

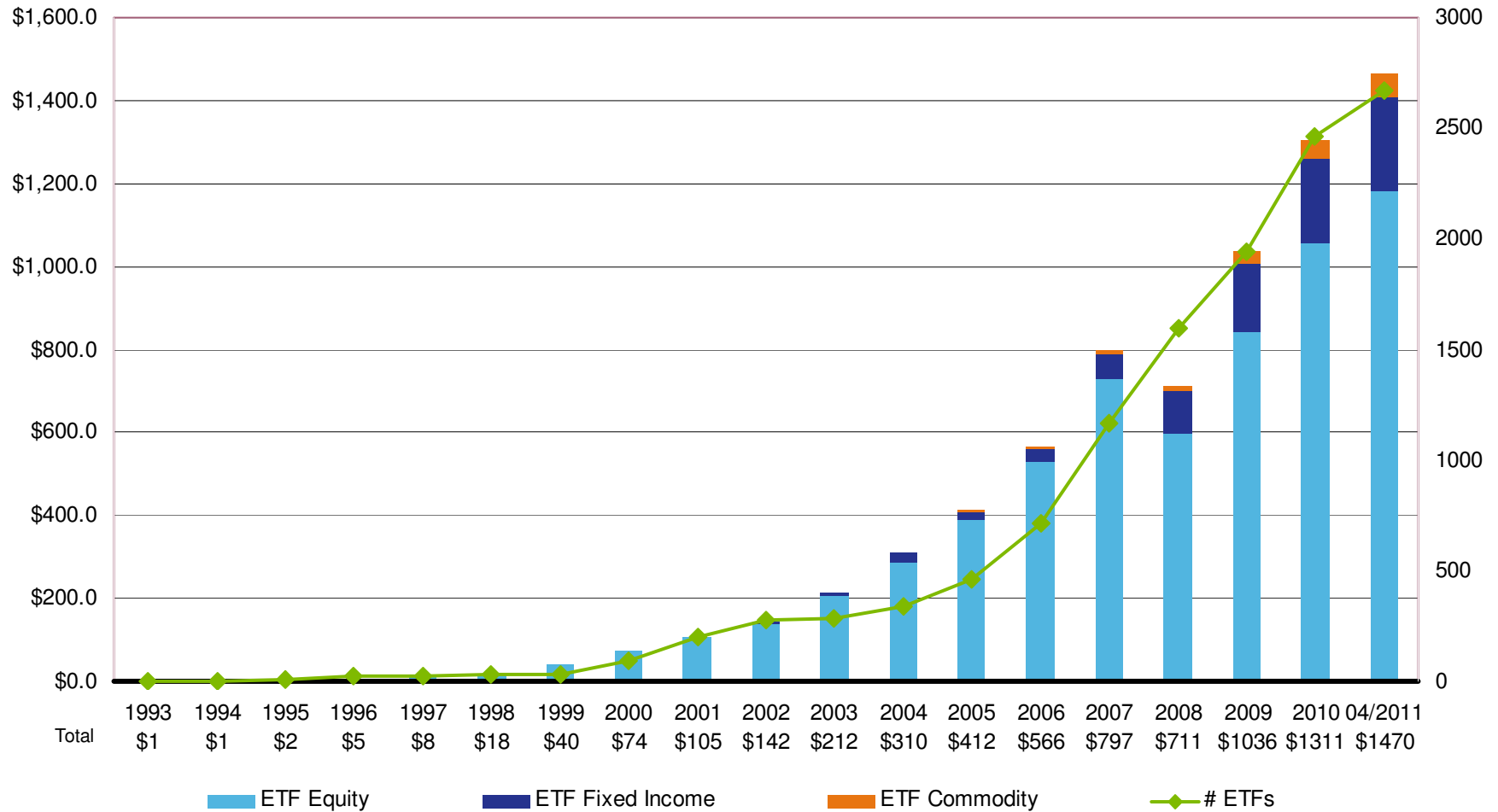
## State of the Nation for Exchange Traded Funds (ETFs)

Stacey Steinberg  
Vice President

## Growth of ETFs

# Growth of ETFs - Worldwide

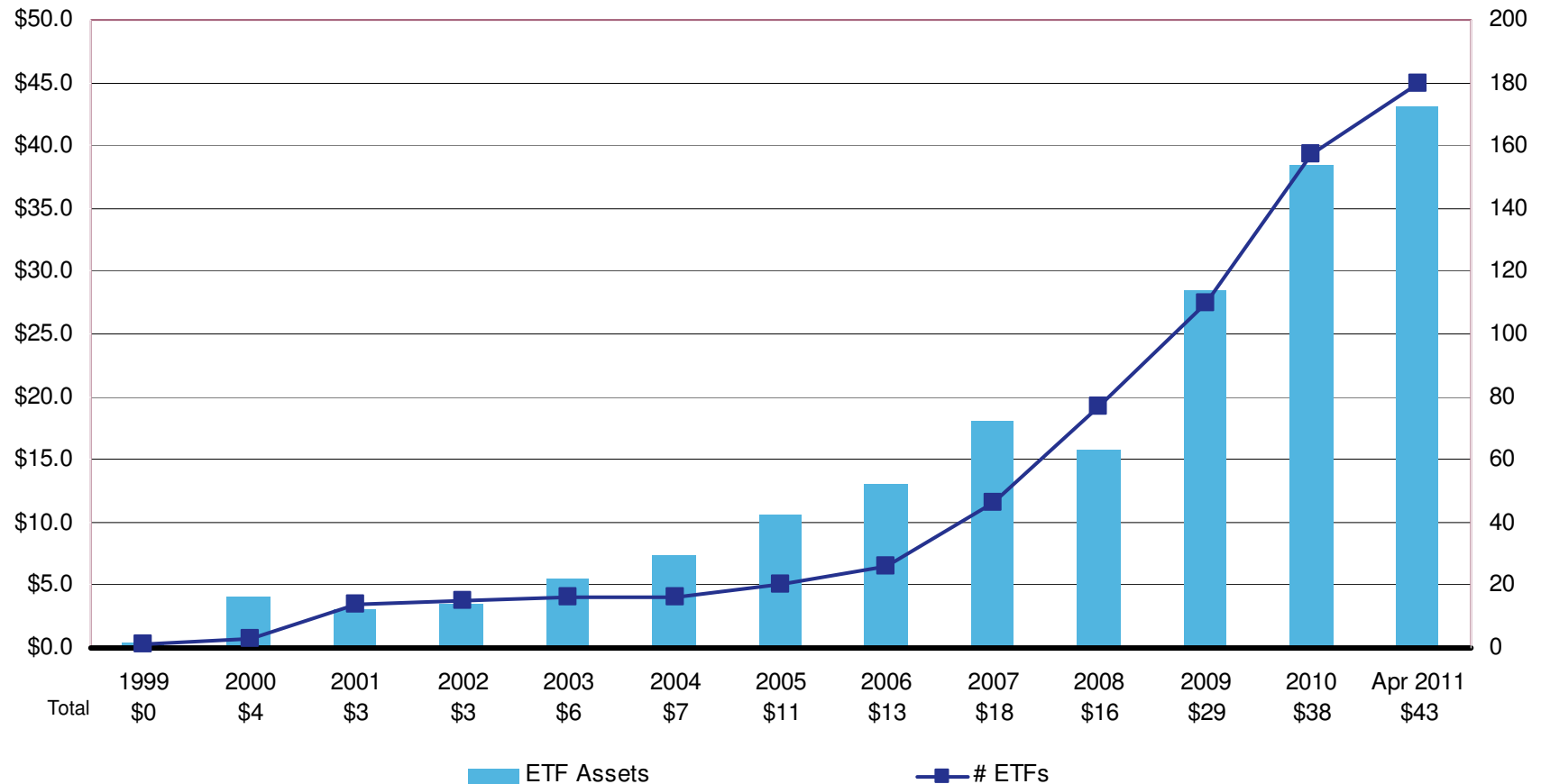
## Growth of ETFs - Worldwide (US\$ Billion)



