



**Five ways to diversify
your portfolio using
Exchange Traded Funds (ETFs)**
from investment experts BlackRock

Five ways to diversify your portfolio using ETFs

With so many Exchange Trade Funds (ETFs) to choose from sometimes it helps to have the choices narrowed down. Investment experts, **BlackRock** suggest five ways you can gain efficient access to multiple companies, across multiple countries and regions and across multiple asset classes to help spread your risk.

Diversification is getting harder

Investors have traditionally looked to historical relationships – or correlations – between different asset classes as a guide to creating a diversified portfolio. Combining investments that behave differently under certain market conditions can help mitigate risk, though such an approach won't eliminate all risks tied to investing.

Achieving diversification is getting harder, however. Long-held correlations between asset classes once thought of as established no longer consistently hold true – for example, the price of debt issued by companies, known as bonds, are no longer moving as reliably in the opposite direction to share prices.

Investors cannot simply construct a traditional portfolio of 60% shares and 40% bonds and expect that the bond component will offer some protection should equity markets crash.

Investors may need to consider gaining efficient access to multiple companies, across multiple countries and regions, and across multiple asset classes – including alternative assets, such as gold – to achieve a level of portfolio diversification that has the potential to spread risk more effectively.

Exchange Traded Funds

One way to achieve portfolio diversification could be to invest in Exchange Traded Funds (ETFs). ETFs are a collection of shares which are pooled together into one basket. They can track a stock market index, such as the FTSE 100, and are an easy, inexpensive way to gain access to varied range of large brands in the UK or overseas in one 'share'.

So buying a FTSE 100 ETF, for example, will give you exposure to the biggest 100 companies listed on the UK's stock market.

This will help to achieve portfolio diversification and spread some of the risk in a single trade.

There are different types of ETFs, even amongst those that track the same index, so be sure to understand what those are as well as considering the suitability of an ETF against your individual needs and risk tolerance before purchasing. If you are in any doubt as to the risk or suitability of an investment or product, you should seek advice from an independent financial adviser.

1. Developed markets

Developed markets are countries that are considered developed, such as the United Kingdom, Germany, France, Japan and the United States. Developed markets exposures provide access to a wide basket of shares from a country or countries within a single Fund. Investing in such an exposure can help reduce the impact of a single company's fluctuations in price and due to the increased diversification could potentially improve the overall level of investment risk in a portfolio. However, it is important to remember that diversification and asset allocation does not fully protect you from the risk of your investment portfolio falling in value.

FTSE
100

iShares Core FTSE 100 UCITS ETF

Allocation of investments across multiple assets can be more important than choosing which specific companies you buy. One simple starting point for diversifying or spreading your investments could be by looking at well-known indexes such as the FTSE 100. This index gives you exposure to the largest U.K. companies, as measured by their market value.

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An ETF enables you to invest in the broad market index with one simple trade rather than having to buy each of the individual shares which make up the index. Using this principle you may consider looking to further diversify your investments across different markets, geographies, sectors and assets including shares, bonds, and even commodities such as gold. Within ETFs you have a choice of broad regions and single countries or sectors, different investment approaches or company sizes.

- Targeted exposure to the 100 largest UK shares
- Direct Investment into blue-chip companies representative of sector leaders in the UK
- Single country and large market capitalization companies exposure

Discrete performance

	From 31/Mar/2012 to 31/Mar/2013	From 31/Mar/2013 to 31/Mar/2014	From 31/Mar/2014 to 31/Mar/2015	From 31/Mar/2015 to 31/Mar/2016	From 31/Mar/2016 to 31/Mar/2017
Total Return (%) as of 31/Mar/2017	14.99	6.22	5.96	-5.34	23.31
Benchmark (%) as of 31/Mar/2017	15.45	6.66	6.34	-5.26	23.34

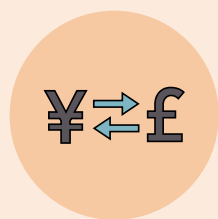
Important information

The suitability of this investment has not been considered against your individual needs and risk tolerance.

Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product. The value of an investment and the income from it may go up or down and the investor may not get back the amount invested.

Source: BlackRock. Performance data is displayed on a Net Asset Value basis, net of fees, Brokerage or transaction fees will apply. The benchmark refers to the index that the ETF is designed to replicate. In this case it is the FTSE 100 IndexTM.

1. Developed markets



iShares Core MSCI Japan IMI UCITS ETF

The Fund seeks to replicate the performance of an index composed of Japanese large, mid and small cap companies.

