

MANAGER PROFILE

ISHARES

Background

- > iShares was founded in 2000 by Barclays Global Investors. Its focus is managing and distributing Exchange Traded Funds.
- > Exchange Traded Funds are a type of index-tracking fund – they are managed to accurately mirror the performance of an index such as the FTSE 100 Index of leading UK blue-chip shares. This means that the aim of an Exchange Traded Fund is to provide investors with the same return as the underlying market .
- > Exchange Traded Funds have a number of benefits including; lower costs than many traditional pooled funds, diversification, a high degree of transparency in terms of portfolio holdings, performance and costs, as well as flexibility and liquidity.
- > Over the past 10 years iShares has grown into one of the largest Exchange Traded Fund providers in the world, with more than 440 funds and approximately US\$480 billion¹ in assets under management.
- > In December 2009, BlackRock merged with Barclays Global Investors. The combined firm now operates under the BlackRock name. It manages US\$3.66 trillion² in assets for institutional and individual investors across the globe.

iShares Funds

- > NZ Funds Management currently invests in six funds that are managed by iShares. These funds give exposure to: United States investment-grade corporate bonds; global real estate investment

iShares Funds (continued)

trusts; the Global Consumer Staples; the Global Materials sector; the Global Healthcare sector; and the Global Energy sector.

Manager attributes

- > iShares' founder, Barclays Global Investors (now operating under the BlackRock name), has a strong pedigree in the area of passive index funds. Barclays Global Investors launched one of the first passive index funds more than 35 years ago in 1971.
- > An Exchange Traded Fund is an investment vehicle that combines key features of traditional managed funds and individual shares. Exchange Traded Funds provide diversified exposures to a number of individual securities like traditional open-ended funds. A distinct difference, however, is that Exchange Traded Funds trade like shares and can be bought and sold on an exchange.
- > Most Exchange Traded Funds are designed to track specific indices. These indices can be as broad as the Russell 3000 (an index of 3000 companies) or as narrow as the FTSE/Xinhua China 25 (an index with only 25 companies). These indices represent a variety of exposures including fixed interest, commodities and share market investments.
- > NZ Funds Management combines its moving average and capital protection strategies to manage both the credit and interest rate risk associated with this investment. The foreign currency risk associated with the investment is always fully hedged.

¹ Source: Global ETF Research & Implementation Strategy, BlackRock as of May 2010. ² As at 30 June 2011 (this information is updated quarterly whenever information is available, otherwise the most recent information is used).