HOW TO BUILD A DIY PORTFOLIO WITH ETFs

Audio script

[Music in background throughout]

Frame 1:

On-screen copy:
How to Build a DIY Portfolio with ETFs

Please see important information at the end of the video

[iShares by BlackRock and Merrill logos are shown]

Frame 2:

[Music in background continues and video transitions to new frame. iShares by BlackRock and Merrill logos are shown above information about each company.]

On-screen copy:
About iShares: iShares unlocks opportunity across market to meet the evolving needs of investors. With more than twenty years of experience, a global line-up of 900+ exchange traded funds (ETFs) and $3.15 trillion in assets under management as of March 31, 2022, iShares continues to drive progress for the financial services industry. iShares funds are powered by the expert portfolio and risk management of BlackRock.

About Merrill: Merrill Lynch Wealth Management, which is a part of Bank of America Corporation, is a leading provider of comprehensive wealth management and investment services. Merrill specializes in goals-based wealth management, including planning for retirement, education, legacy, and other life goals. Merrill is one of the largest wealth management businesses in the world, with approximately $2.9 trillion in client balances as of March 31, 2021. Client balances consists of the following assets of clients held in their Merrill accounts, including assets under management (AUM) of Merrill entities, client brokerage assets, and assets in custody of Merrill entities, as well as loan balances and deposits of Merrill clients held at Bank of America, N.A. and affiliated banks.

Frame 3:

[Video transitions to new frame. iShares by BlackRock logo appears in upper left corner while the video title appears.]

On-screen copy:
How to build a DIY portfolio with ETFs

[Background music fades out and voiceover audio begins]

Voiceover audio:
In this video, we will discuss how to build a “do it yourself portfolio” with Exchange Traded Funds or ETFs. When it comes to our portfolios, most of us immediately focus on the different investments that we can make to reach our goals. But no matter how good the chosen investments, you can’t earn if you aren’t saving and putting those savings to work for you. The psychology of investing can make it difficult to get started as we worry whether now is the best time to invest. So let’s start by reviewing why waiting for the perfect time may actually hold someone back. Time is a valuable asset that we want to have on our side.

Frame 4:

[Video transitions to new frame as voiceover audio continues]

On-screen copy:
Waiting for the "right time to invest" can leave you behind

Consider two hypothetical investors over a 30-year period

Voiceover audio:
Consider two investors over a 30-year period. Investor A contributes $1,000 every year into her investment portfolio for the first 15 years and then watches it grow until year 30.

[Bar chart representing two hypotheticals appears. Bar chart animates by adding a black-shaded bar, labeled Total Invested, to the left side of the graph, which represents Investor A. Black bar rises to show $15,000]

On-screen copy:
Investor A adds $1,000 per year for the first 15 years

Voiceover audio:
Investor B starts his program 15 years later but invests a larger sum of $3,000 each year for the remaining 15 years.

[Bar chart animates by adding a black-shaded bar, labeled Total Invested, to the right side of the graph, which represents Investor B. Black bar rises to show $45,000.]

On-screen copy:
Hypothetical Growth assuming a 10% annual return*

Investor B adds $3,000 per year, but begins 15 years after Investor A

Voiceover audio:
In this hypothetical example where both investors earn 10% every year, Investor B invested three times as much, but ended up with almost $37,000 less.

[Bar chart animates adding a white-shaded bar, labeled Ending Value, to both Investor A (left) and Investor B (right). White bar for Investor A on the left, rises to show $132,722. White bar for Investor B on the right, rises to show $95,317.]

On-screen copy:
Investor B invested 3x as much… but ended up with $37,000 less

Voiceover audio:
Both investors built themselves a better financial future by putting their savings to work but starting sooner gave investor A an edge.

I was lucky to learn this lesson when I was 14 years old. I had just earned my first paycheck a whopping $82. And instead of driving me to the bank so that I could cash it and spend it on whatever my teenage-self desired, my dad opened a brokerage account for me and had me get started on my retirement savings. I wasn't even old enough to drive, so the thought of focusing on retirement sounded absurd. But I soon realized my dad had taught me the first ingredient for investment success. The sooner you get started, the better positioned you are to take advantage of the power of compounding gains.

[Quote from Albert Einstein appears on screen]

On-screen copy:
Compound interest… "The eighth wonder of the world" – Albert Einstein

Voiceover audio:
Albert Einstein reportedly said that compound interest is the eighth wonder of the world, "He who understands it earns it. He who doesn't pays it."

Even with this knowledge, it could be hard to start an investment program or to regularly contribute to one that's already in progress. Given the market has historically risen over the long term, we often find ourselves saying with the markets hitting new highs, I'll wait for a better time to invest.