Source: ETF Landscape, Industry Highlights, End of April 2011, BlackRock Asset Management Canada Limited ("BlackRock Canada").

# Growth of ETFs - Canada

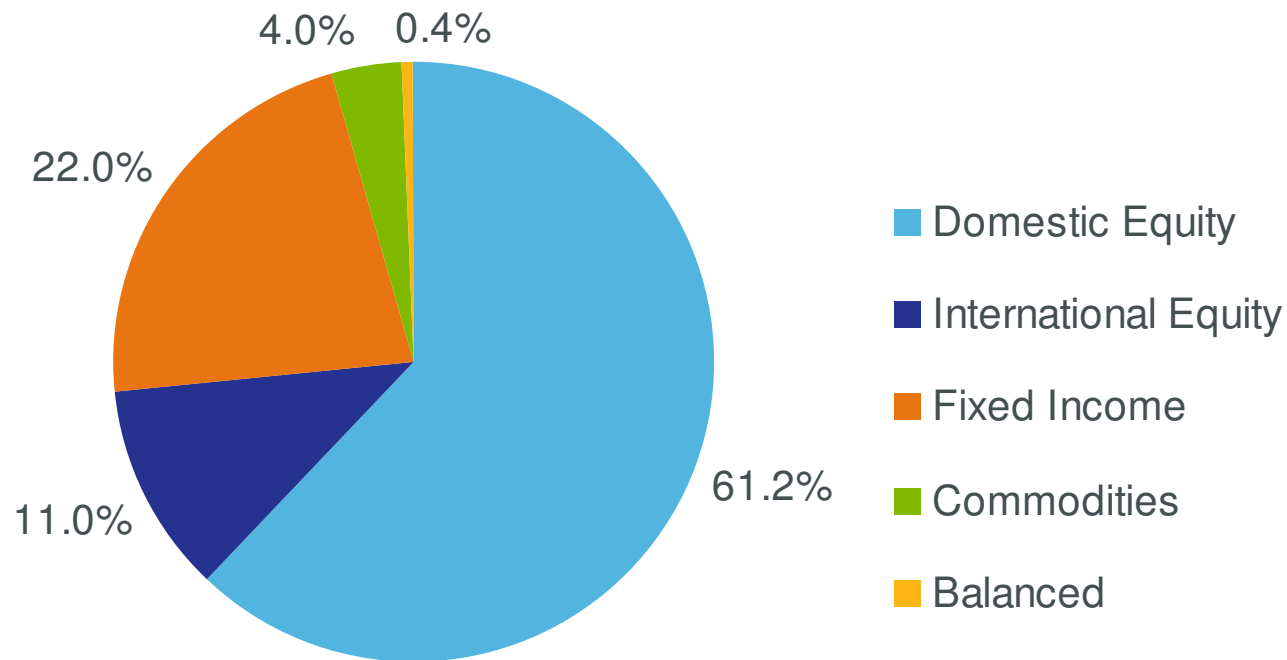
## Growth of ETFs – Canada (US\$ Billion)



Source: ETF Landscape, Industry Highlights, End of April 2011, BlackRock Canada.

# Canada ETFs - Assets Under Management

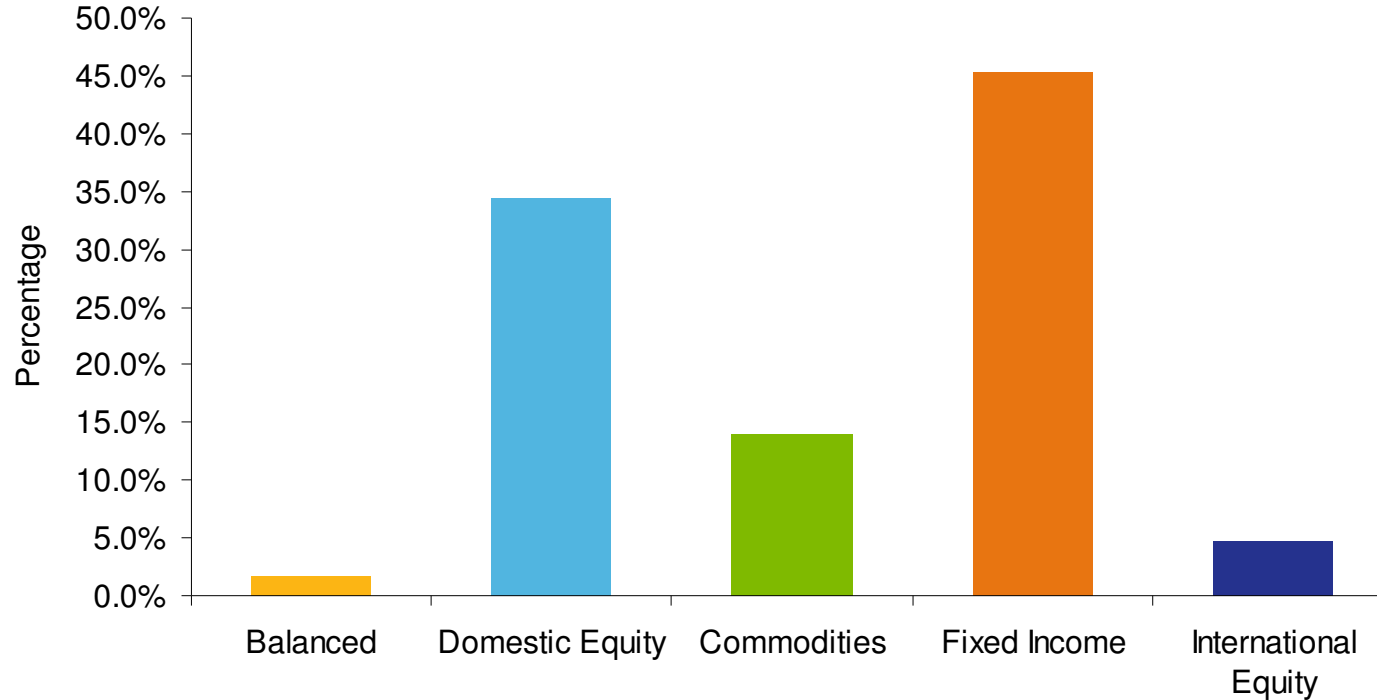
## Canada ETFs - Assets Under Management



