

# STRATEGIC MODELS ETF ONLY

Q4 2016 Allocations



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## Key Takeaways

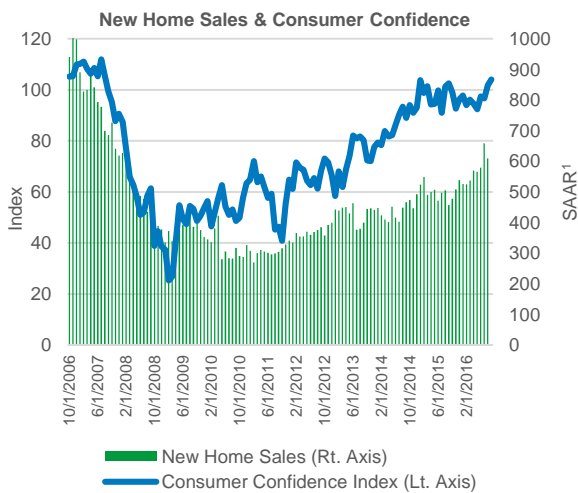
- Global economy is still expanding but fragile (weak U.S. earnings, Brexit, European bank stress, Japanese policy challenges)
- In Q4, our portfolios are slightly reducing fixed income overall, particularly long maturity exposures, and increasing equity
- We maintain our overweight positions in investment grade credit, U.S. and EM equities and are underweight in EAFE equities

## Market Overview

**Global:** Equities and credit assets advanced broadly in the third quarter as investors grappled with a number of headlines surrounding the immediate aftermath of the United Kingdom’s decision to leave the European Union (“Brexit”) and heightened concern over central bank commitment to stimulus. During the quarter, emerging markets continued to outperform developed, while interest rates crept higher and credit spreads narrowed. Oil was lower despite rallying into the quarter end. Cyclical and globally-oriented sectors generally outperformed defensive and domestically-oriented sectors on the back of improving growth expectations. (Continued on page 2)

### The U.S. Consumer Shows Signs of Strength...

Recovery in the U.S. labor market appears to have translated into a stronger U.S. consumer. Measures such as consumer confidence and new home sales have returned to a normal range from the lows of the financial crisis, and both have trended higher of late. Consumer spending and residential investment account for nearly 73% of the US economy, and continued strength in those sectors - in the absence of excess, importantly - can likely do much to sustain the recovery. We like the potential for risk assets given that backdrop.

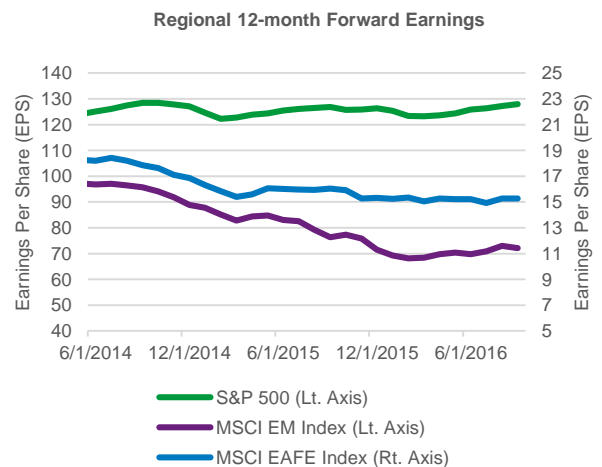


Source: Bloomberg, BlackRock

1. SAAR (Seasonally Adjusted Annual Rate) is a rate that is adjusted to account for fluctuations of values in data which might occur due to seasonality.

### ...Although the Outlook for Profits Remains Weak in Many Regions.

Corporate profit growth has been flat or declining across developed markets. Although the recent rebound in emerging market earnings is encouraging, the weakness in developed markets remains a concern: Prolonged weakness in earnings is likely to translate into a slowing of both capital expenditures and hiring, and could jeopardize the recovery. While we certainly hope that a resilient US consumer will more than offset this weakness, it's not yet clear which side will prevail.



