



# iShares Edge Minimum Volatility ETFs

A new approach for the core of your portfolio

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



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



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



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



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 Edge Minimum Volatility ETFs are core equity investments that have delivered market-like returns with less risk.<sup>1</sup> And because they help weather the ups and downs of the market, they can help give investors the confidence to stay invested.

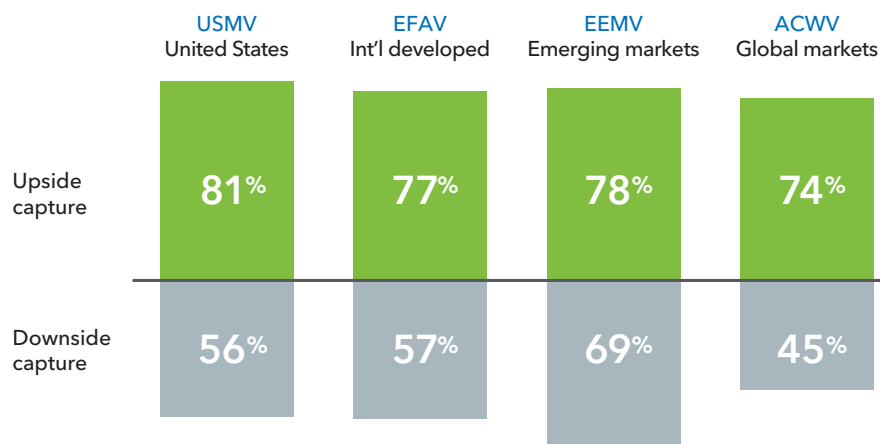
As shown below, these funds have historically lost less during market declines—while still capturing meaningful gains during upswings.

## Learn how iShares Edge Minimum Volatility ETFs can help strengthen portfolios

- 1**  
**The problem:**  
Volatility can drive poor decision making
- 2**  
**A potential solution:**  
iShares Edge Minimum Volatility ETFs
- 3**  
**Getting started:**  
Use as core investments in your portfolio

### 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.



Source: Morningstar, as of 12/31/18. Based on fund and index returns from 11/1/11 – 12/31/18. 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. Past performance does not guarantee future results. For standardized performance for the iShares funds, please see the end of this document.**

# 1

## The problem: Volatility can drive poor decision making

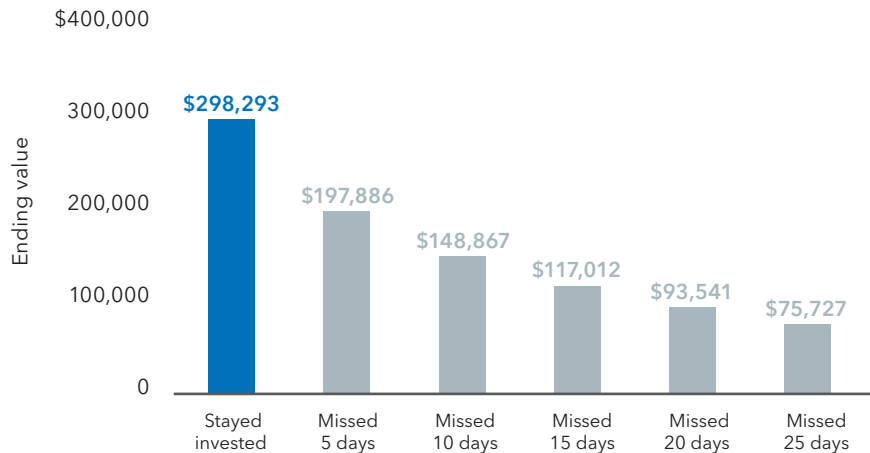
Your asset allocation—the mix of stocks, bonds and other investments in your portfolio—is an important determinant of your investment outcome. That’s why advisors work so hard to establish the right asset allocation for each investor they serve.

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? For many investors, the answer is no.