Source: BlackRock Asset Management Canada Limited. Data as of 29 April 2011

# Net Inflows into Canadian ETFs

## YTD Net Inflows into Canadian ETFs (as of 29 April 2011)

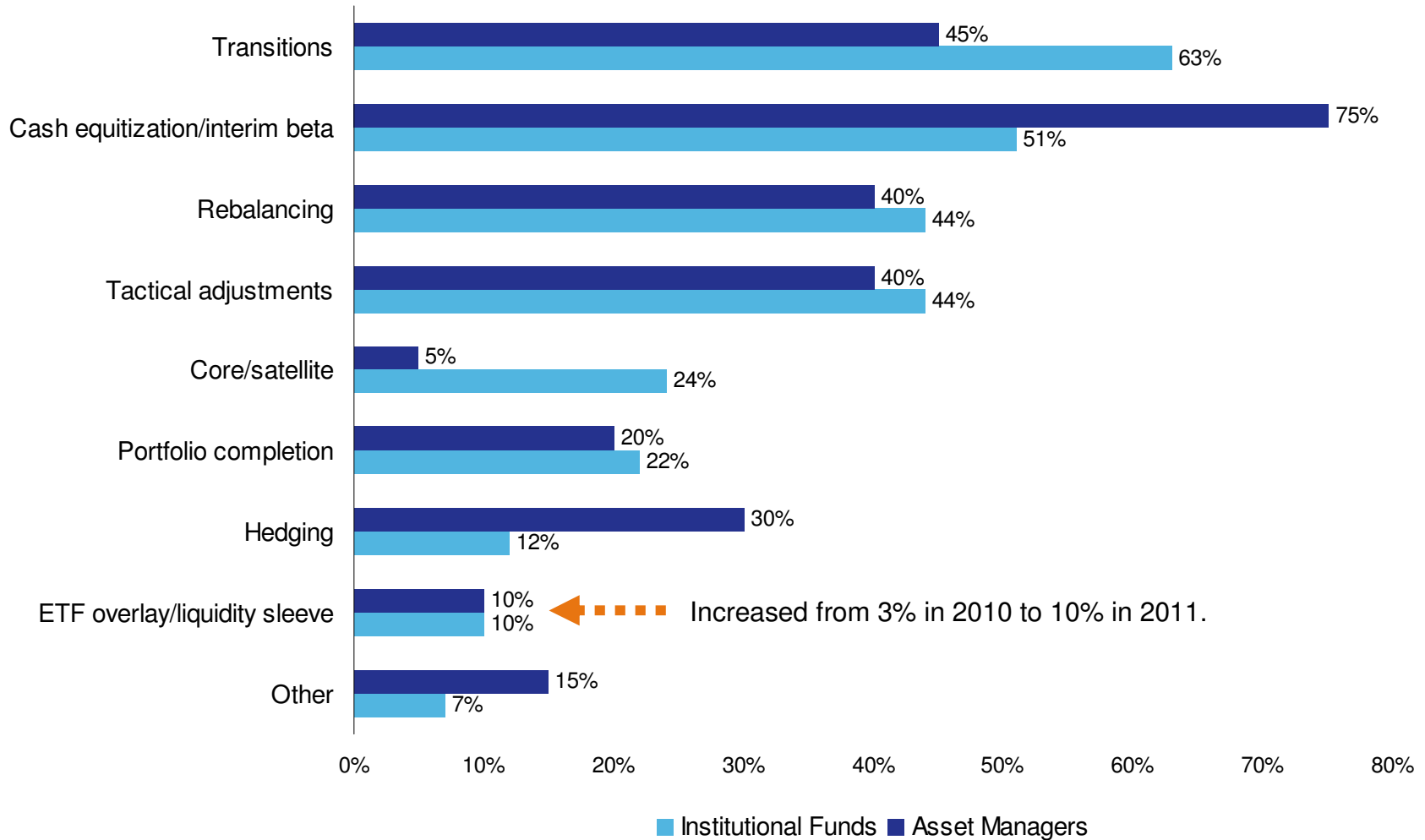


Source: BlackRock Asset Management Canada Limited. Data as of 29 April 2011.

