decision making

**2**

#### A potential solution:

iShares Minimum Volatility ETFs

**3**

#### How to implement:

Consider using core investments in your portfolio

**iShares.com**

# 1 The problem: Volatility can drive poor decision making

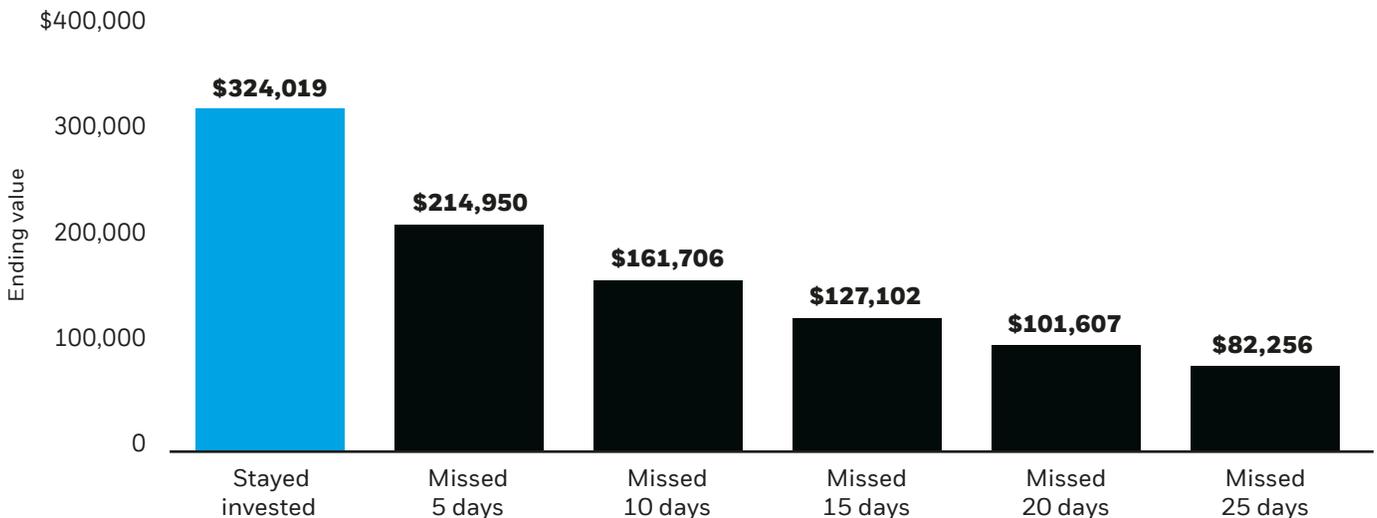
Your asset allocation — the mix of stocks, bonds and other investments in your portfolio — is an important determinant of your investment outcome. That's why financial professionals work so hard to establish the right asset allocation for each investor they serve.

While establishing the right asset allocation is a critical first step, the real challenge comes later — that is, will investors stick with their plan when the stock market gets volatile?

Unfortunately, many investors do the opposite — sell during times of volatility and miss out when markets turn back up. As a result, investors could underperform the overall market.

## Missing top-performing days can hurt your return

Hypothetical investment of \$100,000 in the S&P 500 Index over 20+ years (1998-2020)



Bloomberg, as of 12/31/20. Daily data from 01/01/98 to 12/31/20 on the S&P 500. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

## If it seems like the markets have been rockier than they used to be, you're right.

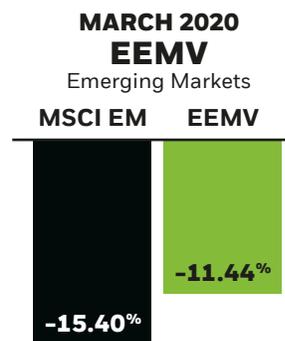
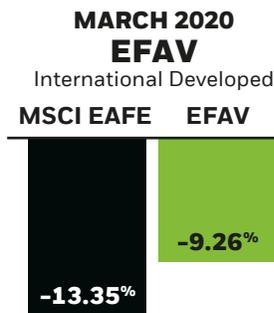
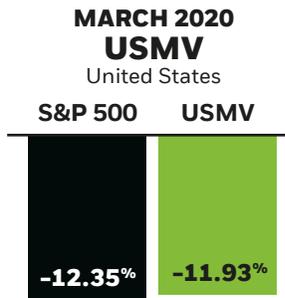
Number of days the S&P 500 Index moved +/- 2% on a single trading day, by decade:



Source: Bloomberg, daily data from 01/01/80 to 12/31/20 for the S&P 500. Past performance is not necessarily indicative of future results.

