Introducing BlackRock's Target Allocation ETF Models

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BENEFIT # 1

Scale and simplify your practice

- Spend more time with clients. Routinize your client reviews. Clean up your book.

Models can help you transform your practice

Hypothetical example

<table>
<thead>
<tr>
<th>BEFORE models</th>
<th>AFTER models</th>
</tr>
</thead>
<tbody>
<tr>
<td>100+ funds and individual securities</td>
<td>3-6 portfolios across risk profiles</td>
</tr>
<tr>
<td>Every client review is unique</td>
<td>Consistent, efficient client reviews</td>
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<tr>
<td>Time constrained</td>
<td>More time for planning, prospecting</td>
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</table>

Reduce
Investment management and administration from

40 to 20% of your time

Increase
Client-facing activities from

60 to 80% of your time

Potential transfer of time
450+ hours saved*

* Cerulli Associates, “U.S. Advisor Metrics 2016: Combatting Fee and Margin Pressure.” Time savings estimation assumes 20% time savings x a 45hr work week x 50 weeks per year = 450hrs saved.
BENEFIT # 2

Manage fees with low cost ETFs and mutual funds

- Industry forces are driving advisors to reduce expense ratios.

Two forces driving fee compression

1. The “math problem”

   4.13% 60/40 portfolio benchmark return*, past three years
   - 1.02% Average advisory fee†
   = 3.11% What’s left for the investor, before expense ratios and tax costs

2. New low cost competitors
   Profile of the largest digital “Robo” advisor ‡
   - 30bps fee
   - $108B AUM
   - $400K average client size

Index the core with ETFs

- Competitive performance Over the last 5 years, iShares U.S. equity style box ETFs have outperformed 90% of active mutual funds§
- Low cost iShares ETFs cost 1/3 as much as the typical mutual fund§
- Tax efficient Over the past five years, only 5% of iShares ETFs have paid a capital gains distribution§

As of 9/30/2017. Benchmark represented by 100% Bloomberg Barclays US Universal Index for fixed income, 60% MSCI ACWI Index, and 40% MSCI USA Index for equity. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.


§ See slide 16 for sourcing and important information.
BENEFIT # 3

Implement a defined investment process

• Increased regulations continue to challenge your practice.

Adapt your practice to heightened regulations

BEFORE models

Different outcomes for clients with the same risk profile

“Orphan” funds on the books with no documented due diligence

AFTER models

Seek consistent client returns by risk profile

Short list of ETFs/funds commonly held across clients

2016 FINRA disciplinary actions*: 1,434 disciplinary actions, $176.3 million in fines, $27.9 million in restitution to harmed investors

* 1 Returns can fluctuate by account.

* 2016 Year in Review FINRA data — www.finra.org/newsroom/statistics. There is no guarantee that a models-based practice will prevent or reduce any business or regulatory risk.
BlackRock Model Portfolios
Our value proposition

Investment expertise simply delivered

Diversified, Cost-Effective Portfolios
Adapt to changing market environments, leveraging low-cost, tax-efficient ETFs

Institutional Capabilities to Individual Investors
Focus on consistency of results by leveraging BlackRock's sophisticated risk analytics and technology

A Range of Outcomes
Offer a comprehensive model suite and resources to serve as your one-stop-shop for portfolio needs
BlackRock Target Allocation Model Portfolios

1. All-in-One, Core Portfolios
2. Skillfully Crafted Cost-Effective ETF Allocations
3. Strategically Balanced Results and Risk

Comprehensive, Long-term Asset Allocation Strategies

Highlights:
- A series of individual portfolios
- Built with cost-effective Exchange Traded Funds (ETFs)
- Exposure to a broad array of asset classes & sectors
- Tactical, quarterly rebalancing

The views and models described may not be suitable for all investors. For illustrative purposes only.
BlackRock Model Portfolios
Our investment process

Enhance Diversification
- Seek to reduce risk associated with investment goal

Tilt Toward Relative Value
- Take risk where we have the potential for reward

Manage Downside Risk
- Assess and seek protection from downside risks in changing markets

Risk Breakdown*

<table>
<thead>
<tr>
<th>Traditional 60/40 Benchmark</th>
<th>Target Allocation ETF</th>
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<tbody>
<tr>
<td>9.02</td>
<td>8.67</td>
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<tr>
<td>US Bonds</td>
<td>Intl' Bonds</td>
<td>Intl' Stocks</td>
<td>US Stocks</td>
<td>Smart Beta</td>
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*Source: BlackRock and BlackRock Aladdin Portfolio Builder, as of 12/31/16. Target Allocation ETF model represented by Target Allocation 60/40 ETF. Traditional 60/40 Benchmark: 42% MSCI ACWI Index; 18% MSCI U.S. Index; 40% U.S. Universal Bond Index. Reflects long-term, strategic position of the Target Allocation 60/40 ETF model. Risk breakdown represents standard deviation.
Factors are fundamental building blocks of investment returns.

Thinking beyond asset classes can help enhance overall portfolio diversification.