# ETF Applications

# ETF Applications in Institutional Portfolios

## ETF Applications in Institutional Portfolios (U.S.)



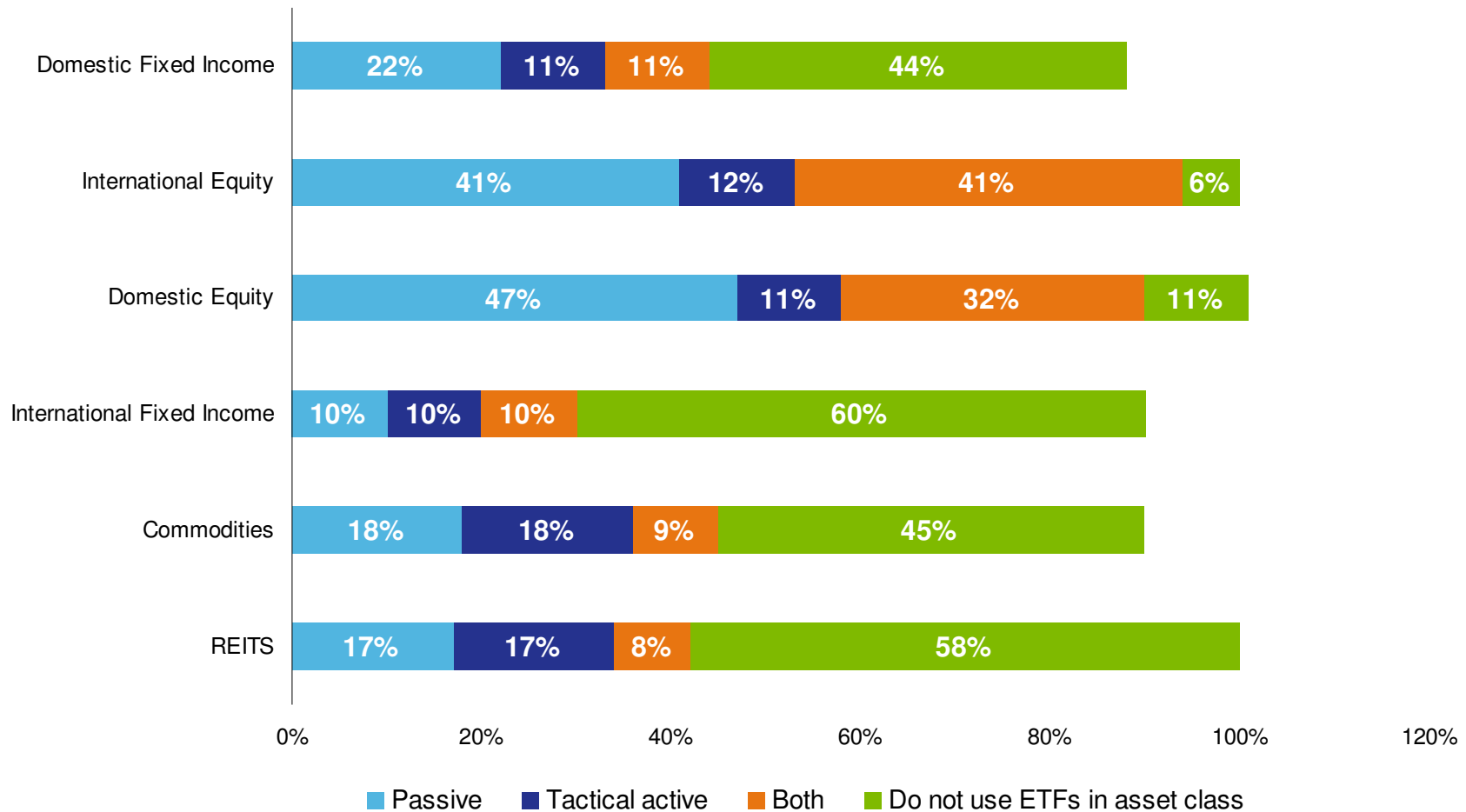
Increased from 3% in 2010 to 10% in 2011.

Base: 41 institutional funds, 20 asset managers.  
 Source: 2011 U.S. Exchange Traded Funds Study, Greenwich Associates, LLC.



# Intended ETF Exposure: Asset Managers

## Intended ETF Exposure: Asset Managers (U.S.)

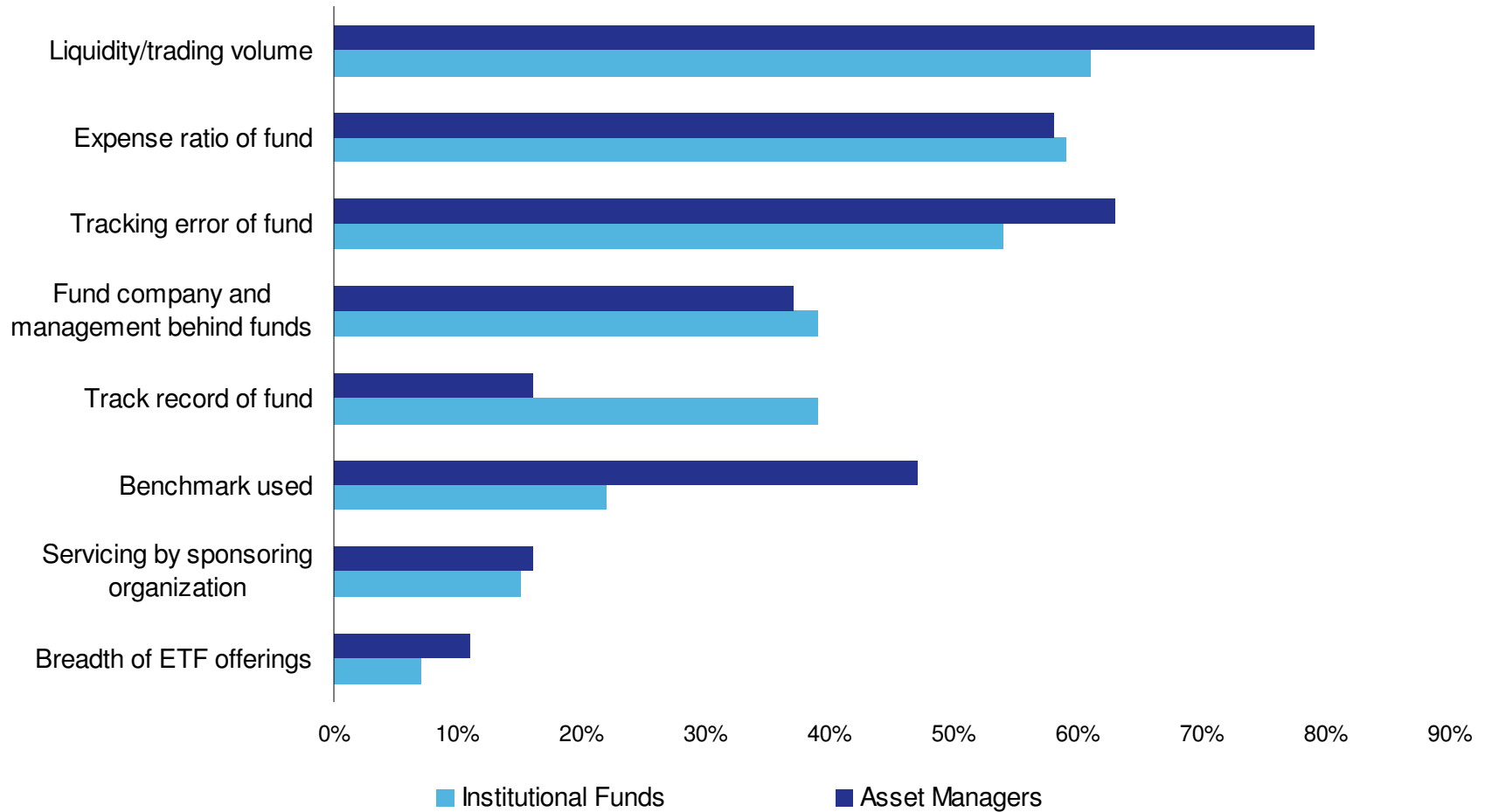


Base: 19 asset managers.

Source: 2011 U.S. Exchange Traded Funds Study, Greenwich Associates, LLC.