# 2 A potential solution: iShares Minimum Volatility ETFs

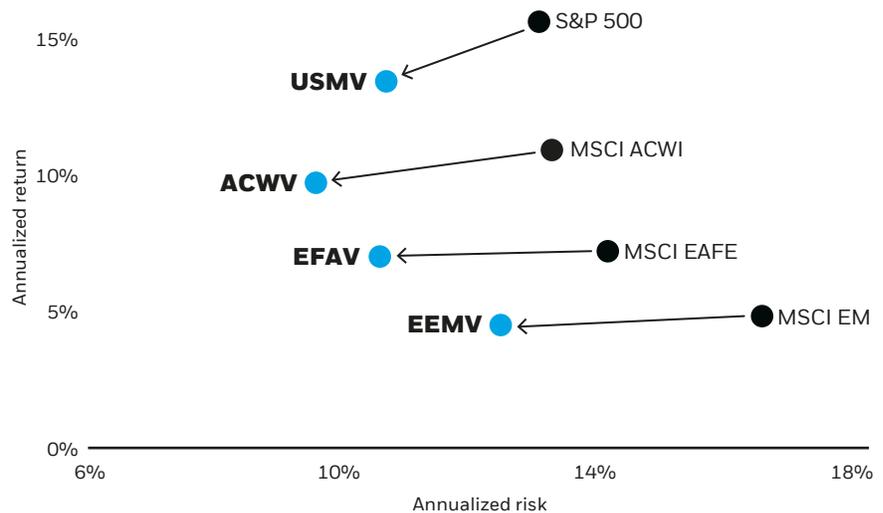
## Worst month for market benchmarks since fund inception\*



iShares Minimum Volatility ETFs have a track record of delivering market-like returns with less risk. Importantly, they have lost less during the most severe downturns, when broad markets suffered most.\*

These ETFs seek to track indices that screen for low volatility stocks, take into account the correlations among them and then generate optimized portfolios with guardrails in place to limit sector and country concentrations.

## iShares Minimum Volatility ETFs: A track record of market-like returns with less risk



Source: Morningstar. Data shown based on fund and index returns from 11/01/11 – 9/30/21. Risk is represented by standard deviation, which measures how dispersed returns are around the average. A higher standard deviation indicates that returns are spread out over a larger range of values and thus, more volatile. Index data are for illustrative purposes only. **Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance, see www.iShares.com. For standardized fund performance, see the end of this document.**

## Two reasons why minimum volatility strategies have worked:

- 1 Structural impediments** are market rules or restrictions that have made some investments off-limits to certain investors. For example, institutions like pensions and endowments often have high return targets, but they are typically restricted from using leverage. As a result, they purchase higher-risk stocks with the hope of boosting returns. Prices of high volatility stocks are pushed up, leaving lower volatility stocks underpriced.
- 2 Behavioral bias** refers to the idea that not all investors are perfectly rational all the time. Also known as the “lottery effect”, behavioral bias pushes investors to bet on the next big idea, even if the odds are stacked against them. Flashy, riskier stocks often get more attention while lower risk stocks are overlooked.

\* Source: Morningstar, as of 9/30/21 based on monthly performance from 11/01/11 - 9/30/21.