- Diversified exposure to Japanese companies
- Direct investment in 1,220 Japanese companies
- Single country exposure

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Discrete performance

	From 31/Mar/2012 to 31/Mar/2013	From 31/Mar/2013 to 31/Mar/2014	From 31/Mar/2014 to 31/Mar/2015	From 31/Mar/2015 to 31/Mar/2016	From 31/Mar/2016 to 31/Mar/2017
Total Return (%) as of 31/Mar/2017	98	6.95	11.59	-5.43	14.69
Benchmark (%) as of 31/Mar/2017	54	7.53	11.91	-5.27	14.82

Important information

Investment risk is concentrated in specific sectors, countries, currencies or companies. This means the Fund is more sensitive to any localised economic, market, political or regulatory events. Overseas investment will be affected by movements in currency exchange rates. The suitability of this investment has not been considered against your individual needs and risk tolerance.

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2. Income

In a time with near-record low interest rates that seem destined to remain depressed for some time, investors are being forced to look elsewhere for sources of investment income, for example to dividend-paying shares. Dividend ETFs are designed to provide exposure to a basket of large, dividend paying shares with the goal of fulfilling this income requirement.

**FTSE
350**

iShares UK Dividend UCITS ETF

The Fund seeks to track the performance of an index composed of 50 shares with leading dividend yields from UK listed companies, excluding investment trusts.

- Diversified exposure to UK companies to the higher yielding sub-set of the FTSE 350 Index
- Exposure to 50 UK companies
- Single country exposure

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Discrete performance

	From 31/Mar/2012 to 31/Mar/2013	From 31/Mar/2013 to 31/Mar/2014	From 31/Mar/2014 to 31/Mar/2015	From 31/Mar/2015 to 31/Mar/2016	From 31/Mar/2016 to 31/Mar/2017
Total Return (%) as of 31/Mar/2017	16.93	14.49	13.95	-5.69	13.20
Benchmark (%) as of 31/Mar/2017	17.52	15.21	14.58	-5.35	13.72

Important information

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Source: BlackRock. Performance data is displayed on a Net Asset Value basis, net of fees, Brokerage or transaction fees will apply. The benchmark refers to the index that the ETF is designed to replicate. In this case it is the FTSE UK Dividend+ Index.

2. Income



iShares Euro Dividend UCITS ETF

The Fund seeks to track the performance of an index composed of 30 shares with leading dividend yields selected from blue-chip companies in Eurozone countries.

- Exposure to diversified Eurozone companies with the highest dividend yields
- Direct investment into 30 listed shares from the Eurozone
- Regional exposure with a focus on income

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Discrete performance

	From 31/Mar/2012 to 31/Mar/2013	From 31/Mar/2013 to 31/Mar/2014	From 31/Mar/2014 to 31/Mar/2015	From 31/Mar/2015 to 31/Mar/2016	From 31/Mar/2016 to 31/Mar/2017
Total Return (%) as of 31/Mar/2017	3.53	27.20	18.69	-6.37	20.96
Benchmark (%) as of 31/Mar/2017	2.59	26.66	17.97	-6.88	19.95

Important information

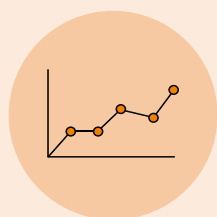
Overseas investment will be affected by movements in currency exchange rates. The suitability of this investment has not been considered against your individual needs and risk tolerance.

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Source: BlackRock. Performance data is displayed on a Net Asset Value basis, net of fees, Brokerage or transaction fees will apply. The benchmark refers to the index that the ETF is designed to replicate. In this case it is the EURO STOXX® Selected Dividend 30.

3. Fixed Income

If you decide you want to look at gaining exposure to debt issued by companies, an ETF could offer an efficient way of doing this. ETFs are designed to track the performance of an index thereby providing exposure to many different companies' bonds. Gaining exposure to several different companies may help to mitigate, but will not eliminate, the risk of losses and could help reduce the impact of losses from a single underperforming company on the performance of the portfolio overall.



iShares Core £ Corp Bond UCITS ETF

The iShares Core £ Corporate Bond ETF offers a way to gain exposure to corporate bonds issued in GBP across various sectors.

- Diversified exposure to more than 320 corporate bonds issued in GBP
- Direct investment in corporate bonds across sectors (industrials, utilities and financial companies)
- GBP denominated exposure to debt issued by companies

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Discrete performance

	From 31/Mar/2012 to 31/Mar/2013	From 31/Mar/2013 to 31/Mar/2014	From 31/Mar/2014 to 31/Mar/2015	From 31/Mar/2015 to 31/Mar/2016	From 31/Mar/2016 to 31/Mar/2017
Total Return (%) as of 31/Dec/2016	3.53	27.20	18.69	-6.37	20.96
Benchmark (%) as of 31/Dec/2016	2.59	26.66	17.97	-6.88	19.95

Important information

The Fund invests in fixed interest securities such as corporate or government bonds which pay a fixed or variable rate of interest. Therefore the value of these securities are sensitive to movements in interest rates; typically when interest rates rise there is a corresponding decline in the market value of bonds. The fund invests in fixed interest securities issued by companies. There is a risk of default where the issuing company may not pay income or repay capital to the Fund when due. The suitability of this investment has not been considered against your individual needs and risk tolerance.