Source: Bloomberg



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## Strategic Models - Portfolio Commentary

### Market Overview (cont'd)

**Europe:** Brexit sent shockwaves across global markets and has put even more pressure on central banks to remain extremely accommodative. Rates remain near historic lows, and in fact, there were European corporate bond issuances at negative yields. At the same time, however, economic data have actually been resilient, and European equities outperformed other developed markets in the third quarter. The British pound has weakened sharply, and although gilts have rallied global risk assets have mostly rebounded to pre-Brexit levels or higher. That said, European earnings expectations remain a concern, particularly in the banking sector. Recent steepening of yield curves could help provide some relief to beleaguered banks globally.

**U.S.:** Economic data has firmed as evidenced by rising leading economic indicators (e.g., ISM Purchasing Manager Index), a healthier labor market, and consumer confidence hitting a nine year high during the quarter. The Federal Reserve (Fed) seems likely to hike rates in December, but the pace and trajectory appears lower for longer, and may not disrupt risk assets should hikes be supported by clearly improving economic data. U.S. elections remain a key source of risk over the near term, however.

**Japan:** In contrast to the Fed, the Bank of Japan (BOJ) is very much in easing mode but has failed to contain the rapid ascent of the yen that has continued to stifle exporters and overall economic activity. In September, the BOJ announced they will look to control the yield curve in order to further support monetary conditions.

**Currencies, commodities and EM:** Currencies have been a critical factor for investors this year, and a lower/more stable U.S. dollar and supportive global policy environment have helped emerging markets and commodities outperform. Plus, after overcapacity concerns early in the quarter, the Organization of the Petroleum Exporting Countries (OPEC) further boosted commodity related assets into quarter end by agreeing to a surprise oil production cut. Emerging market equities have enjoyed their best year to date since 2009, and economic data and earnings expectations have generally improved.

### Portfolio Commentary

We believe that the strategic investor is rewarded over the long term by favoring asset classes with attractive relative value. From that perspective we prefer equities but at the same time are wary of the potential for volatility in the near term amid economic and political uncertainty globally, and continued concerns about the European banking sector. Hence, we have a cautiously optimistic stance and are modestly overweighting stocks over bonds.

Within stocks, we favor U.S. and emerging markets over ex-U.S. developed markets on the basis of relatively better growth and earnings outlook. Within U.S., we are increasing our allocation to the large-cap growth stocks, which have lagged the value stocks so far this year but we see as likely to benefit from the rising consumer confidence. Within emerging markets, we are rotating out of minimum volatility equities into the broader market given improving earnings expectations and generally supportive monetary conditions. Within ex-U.S. developed markets, we are modestly reducing our currency hedge as we see less upside for the dollar going forward.

Within fixed income, we are reducing our exposure to longer maturities. We are increasing our allocation to U.S. TIPS and dollar denominated EM debt on the basis of their reasonable valuation and our expectation of a supportive environment for these asset classes going forward.

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## Tactical Asset Allocation: Views and Rationale