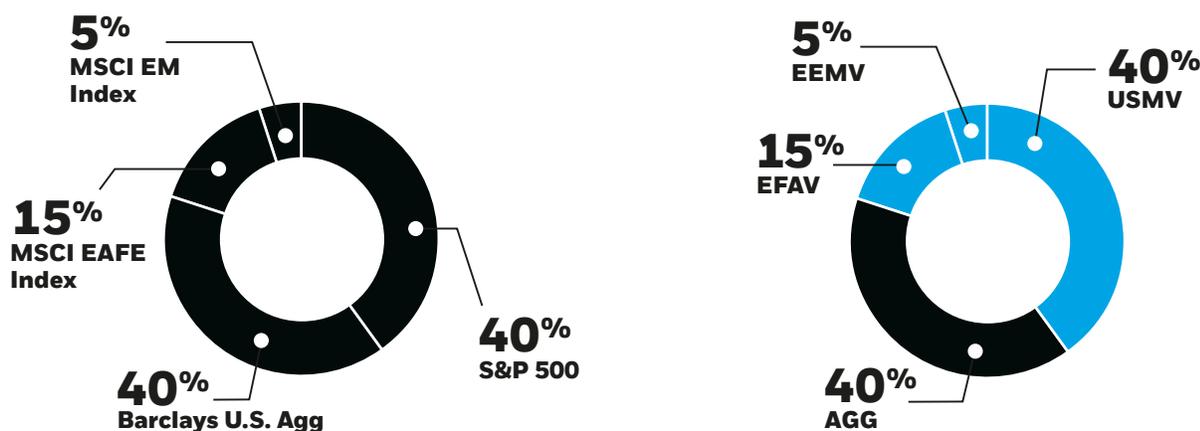
**Past performance does not guarantee future results. For standardized fund performance, see the end of this document.**

# 3 Getting started: Use as core investments in your portfolio

Diversified portfolios generally allocate across U.S., international and emerging markets stocks. That’s why iShares Minimum Volatility ETFs are available across these major equity building blocks.

You can consider using iShares Minimum Volatility ETFs at the core of your portfolio because of the way their MSCI indexes are constructed – sectors and countries are tightly constrained to +/- 5% of the broad market index.\*

The graphic below illustrates the potential impact of replacing a traditional equity portfolio with minimum volatility ETFs. Over the period analyzed, risk-adjusted returns improved and drawdowns were reduced by more than 50%, demonstrating the potential benefits of using minimum volatility ETFs as a core equity replacement.



Base	
13.40%	Standard deviation
1.14%	Sharpe ratio
-19.60%	Max drawdown
-12.35%	Worst month
15.90%	Return

Minimum volatility	
10.60%	Standard deviation
1.18%	Sharpe ratio
-19.08%	Max drawdown
-11.93%	Worst month
13.80%	Return

Source: BlackRock and Morningstar. Data shown is for 11/01/11 – 9/30/21. Annualized volatility is represented by standard deviation and measures the historical volatility of a portfolio’s return. The Sharpe ratio characterizes how well the return of a portfolio compensates the investor for the risk taken. The higher the Sharpe Ratio, the better a portfolio’s historical risk-adjusted returns have been. Base portfolio based on index data. Minimum volatility portfolio based on fund data, net of fees. The portfolios rebalanced semi-annually. Sample portfolios are strictly for illustrative and educational purposes only, and do not represent a recommendation of any security or asset allocation strategy. Returns are hypothetical and are not representative of any funds or investments. **Index data are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance, see www.iShares.com. For standardized fund performance, see the end of this document.**

## USMV in the Core

For investors seeking less volatility, USMV can be considered as a potential replacement for traditional allocation to U.S. equities like the S&P 500 Index.

### 0.89

#### Correlation

USMV had a 0.89 correlation to the S&P 500. A correlation closer to 1.00 means the two often move in lockstep.

Correlation refers to the degree to which two securities move together.

Source: Morningstar, as of 9/30/21. Correlations and Beta from 11/01/11 to 9/30/21. Past performance is not necessarily indicative of future results.

\* Source: MSCI Index Methodology.

### 0.73

#### BETA

USMV had a beta of 0.73, which means it’s more than a quarter less volatile than the S&P 500 index.

Beta refers to a stock’s tendency to respond to swings in the market.

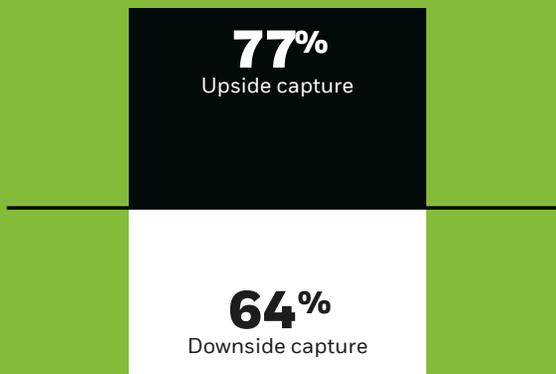
# So how do other investments compare to USMV?

**USMV**

iShares MSCI USA  
Min Vol Factor ETF  
Exp. Ratio: 0.15%

## Upside/downside capture

11/01/11 – 9/30/21  
USMV vs. S&P 500:



Helping you weather the market's ups and downs combined with all the benefits you've come to expect from ETFs.