On-screen disclosure:
Source: BlackRock as of 12/31/2021. For illustrative purposes only and is not indicative of the performance of any actual fund or investment portfolio. Does not include commissions or sales charges or fees.

* The average annual return of the total US stock market over the period July 1926 to December 2021 was 10.27%. 10% is used as an approximation of the actual average return realized over the last 96 years.

Source: Fama and French https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

Frame 5:

[Video transitions to new frame. Voiceover audio continues and a graph begins to build on screen.]

On-screen copy:
Time in the market vs. timing the market

Missing top-performing days can hurt your return

Hypothetical investment of $100,000 in the S&P 500 Index over the last 20 years (2001-2021)

[Bar chart representing the hypothetical investment of $100,000 in the S&P 500 Index over the last 20 years appears. Bar chart animates by adding a bar, labeled Stay invested, to left side of the graph. Bar rises to show $616,317.]

Voiceover audio:
But it's important to consider your time spent in the market rather than trying to time the market by entering and exiting opportunistically. Missing just the five best performing days over the last 20 years could have cost your portfolio nearly a third of its potential value.

[Bar chart animates by adding a new bar, labeled Missed 5 days, to the right of the Stay invested bar. This Missed 5 days bar rises to show $389,264.

Voiceover audio:
And if you were unfortunate enough to miss the 25 best days,

[Bar chart animates by adding a new bar, labeled Missed 15 days, to the right of the Missed 5 days bar. This Missed 15 days bar rises to show $213,370.]

Voiceover audio:
You'd barely have more money than you started with.

[Bar chart animates by adding a new bar, labeled Missed 25 days, to the right of the Missed 15 days bar. This Missed 25 days bar rises to show $134,392. A dotted line goes through all 4 bars showing the initial investment base $100.]

Voiceover audio:
Importantly, many of the best market days occurred within weeks of a market crisis, times when it's been most scary to put money to work. So there is no 'best time' to invest. But starting sooner rather than later can put the power of time on your side.

On-screen disclosure:
Source: Morningstar and BlackRock as of 12/31/21. The S&P 500 Index is an unmanaged index that is generally considered representative of the US stock market. Index performance is for illustrative purposes only. **Index performance does 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.**

Frame 6:

[Video transitions to new frame as voiceover audio continues. Image of worker laying cinder blocks appears over colored box with arrow pointing to the right.]

On-screen copy:
Agenda

Portfolio construction

Voiceover audio:
For the remainder of this video, we'll discuss portfolio construction,

[Image of children's toys appears over colored box with arrow pointing to the right, appears to the right of the current image/colored box.]

On-screen copy:
ETF toolkit

Voiceover audio:
Introduce the major types of ETFs in the investor toolkit,

[Image of road with arrows diverting to left and right, appears over colored box, appears to the right of the current image/colored boxes.]

On-screen copy:
How to select ETFs

Voiceover audio:
and provide some tips for choosing the right fund for a given investment objective.

Frame 7:

[Video transitions to new frame as voiceover audio continues. Image of worker laying cinder blocks appears on the right to indicate start to sub-section 1.]

On-screen copy:
Portfolio construction

Voiceover audio:
The two most important concepts I learned on my journey as a do it yourself investor, were the benefits of diversification and rebalancing.

[Two blocks appear to the left of the photo showing the words "Diversification" and "Rebalancing."]

On-screen copy:
Diversification

Rebalancing

Voiceover audio:
I started investing the same way I imagine many people do. I bought a couple of stocks I heard about and thought had good prospects. As I kept studying markets and refining my craft, I noticed while there are many different opinions on which strategy is optimal for success one piece of wisdom held almost universally is that you should diversify. The famed economist Harry Markowitz has even called diversification 'the one free lunch in investing'. So I changed my process. I started holding more companies, investing in all sectors, countries and styles. And instead of buying these stocks on my own, I got easy access to them through mutual funds and ETFs. This was the most important action that I took that improved my results and put me on track to meet my financial goals. But let's move beyond my journey and look at some data that supports how diversification may help you to improve your results as well.

On-screen disclosure:
Diversification may not protect against market risk or loss of principal.

Frame 8:

[Video transitions to new frame as voiceover audio continues]

On-screen copy:
The US stock market went up 25% last year, but many stocks lost money

Voiceover audio:
The US stock market went up more than 25% in 2021. Though the market as a whole did very well many individual stocks struggled.

[Donut pie chart representing Individual U.S. Stocks appears on left side of the screen.]