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

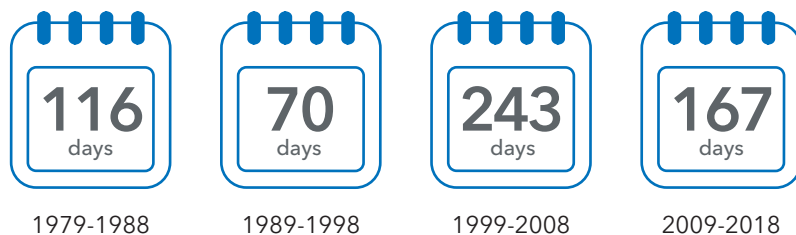
Hypothetical investment of \$100,000 in the S&P 500 index over 20 years (1998-2018)



Bloomberg, as of 12/31/18. Daily data from 1/1/2008 to 12/31/18 for 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 1/1/1979 to 12/31/2018 for the S&P 500. Past performance is not necessarily indicative of future results.

# 2

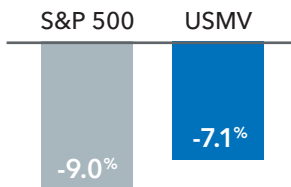
## A potential solution: iShares Edge Minimum Volatility ETFs

Worst month for market benchmarks since fund inception

DECEMBER 2018

**USMV**

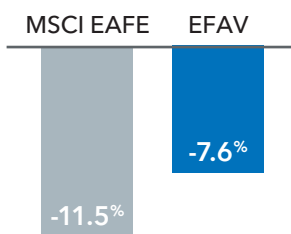
United States



MAY 2012

**EFAV**

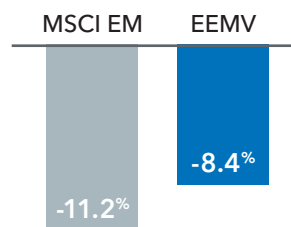
International Developed



MAY 2012

**EEMV**

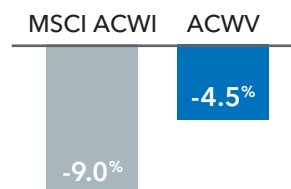
Emerging Markets



MAY 2012

**ACWV**

Global Markets

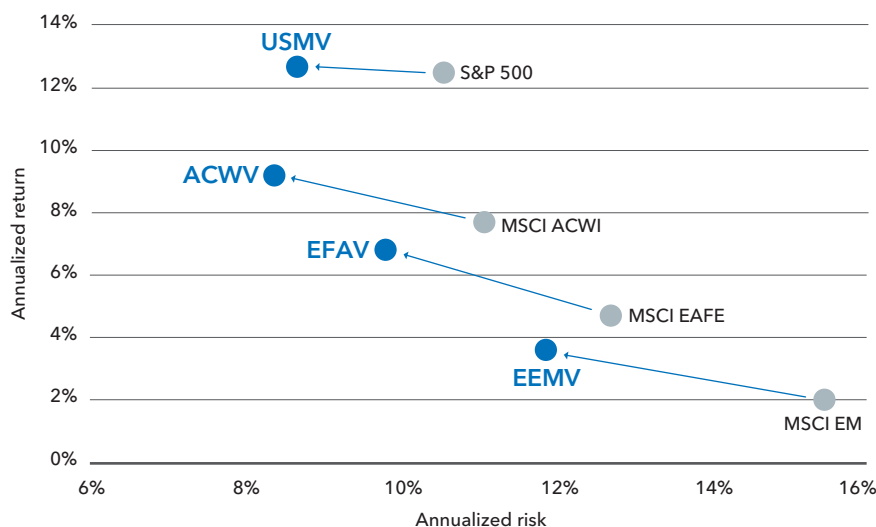


Source: Morningstar, as of 12/31/18 based on monthly performance from 11/1/11 - 12/31/18. Past performance does not guarantee future results. For standardized performance, please see the end of this document.

iShares Edge Minimum Volatility ETFs have a track record of delivering market-like returns with less risk.<sup>2</sup> Importantly, they have lost less during the most severe downturns, when broad markets suffered most.