Low cost<sup>1</sup>

Tax efficient<sup>2</sup>

**1,493**

U.S. equity mutual funds

**5**

of the 1,493 mutual funds have a downside capture <64% vs. the S&P 500

**0**

None of those 4 mutual funds have an upside capture >77% vs. the S&P 500

Source: Morningstar, as of 9/30/21. Mutual Fund universe based on the oldest share class in the "U.S. Equity" Morningstar category inception before 11/01/11. **Past performance does not guarantee future results. For standardized performance, please see the end of this document.**

## Standard performance as of 9/30/21

Fund name	Fund inception date	Gross expense ratio	Net expense ratio	1-year returns		5-year returns		10-year returns		Since inception	
				NAV	Mkt price	NAV	Mkt price	NAV	Mkt price	NAV	Mkt price
USMV	10/18/11	0.15%	0.15%	17.00%	17.10%	12.26%	12.26%	-	-	13.54%	13.54%
EFAV†	10/18/11	0.32%	0.20%	12.52%	12.41%	5.45%	5.35%	-	-	7.23%	7.21%
EEMV†	10/18/11	0.70%	0.25%	16.69%	16.30%	5.80%	5.60%	-	-	5.00%	4.99%
ACWV†	10/18/11	0.32%	0.20%	13.96%	13.73%	8.65%	8.56%	-	-	9.90%	9.88%
AGG†	9/22/03	0.05%	0.04%	-0.93%	-0.96%	2.90%	2.86%	2.95%	2.92%	3.97%	3.96%
<b>MSCI USA Minimum Volatility (USD) Index</b>	-	-	-	17.19%	-	12.45%	-	14.19%	-	13.73%	-
<b>MSCI EAFE Minimum Volatility (USD) Index</b>	-	-	-	12.91%	-	5.55%	-	7.48%	-	7.33%	-
<b>MSCI Emerging Markets Minimum Volatility Index</b>	-	-	-	18.07%	-	6.27%	-	5.73%	-	5.33%	-
<b>MSCI All Country World Minimum Volatility Index</b>	-	-	-	14.08%	-	8.48%	-	9.92%	-	9.67%	-

**Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance see [www.iShares.com](http://www.iShares.com).**

Performance shown reflects fee waivers and/or expense reimbursements by the investment professional to the fund for some or all of the periods shown. Performance would have been lower without such waivers. Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Any applicable brokerage commissions will reduce returns. Beginning August 10, 2020, market price returns for BlackRock and iShares ETFs are calculated using the closing price and account for distributions from the fund. Prior to August 10, 2020, market price returns for BlackRock and iShares ETFs were calculated using the midpoint price and accounted for distributions from the fund. The midpoint is the average of the bid/ask prices at 4:00 PM ET (when NAV is normally determined for most ETFs). The returns shown do not represent the returns you would receive if you traded shares at other times.

† BlackRock Fund Advisors ("BFA"), the investment adviser to the Funds and an affiliate of BlackRock Investments, LLC, has contractually agreed to waive a portion of the expenses for EFAV through November 30, 2026; for EEMV & ACWV through December 31, 2023 and for AGG through June 30, 2026.

**1** BlackRock and Morningstar, as of 12/31/20. USMV expense ratio is 0.15%. The average active mutual fund in the Morningstar large blend category is 0.67%. **2** No iShares Minimum Volatility ETF has ever distributed a capital gain as of 12/31/2020. **Past distributions are not indicative of future distributions.**

**Carefully consider the Funds' investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com). Read the prospectus carefully before investing.**

**Investing involves risk, including possible loss of principal.**

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries.

There can be no assurance that performance will be enhanced for funds that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a fund may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses.

The iShares Minimum Volatility ETFs may experience more than minimum volatility as there is no guarantee that the underlying index's strategy of seeking to lower volatility will be successful.

The strategies discussed are strictly for illustrative and educational purposes and should not be construed as a recommendation to purchase or sell, or an offer to sell or a solicitation of an offer to buy any security. There is no guarantee that any strategies discussed will be effective. The information presented does not take into consideration commissions, tax implications or other transactions costs, which may significantly affect the economic consequences of a given strategy or investment decision.

Diversification and asset allocation may not protect against market risk or loss of principal. The Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

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