On-screen copy:
Individual U.S. Stocks

64% did not lose money

36% lost money

Voiceover audio:
36% actually lost money, delivering negative returns to investors. Incredibly, the average loss among stocks that declined last year was 35%. If buying single stocks, it could have been easy to lose in this winning market. So how do you help protect against holding only underperformers? You can diversify. Equity mutual funds and ETFs can provide diversification since they hold multiple stocks.

[Donut pie chart representing U.S. Mutual Funds and ETFs appears on right side of the screen.]

On-screen copy:
U.S. Mutual Funds and ETFs

98% did not lose money

2% lost money

Voiceover audio:
For example, just 2% of mutual funds and ETFs investing in US stocks lost money last year. This is a pretty eye-opening statistic that speaks to the value that funds can provide investors by giving them instant diversification.

On-screen disclosure:
Source: Morningstar as of 12/31/2021. Mutual Funds and EFs are the Morningstar US Equity Category, oldest share class only. Individual US Stocks include all securities in the S%P 500 Total Market Index. Analysis does not include obsolete mutual funds, ETFs or stocks as defined by Morningstar. Performance is historical and does not guarantee or indicate future results.

Frame 9:

[Video transitions to new frame as voiceover audio continues. Table representing sell-offs for stocks from S&P 500 and 10-Year U.S. Treasury Bond appears.]

On-screen copy:
Diversification can change the ride

Tech sell-off (5/23/2000 to 10/9/2002) for S&P 500 is -41.6.
Tech sell-off (5/23/2000 to 10/9/2002) for 10-Year U.S. Treasury Bond is 40.2.
Tech sell-off 10/9/2002 to 10/9/2007 for S&P 500 is 120.7.
Tech sell-off 10/9/2002 to 10/9/2007 for 10-Year U.S. Treasury Bond is 13.3.
Global Financial Crisis (10/9/2007 to 3/9/2009) for S&P 500 is -55.3.
Global Financial Crisis (10/9/2007 to 3/9/2009) for 10-Year U.S. Treasury Bond is 21.4.
Global Financial Crisis 3/9/2009 to 4/29/2011 for S&P 500 is 110.6.
Global Financial Crisis 3/9/2009 to 4/29/2011 for 10-Year U.S. Treasury Bond is 3.0.
US Downgrade (4/29/2011 to 10/3/2011) for S&P 500 is -18.6.
US Downgrade (4/29/2011 to 10/3/2011) for 10-Year U.S. Treasury Bond is 15.4.
US Downgrade 10/3/2011 to 9/20/2018 for S&P 500 is 208.9.
US Downgrade 10/3/2011 to 9/20/2018 for 10-Year U.S. Treasury Bond is 3.7.
Q4 2018 Sell-off (9/20/2018 to 12/24/2018) for S&P 500 is -19.4.
Q4 2018 Sell-off (9/20/2018 to 12/24/2018) for 10-Year U.S. Treasury Bond is 3.7.
Q4 2018 Sell-off 12/14/2018 to 2/19/2020 for S&P 500 is 47.4.
Q4 2018 Sell-off 12/14/2018 to 2/19/2020 for 10-Year U.S. Treasury Bond is 13.6.
COVID-19 Sell-off (2/19/2020 to 3/23/2020) for S&P 500 is -33.8.
COVID-19 Sell-off (2/19/2020 to 3/23/2020) for 10-Year U.S. Treasury Bond is 7.8.

Voiceover audio:
Diversifying across stocks is a great start, but it's not enough for most investors. If we enter a recession, even the best stocks may perform poorly. To build resilience into our portfolios, we should think about adding other asset classes which have tended to behave differently than stocks. For example, high quality bonds like those issued by the US government have historically gone up when the economy is slowing. So they can potentially add gains to a portfolio at the same time that stocks are falling.

After the tech bubble burst in the early 2000s, the S&P 500 fell more than 40 percent, while long term US treasury bonds rose by about the same amount, helping to buffer losses in a diversified portfolio. In fact, 10-year U.S. treasury bonds delivered positive results in each period for which the stock market fell by at least 15% over the last 20 years, including the global financial crisis and the Covid-19 related sell off of 2020. Asset classes like stocks and bonds are expected to add to wealth over time, and they often deliver their value during different phases of the economic cycle. Combining them together in a portfolio can provide the investor with a smoother ride during their investment journey. The way investors choose to spread their money across asset classes is called an asset allocation. You've likely heard the term 60-40 used, which represents a portfolio that is 60% invested in stocks and 40% invested in bonds. Such allocations should be based on an investor's goals, timeline and risk tolerance. And a first step to a thoughtful investment program is deciding on an allocation that provides the right balance of potential growth and safety. Those looking for more growth who can afford to take on more risks might increase the allocation of stocks. And those that are more interested in preservation of capital might have a higher allocation to bonds.