# Most Important Selection Criteria

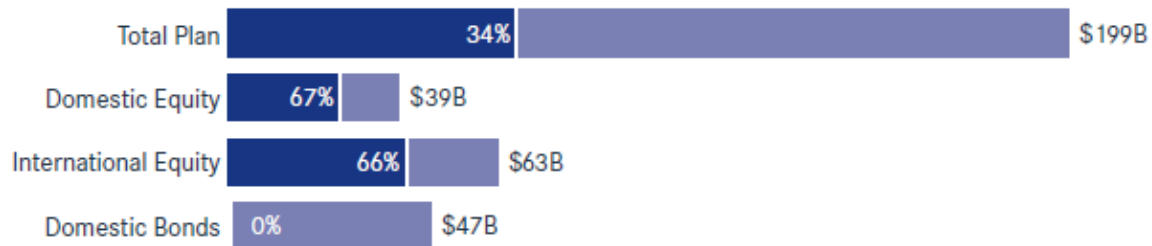
## Most Important Selection Criteria (% Mentioned as Top 3 Criteria)



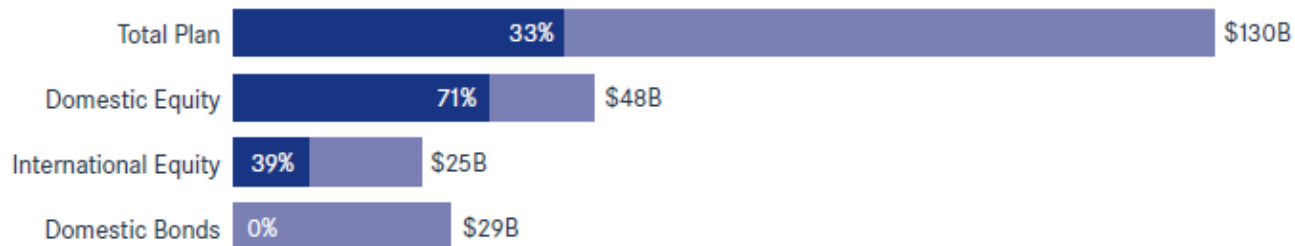
Base: 41 institutional funds, 20 asset managers.  
Source: 2011 U.S. Exchange Traded Funds Study, Greenwich Associates, LLC.

# Index and active investments of the three largest U.S. public pension plans

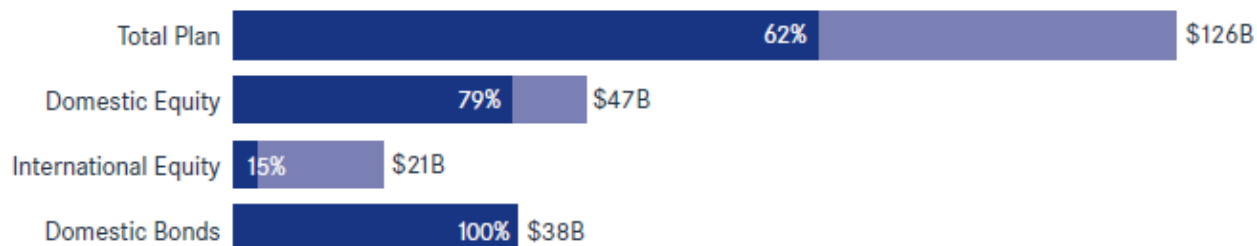
## California Public Employees' Retirement System (CalPERS)



## California State Teachers' Retirement System (CalSTRS)



## New York State Common Retirement Fund

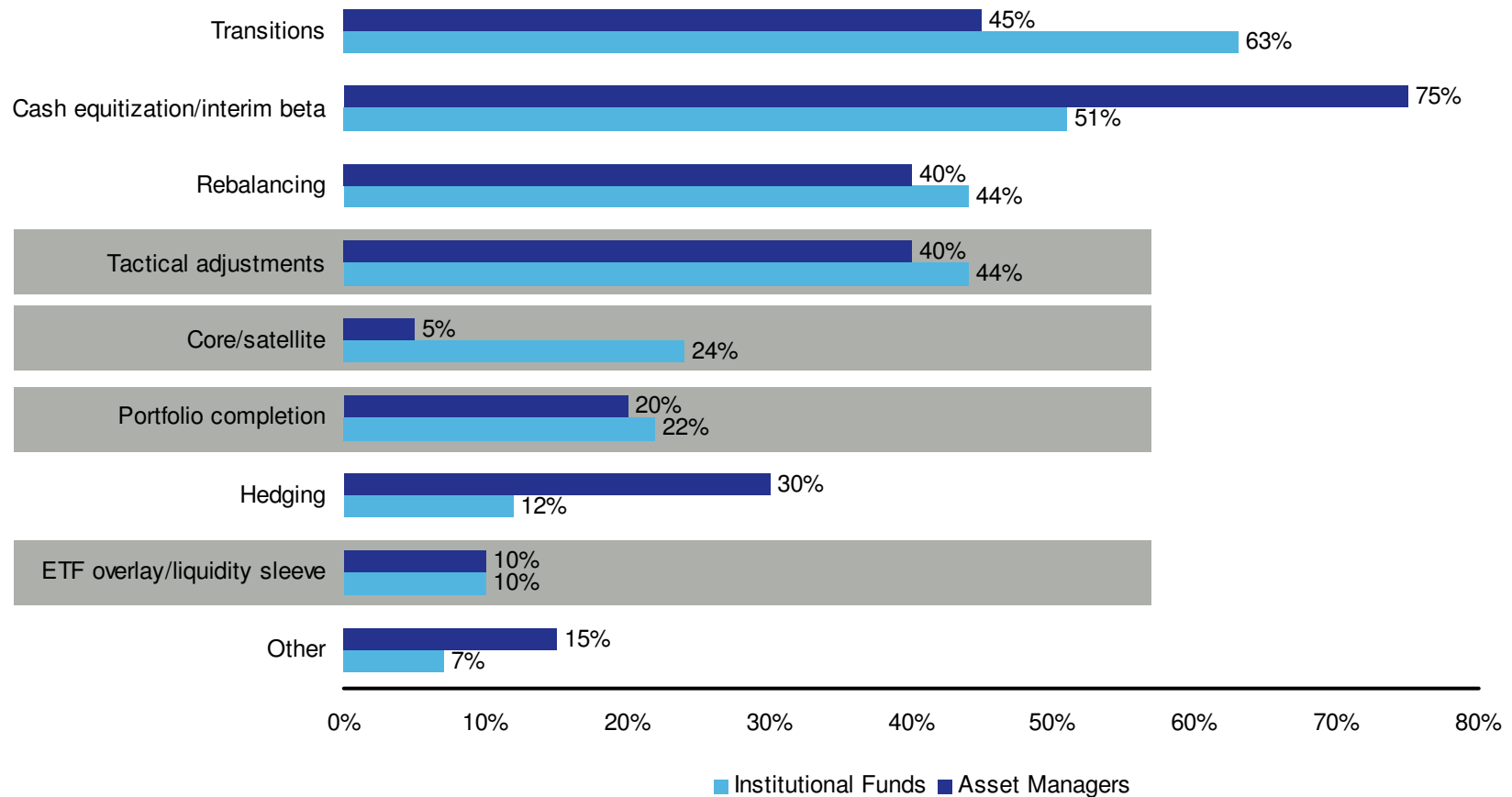


Index Investments ■ Active Investments ■

Source: Pensions & Investments, February 8, 2010 (data as of 09/30/09).