**Broad Universe**

**Traditional Categories**

**Most Basic Elements**

**Nutrients**
- Fiber: 65%
- Protein: 25%
- Carbohydrates: <1%
- Fat: 10%
- Sodium: >1%

For illustrative purposes only.
Combine top-down, bottom-up, and big data research to form relative value views

<table>
<thead>
<tr>
<th>Sentiment</th>
<th>Economic</th>
<th>Valuation</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Higher frequency insights for</td>
<td>Fundamental economic momentum</td>
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<tr>
<td></td>
<td>risk-on/risk-off, market and</td>
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<td></td>
<td>style factors</td>
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</tbody>
</table>

### Tactical Tilts

- **Sector Allocation**
  - Government
  - Corporate
  - Fixed Income
  - Equity

- **Country / Style Allocation**
  - US
  - International
    - Growth
    - Mid / Small
    - Value

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For illustrative purposes only.
Navigate Downside
Built on industry-leading Aladdin® technology

Leveraging global insight, expertise, and sophisticated risk management & portfolio analytics

Risk Evaluation
Understanding the risk exposures today
Risk decomposition to measure the contribution of every risk source

Stress Testing
Quantifying potential risks of tomorrow
Stress tests to measure the impact of various market scenarios

Monitoring & Rebalancing
Building a portfolio that can work through time
Asset class research to help provide diversification and reduce volatility

Critical for day-to-day portfolio management
Helps enable appropriate asset allocation for various environments
Can translate into a more robust optimized portfolio

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<table>
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<tr>
<th>Asset Class Category</th>
<th>View</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities vs. Fixed Income</td>
<td>Overweight</td>
<td>Relative attractive risk premium and economic momentum suggest overweighting equities and underweighting bonds.</td>
</tr>
<tr>
<td>U.S. Equities</td>
<td>Overweight</td>
<td>Our outlook for forward earnings and the potential for tax reform are driving an overweight to the U.S.</td>
</tr>
<tr>
<td>Non-U.S. Developed Equities</td>
<td>Underweight</td>
<td>Valuations currently appear attractive on a relative basis, but the region does not look as promising as either Emerging Markets or the U.S. Prefer currency hedged exposure over local currency.</td>
</tr>
<tr>
<td>Emerging Market Equities</td>
<td>Overweight</td>
<td>Improvement in economic growth, attractive valuations, and fundamental momentum boosts our view on Emerging Market equities. In addition, we believe emerging economies will continue to benefit from global synchronized expansion.</td>
</tr>
<tr>
<td>Large Cap Equities</td>
<td>Neutral</td>
<td>No strong view on large versus small and mid cap at this time.</td>
</tr>
<tr>
<td>Small/Mid Cap Equities</td>
<td>Neutral</td>
<td>No strong view on large versus small and mid cap at this time.</td>
</tr>
<tr>
<td>Smart Beta</td>
<td>Overweight</td>
<td>A strategic (not tactical) stance rooted in the diversification potential of smart beta factors.</td>
</tr>
<tr>
<td>U.S. Treasuries</td>
<td>Underweight</td>
<td>Monetary policy is continuing to normalize globally, which, along with potential reappearing of rising core inflation in the remainder of the year, has the potential to raise rates across the U.S. Treasury curve.</td>
</tr>
<tr>
<td>U.S. Investment Grade Credit</td>
<td>Overweight</td>
<td>The search for yield continues globally and, despite recent narrowing, investment grade spreads are currently attractive relative to duration equivalent government bonds.</td>
</tr>
<tr>
<td>High Yield Credit</td>
<td>Overweight</td>
<td>Although credit spreads have narrowed, high yield offers attractive relative value and carry in the current environment relative to other assets within U.S. fixed income. Plus, credit conditions and liquidity in issuance markets currently appear favorable.</td>
</tr>
<tr>
<td>Emerging Market Bonds (USD)</td>
<td>Overweight</td>
<td>Despite recent narrowing of spreads, corporate earnings growth currently appears strong and the search for yield continues. However, commodity moves have not been supportive year-to-date and currency volatility is a risk.</td>
</tr>
</tbody>
</table>

Source: BlackRock, as of October 2017. Subject to change.
Eliminated International bonds given improving growth

Increased Smart Beta allocation to enhance diversification

Added investment grade bonds on attractive valuations

Added US stocks on signs of reflation

Source: BlackRock As of 30 September 2017.
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- Fact Sheets (Approved for client use)
- Client Conversation Guide (Approved for client use)

“Why” Models (Advisor use only)

Subscribe today to receive

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- Trade notices the day of portfolio changes
- Client-approved quarterly updates
- Webinar invites for Q&A with the PM Team

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To explore BlackRock’s model portfolios, please visit: www.blackrock.com/models
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Important Notes

Competitive Performance Claim
Slide 4 source: Morningstar, as 12/31/2016. Post-tax pre-liquidation comparison made between the 5-year returns at NAV of iShares S&P domestic equity style box funds and the oldest share class of active open-end mutual funds within Morningstar U.S. domestic equity style box categories available in the U.S. between 1/1/2012 and 12/31/2016 (“Active Style Box Funds”). Returns are calculated after taxes on distributions, including capital gains and dividends, assuming the highest federal tax rate for each type of distribution in effect at the time of the distribution. Overall figure is a weighted average of the percentage of funds that the iShares ETF outperformed in each style box, weighted based on the Active Style Box Fund assets in each style box. Performance may be different for other time periods. Style Box Funds are those categorized by Morningstar as U.S. Large Cap Growth / Blend / Value, U.S. Mid Cap Growth / Blend / Value or U.S. Small Cap Growth / Blend / Value. Past performance is no guarantee of future results.

Low Cost Claim
Slide 4 source: Morningstar, as of 12/31/16. Comparison is between the average Prospectus Net Expense Ratio for the iShares ETFs(0.38%) and the oldest share class of active open-end mutual funds (1.22%) with 10-year track records that were available in the U.S. between 1/1/2007 and 12/31/2016.

Tax Efficient Claim