On-screen disclosure:
Source: Morningstar. Sell-Offs represent all drawdowns of at least 15% that the S&P 500 experienced over the last 20 years ending 12/31/2021. 10-Year U.S. Treasury Bond represented by US Treasuries T-Bill Constant Maturity Rate 10-year index. Index performance is for illustrative purposes only. **Index performance does 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. Diversification may not protect against market risk or loss of principal.**

Frame 10:

[Video transitions to new frame as voiceover audio continues. Line chart representing a case study that shows the hypothetical growth of $100 for 60/40 without rebalancing and 60/40 rebalanced portfolio begins to grow. Line chart begins in January of 2020 through March of 2021. Starting balance of both lines starts at $100, dips to about $80 in late March of 2020, then grows, while fluctuating slightly. Ending balance for 60/40 without rebalance in March of 2021 is around $120 and the ending balance for 60/40 rebalanced portfolio in March of 2021 is around $115.]

On-screen copy:
Rebalancing a portfolio – a case study

X axis: Jan. 2020 thru March 2021 (in monthly increments)

Y axis: Hypothetical Growth of $100 (from 80-125, in increments of 5)

A portfolio allocated to 60/40 at the start of 2020 could have become a 50/50 portfolio after the COVID-19 market sell-off

Rebalancing back to the target 60/40 would have packed more of a punch during the recovery

Voiceover audio:
Setting the appropriate asset allocation for your goals is a crucial step, but the work doesn't end there. Daily performance could cause the allocation to drift away from the desired balance. When stocks do well, they grow to make up a larger portion of the portfolio. And when they fall, they become a smaller piece of the portfolio. Consider an investor who went through 2020 with a 60/40 allocation. The sharp market sell off that started in February would have pushed the allocation to 50% stocks and 50% bonds by the end of March. Then the market rapidly recovered, and the portfolio did just fine. But investors who determined that 60/40 was the right mix for them, would have packed more of a punch during the rebound. Rebalancing means periodically adjusting the portfolio back to its intended allocation. In this example, an investor could have sold some bonds to buy more stocks to get back to 60/40 at the end of March, and this rebalanced portfolio would have outperformed the portfolio that was left untouched for that year.

On-screen disclosure:
Source: Morningstar as of 3/31/2021, based to 100, using total return which assumes the reinvestment of dividends. Both portfolios start the year 60% invested in the S&P US Total Stock Market Index and 40% invested in the Bloomberg US Aggregate Bond Index. The 60/40 portfolio rebalanced back to its target weights effect at the close of 3/31/2020. This information does not represent the actual current, past or future holdings or portfolio of any BlackRock client. **Index performance does 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.**

Frame 11:

[Video transitions to new frame as voiceover audio continues. A graphic representing the overlap of stock and mutual funds, to meet as ETFs appears. A line pointing to the intersection of Stock and ETF appears. A line pointing to the intersection of Mutual fund and ETFs appears.]

On-screen copy:
ETFs: a tool for portfolio construction

Stock: Tradable during the day
Like a stock, an ETF can be bought and sold whenever the market is open
Like a mutual fund, an ETF is a professionally managed, diversified p ETFs: Diversified funds that trade like stocks

Mutual fund: Diversified

Voiceover audio:
ETFs are great tools for implementing these portfolio construction best practices. ETFs can be bought and sold whenever the market is open. The minimum investment required for an ETF is generally just the share price. ETFs are professionally managed and can make diversification easy. They generally carry low fees and are generally tax efficient, helping investors keep more of what they earn, which can mean better investment results over time.

On-screen disclosure:
There can be no assurance that an active trading market for shares of an ETF will develop or be maintained. When comparing stocks or bonds and iShare Funds, it should be remembered that management fees associated with fund investments, like iShares, are not borne by investors in individual stocks or bonds. For more on the differences between ETFs and Mutual Funds, please see the end of this presentation.

Frame 12:

[Video transitions to new frame as voiceover audio continues. Image of children's toys appears on the right to indicate start to sub-section 2.]

On-screen copy:
ETF toolkit

Voiceover audio:
The ETF toolkit contains funds that help you

[Block with “Build a strong foundation” appears to the left of the photo.]

On-screen copy:
Build a strong foundation

Voiceover audio:
build a strong foundation,

[Block with “Seek enhanced returns” appears to the left of the photo underneath the first current block.]

On-screen copy:
Seek enhanced returns

Voiceover audio:
seek enhanced returns,

[Block with “Pursue opportunities” appears to the left of the photo underneath the two current blocks.]

