Using ETFs in Private Client Portfolio Management:

Why? Why Not? How?

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iShares

ETF Industry Update

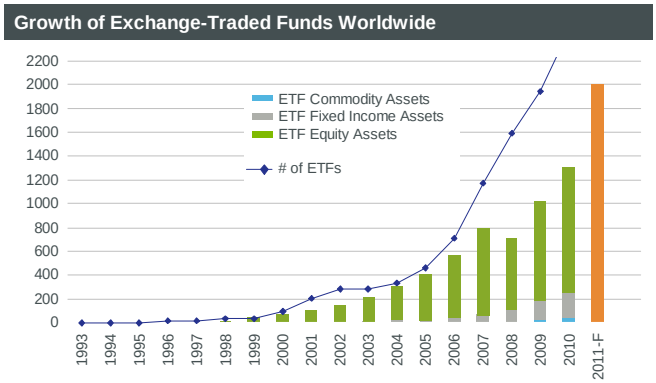
Greg Walker, CFA
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Feb, 2011

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Growth of Exchange-Traded Funds Worldwide



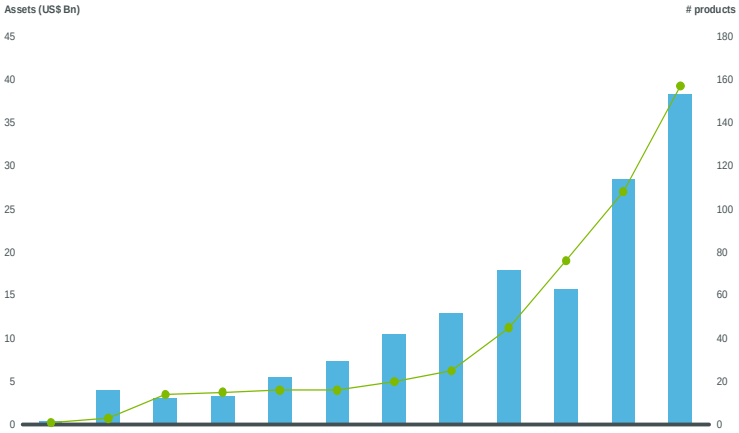
ETF Assets Total ($M)	0.8	1	2	5	8	18	40	74	105	142	212	310	412	566	797	710	1,032	2,000

Source: ETF Research and Implementation Strategy Team, BlackRock Advisors (UK) Limited; Bloomberg, 12/31/10

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Canada ETF asset growth



Assets (US$ Bn)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	YE-2010
ETF assets	$0.4	$4.0	$3.1	$3.4	$5.5	$7.4	$10.6	$13.0	$18.0	$15.7	$28.5	$38.4
# ETFs	1	3	14	15	16	16	20	26	46	77	110	157

Data as at year end 2010.
Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

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ETF Industry in 2010

- **Globally, ETFs ended Dec 2010:**
  - US$1,311.0 billion in AUM
  - 2,459 ETFs
  - However, the Top 100 ETFs accounted for 63.1% of total Global AUM.
- **Globally, the top three ETF providers out of 136 account for 70.6% of assets:**
  - iShares business leads with 46.4%
  - SSgA at 14.4%
  - Vanguard at 9.9%
- **In Canada, the top three ETF providers account for 96% of assets:**
  - iShares business leads with $28.3B or 73.8%
  - Claymore at 14.3% with $5.5B
  - Horizons at 7.9% with $3B

Sources: Global ETF Research & implementation Strategy Team, BlackRock, Bloomberg. As of 12/31/10.

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ETF Uses

The growth in exchange traded fund (ETF) liquidity, product breadth, and AUM has expanded the range of applications for portfolio managers.

Strategy	Objective	Example
Cash Equitization	Maintain liquidity while remaining fully invested	Use ETFs to be fully invested while maintaining both market exposure and liquidity.
Tactical Adjustments to Asset Allocation	Over- or underweight certain styles, regions, or countries on the basis of short-term views	Use style, region, country or sector ETFs to establish under- or overweight positions according to tactical objectives.
Portfolio Completion	Diversify a portfolio and help reduce benchmark risk while maintaining performance objectives	Use ETFs to complement a portfolio's active or hedge fund managers while reducing excess risk versus benchmark.
Fixed Income Duration and Credit Adjustments	Fine-tune the target duration and credit quality of fixed income portfolios	The wide range of fixed income ETFs spans the maturity spectrum, enabling easy adjustment to target duration and/or credit requirements regardless of investment size.
Passive Core Allocation	Implement the desired asset allocation regardless of plan size	Select and maintain the desired asset allocation and implement efficiently. Benefits include no minimum purchase size and easy rebalancing.

Sources: Global ETF Research & Implementation Strategy Team, BlackRock, Bloomberg. As of 04/30/10.

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Expected ETF trends for 2011

1. Growing Choice and Increased Complexity of Product.
2. More Providers in Canada.
3. A continued focus on greater due diligence of ETF Providers: Reputation, Support structure, Track Record and Service.
4. Adoption: Portfolio Managers will continue to increase their adoption of ETFs as a transparent, flexible, Beta building block to execute their active investment strategies.

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Thank You

For more information, visit
www.iShares.ca

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THANK YOU