# What does this mean for your business?

## From Institutional to Your Business



Base: 41 institutional funds, 20 asset managers.  
Source: 2011 U.S. Exchange Traded Funds Study, Greenwich Associates, LLC.

## Blending Index and Active

# Leveraging the strengths of index and active

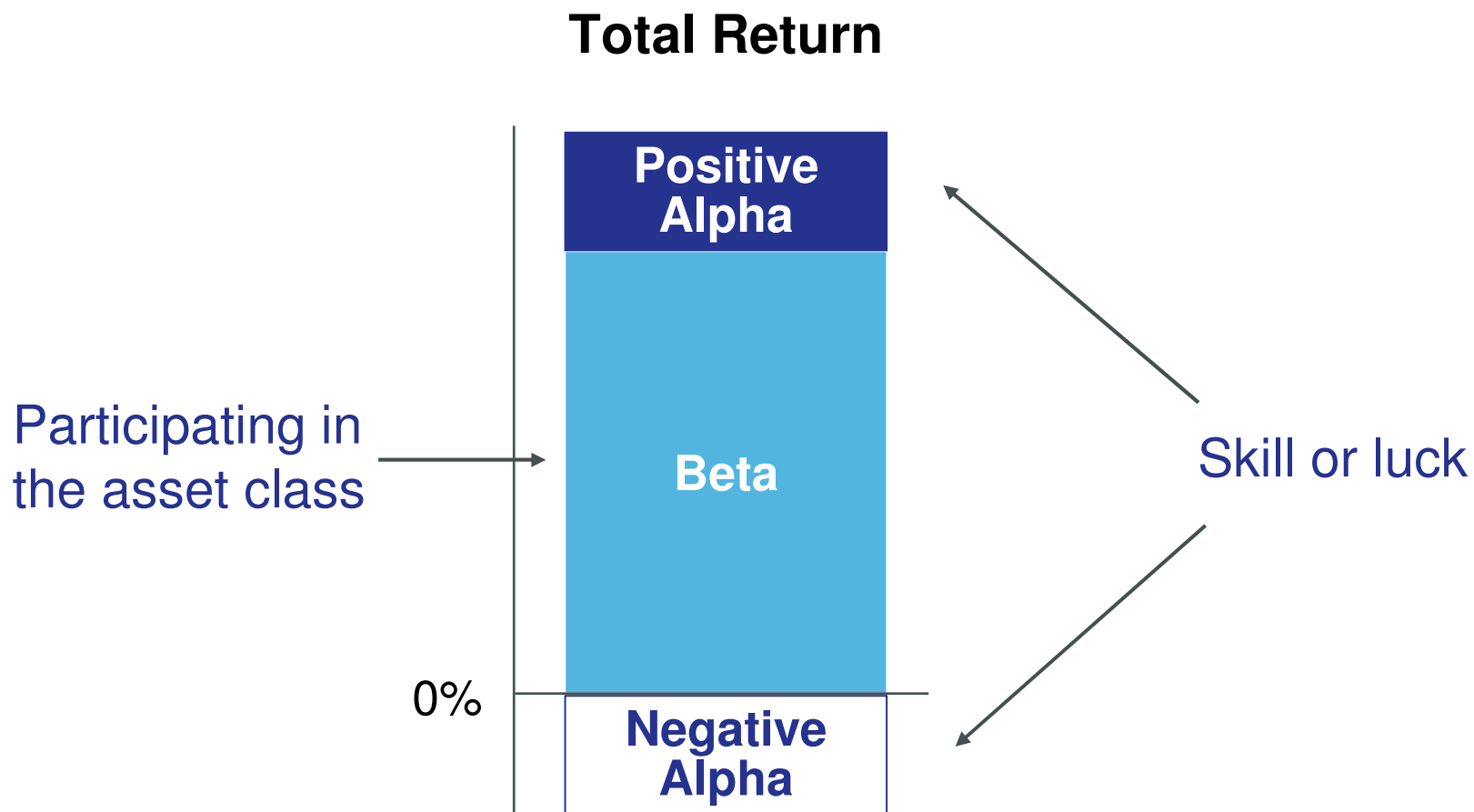
## Facts about index management

- + Diversified, risk-managed exposure
- Market returns only
- Offers greatest style purity
- + Lower fees and greater tax efficiency

## Facts about active management

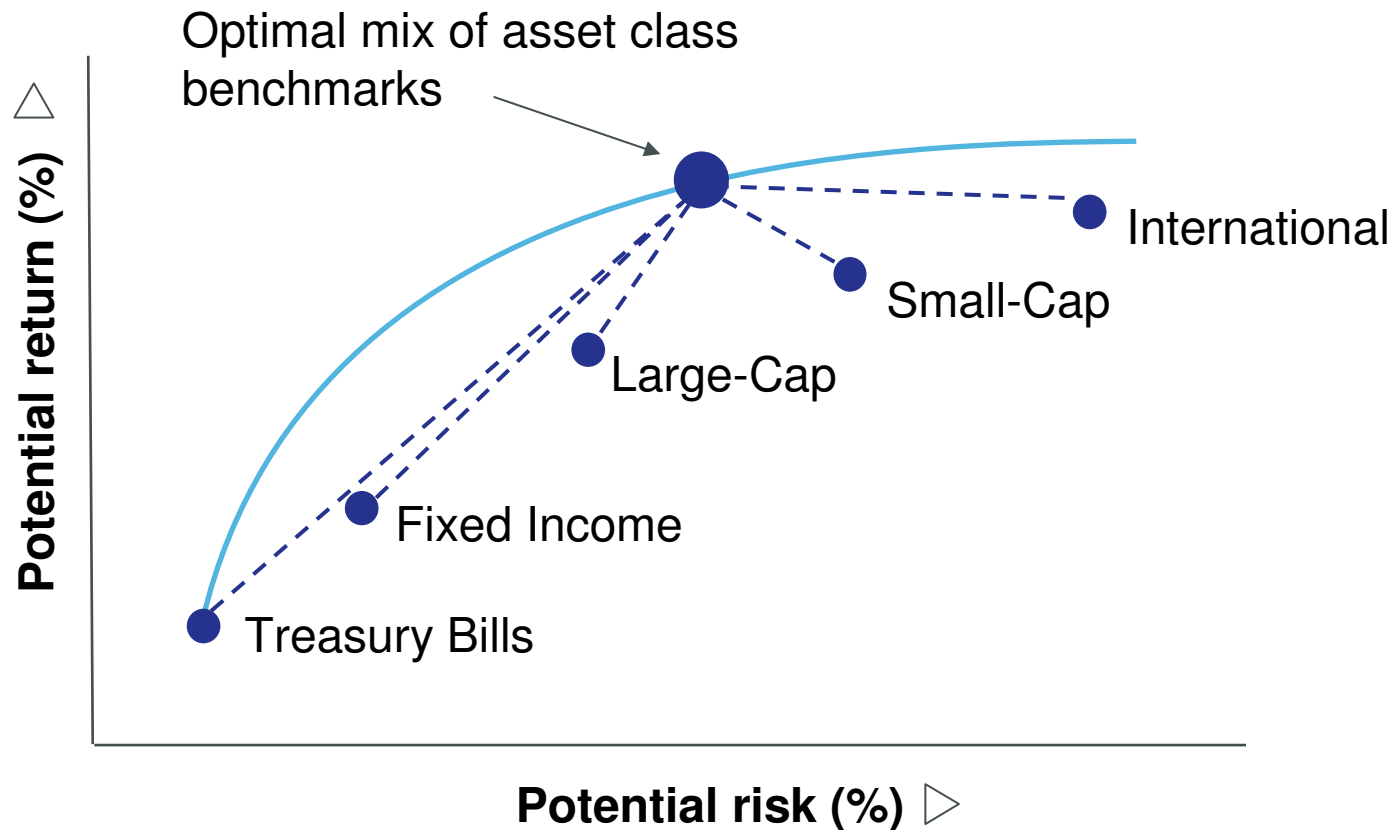
- + Great active managers exist
- + Provides opportunity for active return (alpha)
- Manager bets may alter portfolio risk profile (active or implementation risk) and cause unpredictability
- Typically higher fees and tax costs