On-screen copy:
Pursue opportunities

Voiceover audio:
or pursue opportunities like market trends or themes that are important to you

Frame 13:

[Video transitions to new frame as voiceover audio continues. From left to right, a Conservative, Moderate, Growth, and Aggressive pie chart, representing the stocks and bonds for asset allocation ETFs, appear. Core and Sustainable stocks are listed underneath each chart.]

On-screen copy:
Shortcut: all in one
Asset Allocation ETFs

Conservative 70% Bonds/30% Stocks: Core – AOK
Conservative 70% Bonds/30% Stocks: Sustainable – EAOK
Moderate 60% Bonds/40% Stocks: Core – AOM
Moderate 60% Bonds/40% Stocks: Sustainable – EAOM
Growth 40% Bonds/60% Stocks: Core – AOR
Growth 40% Bonds/60% Stocks: Sustainable – EAOR
Aggressive 20% Bonds/80% Stocks: Core – AOA
Aggressive 20% Bonds/80% Stocks: Sustainable – EAOA

Voiceover audio:
A great tool for building the foundation of a portfolio is Asset Allocation ETFs. These all-in-one solutions allow investors to build a diversified portfolio with just one fund. Investors can choose between conservative, moderate, growth or aggressive risk targets, which differ by how much of the fund is exposed to stocks or bonds.

Each iShares Asset Allocation ETF invests in stock and bond ETFs and rebalances back to their target allocation generally twice each year, helping investors implement the portfolio construction best practices of diversification and rebalancing with just one click. iShares Core Allocation ETFs seek to efficiently capture broad market returns. Increasingly, investors are recognizing that companies that are solving the world's biggest challenges may be best positioned to grow over the long term. Accordingly, iShares also offers Sustainable Allocation ETFs, which provide a similar exposure as their Core counterparts, while seeking a more sustainable outcome by incorporating Environmental, Social and Governance insights.

On-screen disclosure:
Source: BlackRock as of 3/31/22. Allocations shown for illustrative purposes only and are subject to change. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Frame 14:

[Video transitions to new frame as voiceover audio continues. A house icon showing the four portfolio foundations blocks (iShares Core US Equity, iShares Core International Equity, iShares Core US Bond, iShares Core International Bond) appears in the upper right-hand corner. Below the house icon and foundation blocks, three categories (U.S. Equities, International Equities, and Bonds) appears showing the ETF breakdowns underneath.]

On-screen copy:
Building a strong core

<u>Portfolio foundation</u>
iShares Core US Equity
iShares Core International Equity
iShares Core US Bond
iShares Core International Bond

<u>U.S. Equities</u>
S&P 500 (IVV)
S&P Mid Cap (IJH)
S&P Small Cap (IJR)
Total Market ITOT

<u>International Equities</u>
MSCI Developed (IEFA
MSCI Emerging (IEMG)

<u>Bonds</u>
U.S. Investment Grade (AGG)
U.S. Total Bond Market (IUSB)

Voiceover audio:
For investors that want to customize their portfolios to their preferences, a starting point could be individual Core ETFs. These funds provide exposure to the total market or a market segment by seeking to track popular indexes like the S&P 500. They are often among the lowest cost and most tax efficient ETFs available. Investors can use these tools to customize how much exposure they want to US stocks, international stocks and bonds, and can adjust their allocation whenever needed in order to align with new goals or to potentially benefit from perceived market opportunities.

On-screen disclosure:
For illustrative purposes only. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Frame 15:

[Video transitions to new frame as voiceover audio continues]

On-screen copy:
Seek enhanced performance

Voiceover audio:
While Core ETFs seek to mirror the market, other types of ETFs intentionally deviate from the market in an attempt to either outperform or reduce risk. These strategies are called Factor ETFs. They start with some screens that many of you may already incorporate when evaluating stocks. The most well-known factors are Value, which screens for cheap stocks,

[In the upper right-hand corner, a double-sided arrow appears representing how factors can go from Seek reduced risk on the left arrow, to Market in the middle, and seek higher returns on the right arrow. Underneath the right side of the double-sided arrow, which represents the seek higher returns, a box with a price tag that shows a dollar sign inside a downward-pointing arrow icon and the word "Value" appears.]

On-screen copy:
Value

[Below the first box named Value, under the right side of the double-sided arrow, which represents the seek higher returns, a box that shows a diamond icon and the word "Quality" appears.]

On-screen copy:
Quality

Voiceover audio:
Quality, which invests in companies with healthy balance sheets,

[To the right of the first box named Value, under the right side of the double-sided arrow, which represents the seek higher returns, a box that shows a momentum ball cradle icon and the word "Momentum" appears.]