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Source: BlackRock. Performance data is displayed on a Net Asset Value basis, net of fees, Brokerage or transaction fees will apply. The benchmark refers to the index that the ETF is designed to replicate. In this case it is the Markit iBoxx GBP Liquid Corporates Large Cap Index.

4. Emerging Markets

Political uncertainty at home may have prompted you to make enquiries about investing in shares listed in other countries or regions. Many emerging markets, defined as those economies with low to middle per capita income, on the other hand, seem relatively disconnected from events in Europe when compared with other developed market investments.



iShares MSCI Emerging Markets UCITS ETF USD (Dist)

This Fund seeks to track the performance of an index composed of companies from emerging markets countries.

- Diversified emerging markets exposure
- Exposure to more than 20 emerging economies
- Direct investment in a broad range of more than 850 emerging market companies

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Discrete performance

	From 31/Mar/2012 to 31/Mar/2013	From 31/Mar/2013 to 31/Mar/2014	From 31/Mar/2014 to 31/Mar/2015	From 31/Mar/2015 to 31/Mar/2016	From 31/Mar/2016 to 31/Mar/2017
Total Return (%) as of 31/Mar/2017	0.29	-2.46	-0.11	-12.44	16.48
Benchmark (%) as of 31/Mar/2017	1.95	-1.43	0.44	-12.03	17.21

Important information

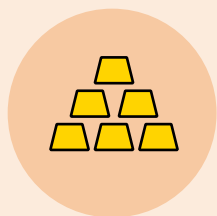
ETFs trade on exchanges like stocks and are bought and sold at market prices which may be different to the net asset values of the ETFs. Compared to more established economies, the value of investments in Emerging Markets may be subject to greater volatility due to differences in generally accepted accounting principles or from economic or political instability. Overseas investments will be affected by movements in currency exchange rates. The suitability of this investment has not been considered against your individual needs and risk tolerance.

Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product. The value of an investment and the income from it may go up or down and the investor may not get back the amount invested.

Source: BlackRock. Performance data is displayed on a Net Asset Value basis, net of fees, Brokerage or transaction fees will apply. The benchmark refers to the index that the ETF is designed to replicate. In this case it is the MSCI Emerging Markets Index (SM).

5. Gold

Gold is an asset class which, when used in conjunction with other investments, may still help to create a diversified portfolio as it is typically less correlated with other assets. If investors flock to gold this will push the price up and if investors decide to sell, the price may quickly fall, so past performance should not be seen as an indicator of future performance.



iShares Physical Gold ETC

If you decide you would like to gain exposure to gold, one way could be through an Exchange Traded Commodity (ETC), such as the iShares Physical Gold ETC. This Fund seeks to track the return of the gold spot price, which is the current price in the marketplace at which a given asset can be bought or sold for immediate delivery. Using an ETC means that you can buy and sell the Fund on a stock exchange, a bit like a share.

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- Targeted exposure to the gold spot price
- Direct investment into gold
- Single commodity exposure

Discrete performance

	From 31/Mar/2012 to 31/Mar/2013	From 31/Mar/2013 to 31/Mar/2014	From 31/Mar/2014 to 31/Mar/2015	From 31/Mar/2015 to 31/Mar/2016	From 31/Mar/2016 to 31/Mar/2017
Total Return (%) as of 31/Mar/2017	-4.10	-19.38	-8.85	3.95	0.38
Benchmark (%) as of 31/Mar/2017	-3.86	-19.18	-8.11	4.21	0.63

Important information

The securities issued by iShares Physical Metals plc are limited recourse obligations which are payable solely out of the underlying secured property. If the secured property is insufficient any outstanding claims will remain unpaid. ETCs will seek exposure to a limited number of market sectors. Compared to investments which spread investment risk more generally through a variety of sectors, price movements may have a greater effect on the overall value of the investment. Precious metal prices are generally more volatile than most other asset classes, making investments riskier and more complex than other investments.

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Source: BlackRock. Performance data is displayed on a Net Asset Value basis, net of fees, Brokerage or transaction fees will apply. The benchmark refers to the index that the ETF is designed to replicate. In this case it is the LBMA Gold Price.

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For investors in the UK

Most of the protections provided by the UK regulatory system do not apply to the operation of the Companies, and compensation will not be available under the UK Financial Services Compensation Scheme on its default. The Companies are recognised schemes for the purposes of the Financial Services and Markets Act 2000. Any decision to invest must be based solely on the information contained in the Company's Prospectus, Key Investor Information Document and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. Investors should read the Fund specific risks in the Key Investor Information Document and the Company's Prospectus.

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