# Alpha and Beta are traditionally intertwined



>> Understanding the mix of alpha and beta is the first step to managing them

# Asset Allocation Begins With A Model of Asset Class Benchmarks

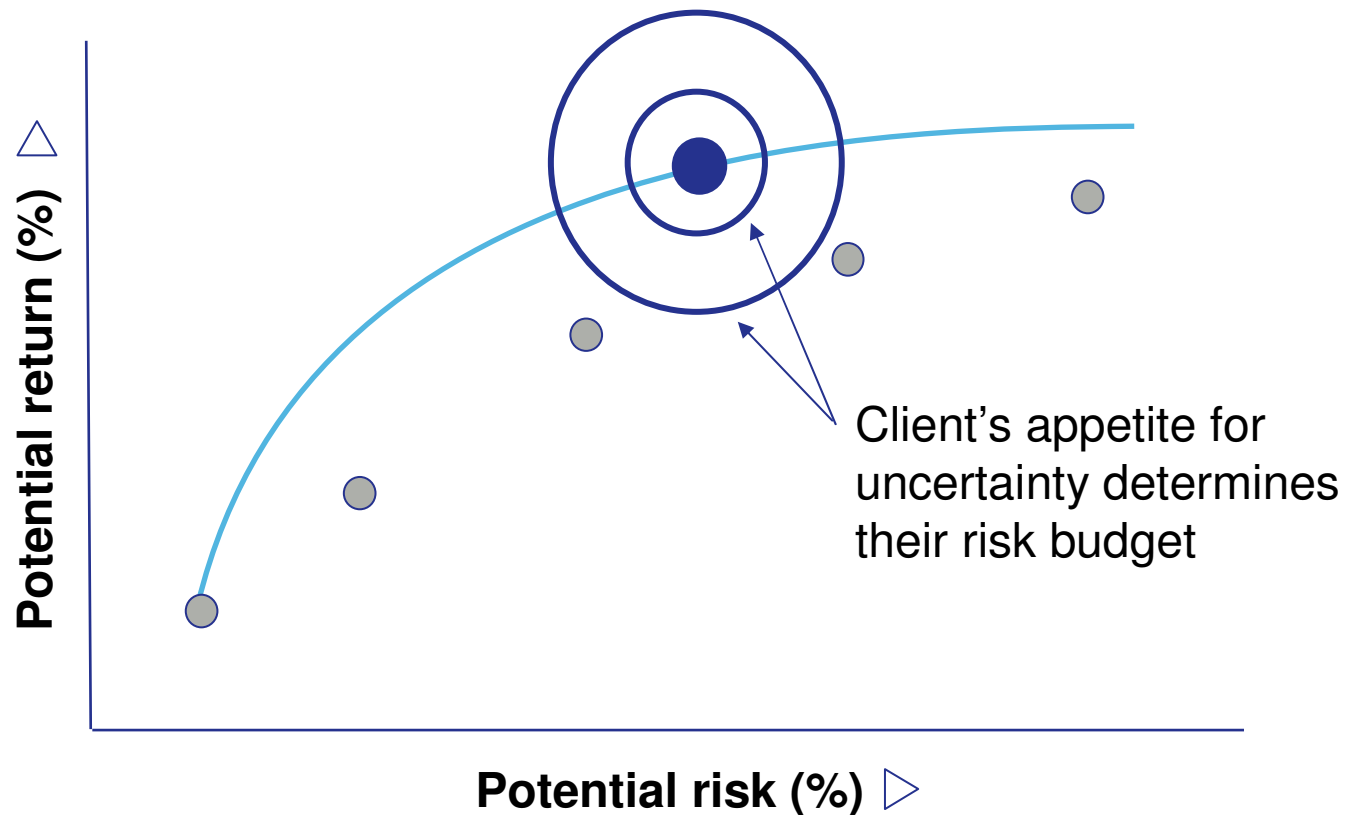


>> The “optimal mix” represents the point on efficient frontier where each asset class is combined to achieve a specified level of risk and return expectations.