On-screen copy:
Momentum

Voiceover audio:
Momentum which select stocks that are trading higher,

[To the right of the second box named Quality, under the right side of the double-sided arrow, which represents the seek higher returns, a box that shows a tape measure icon and the word "Size" appears.]

On-screen copy:
Size

Voiceover audio:
and Size, which screens for stocks that have smaller market capitalization.

[Underneath the four boxes (Value, Quality, Momentum, and Size), the corresponding abbreviations appear in boxes with their labels underneath: Size (SIZE), Momentum (MTUM), Quality (QUAL), and Value (VLUE). At the same time, underneath the left side of the double-sided arrow, which represents the seek reduced risk, a box with a traffic cone icon and the words "Minimum volatility" appears. Underneath the Minimum volatility box, another box appears showing the corresponding abbreviation of the Seek reduced risk box with its label: Minimum volatility (USMV).]

On-screen copy:
Size (SIZE)
Momentum (MTUM)
Quality (QUAL)
Value (VLUE)

Minimum volatility
Minimum volatility (USMV)

Voiceover audio:
Minimum Volatility factor strategies are designed to build a portfolio with lower risk by screening for stocks with low volatility.

When I think about the potential users of these ETFs, I think about my mom and my wife. My mom is risk averse, and prone to making bad investment decisions when volatility arises. She's retired but can't just hold bonds and cash. She needs some exposure to the stock market in order to potentially earn enough to meet her spending needs. Minimum Volatility ETFs that are designed to provide broad market exposure with less volatility can help an investor like my mom keep the asset allocation intact and stick to the plan for long-term success.

My wife is very different from my mother in a lot of ways. She's an entrepreneur and she's more of a risktaker. She wants to try and beat the market. So investors like her might find value in Factor ETFs, which employ the strategies that have historically been used by active managers and do so in a transparent, low-cost and tax efficient way.

On-screen disclosure:
For illustrative purposes only. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Frame 16:

[Video transitions to new frame as voiceover audio continues. A hex graphic with one main category, "Market Themes" in the middle appears. Six subcategories with corresponding icons slowly appear as the voiceover audio continues: "Infrastructure" with a building icon, "Clean Energy" with a leaf icon, "Electric Vehicles" with a technology icon, "Cyber Security" with a shield icon, "Innovative HealthCare" with a people icon, and "Global Investing" with a globe icon).]

On-screen copy:
Pursue opportunities

<u>Market Themes:</u>
Infrastructure
Clean Energy
Electric Vehicles
Cyber Security
Innovative Health Care
Global Investing

Voiceover audio:
Every one of us has probably heard about a trend at some point that we felt was going to change the way that we live our daily lives. Some emerging themes may seem like good investment ideas, but it isn't always easy to find a list of companies that are likely to benefit from these new developments. Thematic or megatrend ETFs can help here. They screen for the companies that fit the target theme and bundle them together in one ETF. If there's a trend that you've been looking to invest in, there's probably an ETF that provides exposure to it and could be beneficial instead of just focusing on a stock or two, for all of the reasons that we discussed on the benefits of diversification. These ETFs may help investors that are interested in the trend avoid missing out on the potential benefits because they chose the wrong stock. We've seen popularity in the themes that are listed on the slide, including the growth of clean energy and the importance of cybersecurity. There are ETFs that make it easy to capture these trends and others in a diversified manner.

With all of these great tools available, how do we sift through the roughly 2000 ETFs in the market to choose the right ones for our needs?

On-screen disclosure:
For illustrative purposes only. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Frame 17:

[Video transitions to new frame as voiceover audio continues. Image of road with arrows diverting to left and right appears on the right to indicate start to sub-section 3.]

On-screen copy:
How to select ETFs

Voiceover audio:
When evaluating funds, keep four items in mind.

Frame 18:

[Video transitions to new frame as voiceover audio continues]

On-screen copy:
A framework for evaluating ETFs

[Checkmark with the word “manager” appears. Underneath the word “manager” is a question]

On-screen copy:
Manager: How well do you know your manager / provider?

Voiceover audio:
First is the fund manager. You want to ask whether the fund provider has experience and expertise in investing in the specific market.

[Under the first checkmark (“manager”), another checkmark with the word “structure” appears. Underneath the word “structure” is a question.]

On-screen copy:
Structure: What is the ETF built to do?

Voiceover audio:
Next is the structure or what the ETF is built to do. Here, you may want to ask yourself does the ETF’s objective align with my financial goals.

[To the right of the first checkmark (“manager”), another checkmark with the word “exposure” appears. Underneath the word “exposure” is a question.]

On-screen copy:
Exposure: What’s inside your fund?