These ETFs follow an index that screens for low volatility stocks, takes into account the correlations among them, and then generates an optimized portfolio with guardrails in place to limit sector and country concentrations.

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



Source: Morningstar. Data shown based on fund and index returns from 11/1/2011 - 12/31/18. 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. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com). For standardized performance for the iShares funds, please see the end of this document.

### Two reasons why minimum volatility strategies have worked:

**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.

**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.

# 3

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

### USMV in the Core

For investors seeking less volatility, USMV can replace a traditional allocation like the S&P 500 index.

#### 0.86

#### Correlation

USMV had a **0.86** 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.

#### 0.70

#### BETA

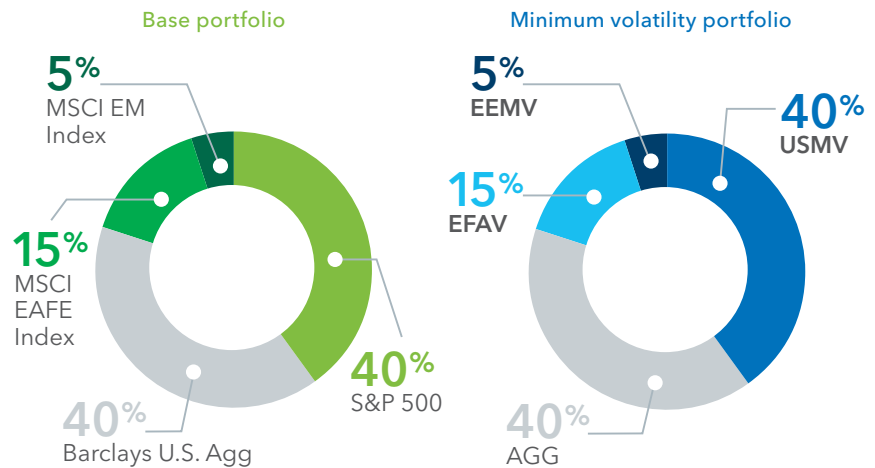
USMV had a beta of **0.70**, which means it's more than a quarter less volatile than the S&P 500 index.

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

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

You can consider using iShares Edge 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		Minimum volatility	
6.46	Standard deviation	5.43	Standard deviation
0.97	Sharpe ratio	1.20	Sharpe ratio
-7.30	Max drawdown	-4.75	Max drawdown
-4.75	Worst month	-3.28	Worst month
6.82	Return	7.15	Return

Source: Morningstar, as of 12/31/18. Correlations and Beta from 11/1/11 to 12/31/18. Past performance is not necessarily indicative of future results.

Source: BlackRock and Morningstar. Data shown is for 11/1/11 - 12/31/18. 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. 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. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com). For standardized performance for the iShares funds, please see the end of this document.**

# So how do other investments compare to USMV?

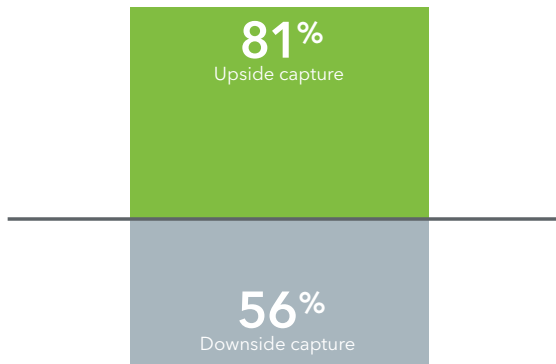
**USMV**

iShares Edge MSCI  
Min Vol USA ETF  
Exp. ratio: 0.15%

## Upside/downside capture

11/1/2011-12/31/18

USMV vs. S&P 500:



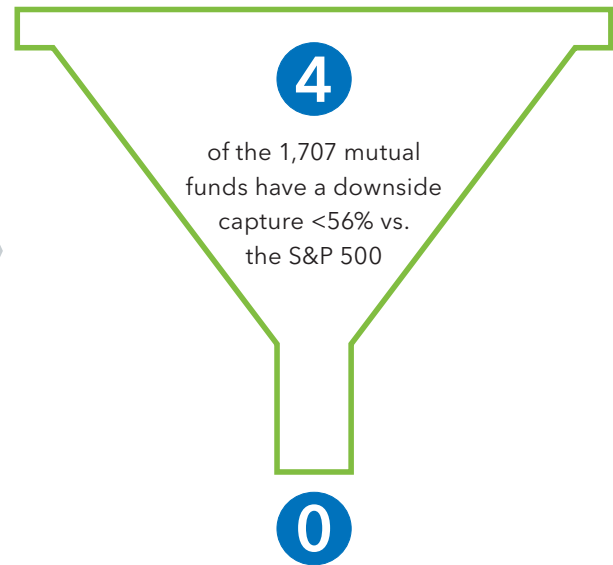
Helping you weather the market's ups and downs combined with all the benefits you've come to expect from ETFs.

Low cost<sup>3</sup>

Tax efficient<sup>4</sup>

1,707

U.S. equity mutual funds



None of those 4 mutual funds have an upside capture > 81% vs. the S&P 500

Source: Morningstar, as of 12/31/18. Mutual Fund universe based on the oldest share class in the "U.S. Equity" Morningstar category inception before 11/1/2011.

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

## Standard performance as of 12/31/18

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%	1.36%	1.32%	10.34%	10.34%	-	-	12.91%	12.91%
EFAV	10/18/11	0.31%	0.20%	-5.80%	-5.69%	4.86%	4.74%	-	-	7.15%	7.15%
EEMV	10/18/11	0.67%	0.25%	-6.07%	-5.84%	1.75%	1.68%	-	-	4.35%	4.38%
ACWV	10/18/11	0.31%	0.20%	-1.35%	-1.33%	7.54%	7.47%	-	-	9.43%	9.44%
AGG	9/22/03	0.06%	0.05%	-0.05%	0.08%	2.49%	2.48%	3.30%	3.11%	3.75%	3.76%
MSCI USA Minimum Volatility Index	-	-	-	1.55%	-	10.52%	-	13.41%	-	13.10%	-
MSCI EAFE Minimum Volatility Index	-	-	-	-5.69%	-	4.93%	-	-	-	7.24%	-
MSCI Emerging Markets Minimum Volatility Index	-	-	-	-5.78%	-	1.98%	-	-	-	4.58%	-
MSCI All Country World Minimum Volatility Index	-	-	-	-1.56%	-	7.30%	-	-	-	9.16%	-

**The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com).**

Performance shown reflects fee waivers and/or expense reimbursements by the investment advisor to the fund for some or all of the periods shown. Performance would have been lower without such waivers. Shares of iShares Funds are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. eastern time (when NAV is normally determined for most iShares Funds), and 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, 2021, for EEMV and ACWV through December 31, 2023 and for AGG through June 30, 2026.

## Want to know more?



Learn more about the complete suite of iShares Edge Minimum Volatility ETFs at [iShares.com](http://iShares.com)

1 Morningstar, as of 12/31/18. 2 Morningstar, as of 12/31/18. 3 BlackRock and Morningstar, as of 12/31/18. USMV expense ratio is 0.15%. The average U.S. Equity Mutual Fund expense ratio is 0.81%. U.S. Equity Mutual Fund universe based on the oldest share class in the "U.S. Equity" Morningstar category inceptioned before 11/1/2011. 4 No iShares Edge Minimum Volatility ETF has ever distributed a capital gain. **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").

The iShares Funds are not sponsored, endorsed, issued, sold or promoted by MSCI Inc., nor does this company make any representation regarding the advisability of investing in the Funds. BlackRock is not affiliated with MSCI Inc.

©2019 BlackRock. All rights reserved. **iSHARES** and **BLACKROCK** are registered trademarks of BlackRock. All other marks are the property of their respective owners.