# From Asset Class models to Implementation

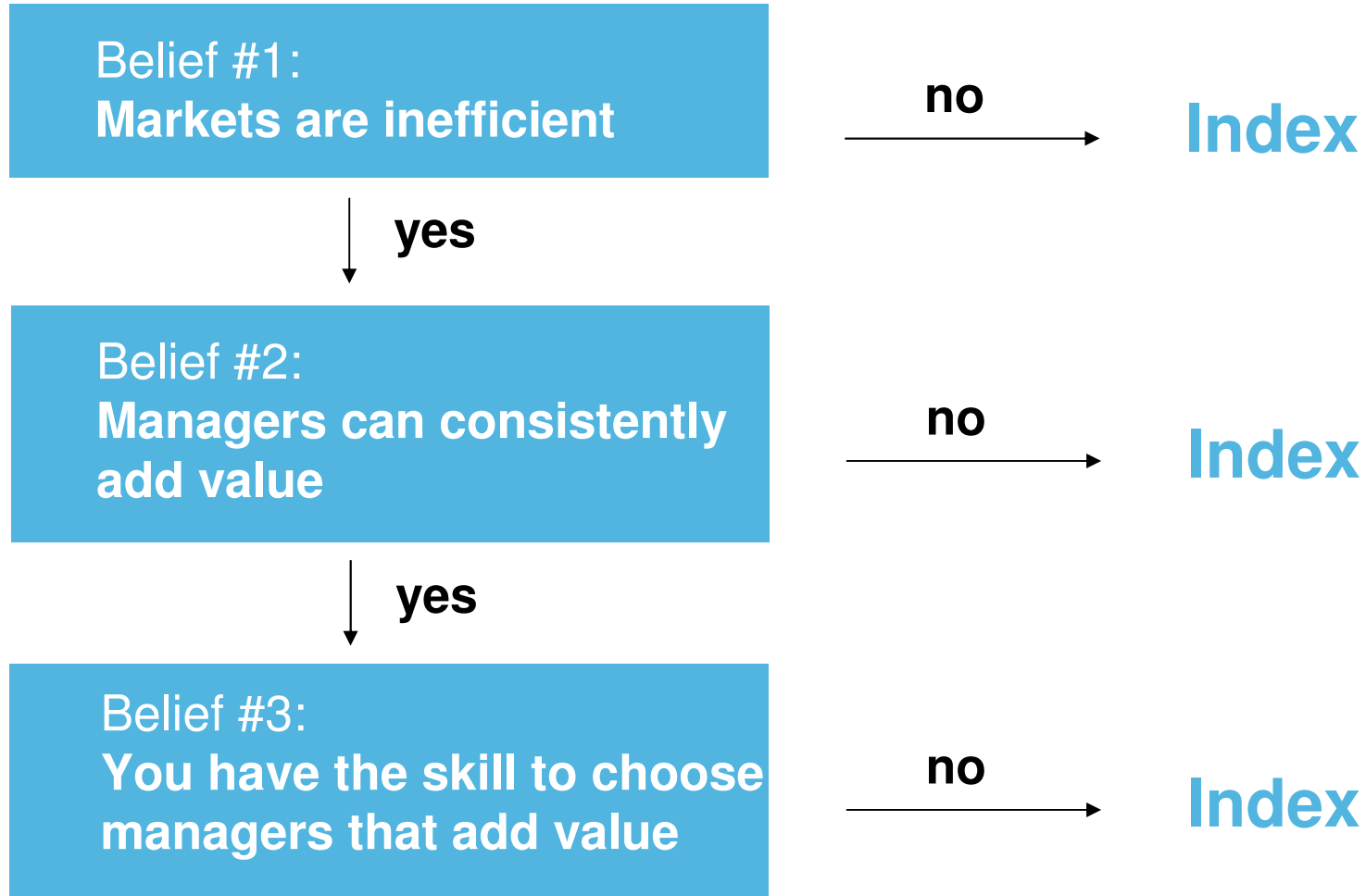
## The quest for alpha adds risk



>> To outperform, managers must take bets away from asset class benchmarks

# How do I choose when to index?

For active management, the answer to ALL of these questions must be “yes”.



# Blending strategies can take many forms

## How

### ACTIVE AT THE CORE

- Hire active managers to fill out core of portfolio
- Use index funds as “satellites”

## Why

- Address client sensitivity to benchmark underperformance
- Balance cyclical active manager performance

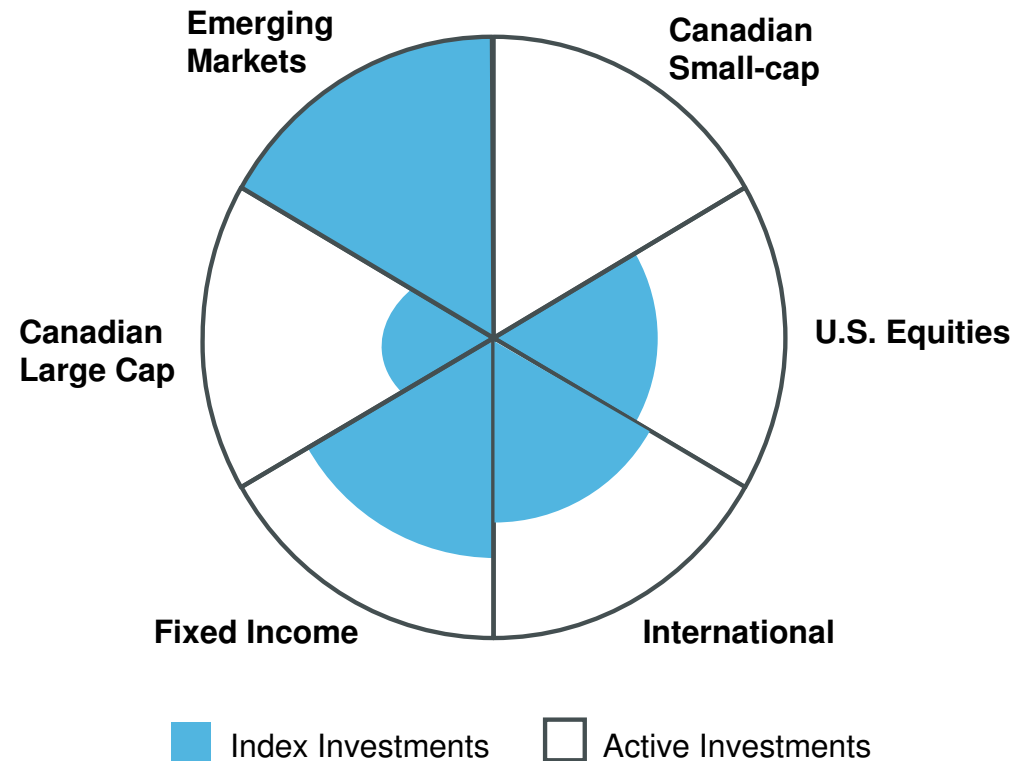
### INDEX AT THE CORE

- Use index funds for strategic exposures
- Combine with active managers within or across asset classes
- Apply Indexing tactically

- Leverage an institutional approach
- Stay true to strategic asset allocation plan
- Manage and take deliberate active risk

# Core/Satellite Approach: Blending Index and Active Investments

- Lower overall costs
- Access an institutional investment process
- Implement tactical calls
- Refine rebalancing opportunities



# Using ETFs: iShares Portfolio Applications

The transparency and liquidity of iShares ETFs have provided financial professionals flexible solutions for a wide range of investment strategies, such as:

Strategy	Objective
Cash Equitization	Maintain liquidity while remaining fully invested
Transition Management	Maintain asset class exposure while searching for new managers
Portfolio Rebalancing	Easily shift portfolio emphasis and reduce implementation
Portfolio Completion	Ensure a portfolio's complete diversification
Opportunistic Ideas (Market exposure; directional or thematic views)	Establish broad directional market position  Over- or underweight certain styles, maturities, or countries on the basis of your view

**THANK YOU**

**For more information, visit**  
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**1-866-486-4874**

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