Voiceover audio:
Once you’ve decided on the objective, the next item to consider is exposure, which means asking what asset classes and markets does the fund invest in.

[To the right of the second checkmark (“structure”), another checkmark with the word “costs” appears. Underneath the word “costs” is a question.]

On-screen copy:
Costs: How much are you paying in total?

Voiceover audio:
And last but not least, is cost. Finding lower-cost, tax-efficient investments can help you keep more of what you earn.

Since understanding exposure is important, let’s look at a few attributes to consider.

On-screen copy:
For illustrative purposes only.

Frame 19:

[Video transitions to new frame as voiceover audio continues. A table showing the key attributes for stock funds appear on the left side of the screen.]

On-screen copy:
Exposure: what's inside your fund?

<u>Key attributes to consider</u>
For stock funds:
Size (large cap, mid cap, small cap)
Style (value, growth)
Sector Weights
Country Exposure (developed, emerging)
Fundamentals (dividend yield, P/E ratio, etc.)

Voiceover audio:
For stock funds, it helps to look at the average size of companies held because large stocks behave differently than small stocks. Similarly, cheap companies or value stocks behave differently from firms that are growing faster than average. So it can help to look at: valuation ratios, dividend yields and earnings growth. Knowing the sectors a fund is more exposed to, like tech vs. financials, and when going international, knowing the exposure to developed markets vs. emerging economies can help you better understand potential risk and how the fund may behave over time.

[A table showing the key attributes for bond funds appear on the right side of the screen.]

On-screen copy:
<u>For bond funds:</u>
Credit Quality (investment grade vs. high yield)
Bond Type/Sector (Government, Corporate, etc.)
Average Maturity (interest rate sensitivity)
Yield

Voiceover audio:
For bond funds, consider the credit quality and know whether the fund holds bonds of investment grade or lower quality bonds that deliver a higher yield. It's also important to look into sectors in the bond space as government bonds have different characteristics than bonds that are issued by corporations. Importantly, the average maturity of bonds in the portfolio or the fund's duration helps you to understand the interest rate sensitivity, so you can gauge how the fund may respond to changes in interest rates. This information can be found on fund websites or through your brokerage.

On-screen disclosure:
For illustrative purposes only. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Frame 20:

[Video transitions to new frame as voiceover audio continues. Starting from left to right, four boxes with corresponding descriptions and icons appear on the screen. On the far left of the screen, a box describing "Stock and bond index ETFs" appears with a pie chart icon above it. Then, a box describing "Commodity ETFs" with a gold bars icon appears to the right of the "Stock and bond index ETFs" box. After that, a box describing "Active ETFs" with a text bubble icon appears to the right of the "Commodity ETFs" box. Lastly, a box describing "Leveraged and inverse ETPs" with a heart monitor in a circle icon appears on the far right of the screen.]

On-screen copy:
Structure: types of ETFs

Stock and bond index ETFs: Most common type of ETF. Diversified, low-cost and tax efficient

Commodity ETFs: Funds that hold commodities like Gold and Silver, or use derivatives to capture changes in commodity prices

Active ETFs: Holdings picked by an active manager seeking to outperform an index rather than track it

Leveraged and inverse ETPs: Tools some investors may use to attempt to deliver multiples of an exposure, or “short” an exposure by seeking its opposite performance

Voiceover audio:
It’s important to emphasize that not all ETFs are the same, we’ve been mostly discussing ETFs that seek to track indexes of either stocks or bonds, and these are some of the most common ETFs. There are also funds that help investors access alternative asset classes, such as commodities like gold or silver, which can further diversify a portfolio or provide potential inflation protection. Some ETFs are actively managed, meaning the holdings are picked up by an active portfolio manager based on their investment views. Some active strategies may be less diversified in the pursuit of higher returns, and they may carry higher fees. These strategies may also be more subject to the skill of the manager than the returns of the market segment from which they’re picking securities. And lastly, there are leveraged and inverse exchange traded products, or ETPs, which iShares does not offer. Leveraged funds look to deliver multiples of an index return on a given day, and inverse funds are short the given index looking to benefit from the market falling in value. These products can carry meaningful risks and are generally meant for sophisticated institutional investors with very short-term needs.

On-screen disclosure:
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Frame 21:

[Video transitions to new frame as voiceover audio continues. A formula breaking down the ETF costs to consider appears on the screen. Underneath the breakdown of the formula, an example of how the formula may be used appears. Then a car icon comes in from the right side of the screen.]

On-screen copy:
Cost: expense ratio is only one component

Expense ratio + Trading Costs, Taxes on Distributions and Tracking Difference = Total cost of ETF Ownership

Purchase price + Maintenance, Fuel efficiency, and Insurance = Total Cost of Car Ownership

Voiceover audio:
Reducing costs or fees can be important to investment success. To evaluate what a fund costs, you have to do more than look at the expense ratio. Just like when we go to buy a car, we don’t look at a sticker price alone. We also evaluate things like fuel efficiency and expected maintenance costs. An ETF’s costs to consider include trading costs, which can be measured with things like a bid ask spread. ETFs with lower trading volume tend to have higher trading costs. You may also want to consider the frequency of a fund’s distributions, as some funds distribute capital gains more regularly than others, which could result in a tax liability. Finally, you should consider any meaningful difference between the fund’s performance and the benchmark that it seeks to track. This information is available on fund websites or through your brokerage. Keeping these components in mind gives a holistic view of cost when comparing funds.

On-screen disclosure:
For illustrative purposes only.

Frame 22:

[Video transitions to new frame as voiceover audio continues. A table on the right side of the screen depicts the key takeaways from this video. iShares by BlackRock logo appears underneath the table.]

On-screen copy:
In summary:

DIY portfolio construction
Don't lose in a winning market: The market can rise despite many individual stocks falling
Diversification and rebalancing: Allocation across asset classes to balance risk and return

Tools to DIY
Build a strong core
Seek enhanced performance
Pursue opportunities

Choosing ETFs
Manager
Structure
Exposure
Costs

Voiceover audio:
Let's recap the key takeaways, starting early can help investors harness the power of compounding returns and ETFs can make this easy, given minimum investment requirements are generally just the price of a share. When building portfolios, investors may consider diversifying and rebalancing to avoid missing opportunities and attempt to reduce portfolio risk. There are many types of ETFs available, and the right one depends on your unique investment objectives. With goals in place, gather a list of funds aligned with your objectives and consider the items we discussed today to further evaluate the funds. Ask yourself whether the manager has the right experience and expertise, if the structure and exposure is aligned with your goals, and if the total cost helps to reduce the hurdles to success. Thank you for watching.

On-screen disclosure:
Diversification may not protect against market risk or loss of principal. There is no guarantee any strategies discussed will be effective.

Frame 23:

[Video transitions to new frame as background music begins and voiceover audio continues. A table depicting the differences between ETFs and traditional mutual funds appears on the screen.]

On-screen copy:
ETFs and traditional mutual funds: know the differences

Criteria	**Mutual funds**	**ETFs**
Management	Active	Passive
Performance goal	Outperform a benchmark and/or deliver an outcome	Outperform a benchmark and/or deliver an outcome
Buying/selling shares	Once per day via fund company	Intraday on exchanges
Price to buy/sell	End-of-day NAV, less fees	Current market price, which may differ from NAV
Fees	Expensive ratio + any sales loads / redemption fees	Shareholders only impacted by their own action
Tax impact of buyers/sellers	Shareholders my be impacted by all other shareholder's actions	Shareholders only impacted by their own action
Holdings disclosure	Typically quarterly	Daily
Benefits	Opportunity to outperform the index; Potential to limiting the downside; Buy/sell decisions based on research	Exposure to market index; Generally lower fees; Typically more tax-efficient

Trade-offs	Potential to underperform; generally high fees; Typically less tax-efficient	Does not seek to outperform index; Participate in all of index downside; Buy/sell decisions based on index, not research

Voiceover audio:
Visit iShares.com to view a prospectus, which includes investment objectives, risks, fees, expenses and other information that you should read and consider carefully before investing. Investing involves risk, including possible loss of principal.

Frame 24-26:

[Video transitions to new frame as background music continues]

On-screen copy:
IMPORTANT NOTES
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 or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments.

When comparing stocks or bonds and iShares Funds, it should be remembered that management fees associated with fund investments, like iShares Funds, are not borne by investors in individual stocks or bonds. The annual management fees of iShares Funds may be substantially less than those of most mutual funds. Buying and selling shares of iShares Funds will result in brokerage commissions.

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.
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 Fund's environmental, social and governance ("ESG") investment strategy limits the types and number of investment opportunities available to the Fund and, as a result, the Fund may underperform other funds that do not have an ESG focus. The Fund's ESG investment strategy may result in the Fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. In addition, companies selected by the index provider may not exhibit positive or favorable ESG characteristics.

There can be no assurance that performance will be enhanced, or risk will be reduced 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.

Commodities' prices may be highly volatile. Prices may be affected by various economic, financial, social and political factors, which may be unpredictable and may have a significant impact on the prices of precious metal.

Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market.

Investment in a fund of funds is subject to the risks and expenses of the underlying funds.

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