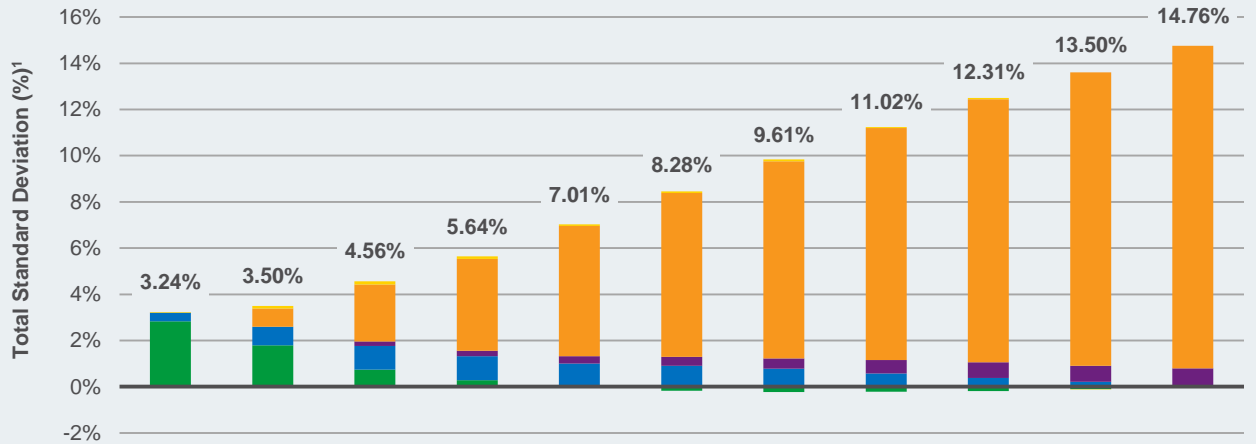
Asset Class	Views	Rationale
<b>Global Equities</b>		
Equities (vs. Fixed Income)	Over	Better relative valuation and a generally improved economic backdrop for stocks.
U.S. Equities	Over	Housing and labor markets have done well, consumer confidence is improving, and leading economic indicators (e.g. ISM New Orders) are rising.
Non-U.S. Developed Equities	Under	Weak earnings expectations and a challenged banking sector in Europe.
Emerging Markets	Over	Reasonable valuations and improving earnings expectations.
<b>U.S. Equities</b>		
Large Cap	Neutral	Better relative valuation and lower volatility compared to small cap stocks.
Small/Mid Cap	Under/Over	Underweight small caps and modestly overweight mid caps based on valuations.
Smart Beta	Over	Overweight momentum and minimum volatility factors based on their potential to provide return and diversification benefit to the portfolio.
<b>Fixed Income</b>		
U.S. Investment Grade	Over	Spreads appear attractive in this segment and fundamentals remain supportive.
Treasuries	Under	The global deflationary pressures have receded and the domestic cost pressures have been firming up recently.
High Yield	Under	Valuation has become less attractive after the strong rally this year.
Emerging Market Bonds (USD)	Over	Attractive spread over Treasuries given its credit quality.

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## Risk Analysis

### RISK CONTRIBUTION

These portfolios seek to provide a range of risk and return levels by diversifying across a wide variety of factors that can impact investments, such as interest rates, credit spreads and foreign exchange. This chart leverages BlackRock's proprietary risk management system – Aladdin® – to show the contribution of individual risk factors.



		0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20	90/10	100/0
Rate Risk		2.83%	1.79%	0.74%	0.29%	-0.02%	-0.17%	-0.23%	-0.22%	-0.19%	-0.10%	-
Credit Risk		0.37%	0.81%	1.02%	1.03%	1.01%	0.90%	0.78%	0.58%	0.38%	0.21%	-
FX Risk		-	-	0.20%	0.24%	0.31%	0.40%	0.45%	0.58%	0.68%	0.69%	0.80%
Equity Risk		-	0.79%	2.46%	3.97%	5.64%	7.08%	8.53%	10.04%	11.38%	12.71%	13.96%
Other Risk		0.04%	0.11%	0.14%	0.11%	0.07%	0.07%	0.08%	0.04%	0.06%	-0.01%	-
<b>Total Standard Deviation<sup>1</sup></b>		<b>3.24%</b>	<b>3.50%</b>	<b>4.56%</b>	<b>5.64%</b>	<b>7.01%</b>	<b>8.28%</b>	<b>9.61%</b>	<b>11.02%</b>	<b>12.31%</b>	<b>13.50%</b>	<b>14.76%</b>

### RISK EXPOSURES - BETAS

Betas for these portfolios are estimated based on underlying fund holdings and risk factor exposures. They are intended to convey expected longer-term relationships and offer relative comparisons. A positive beta indicates a tendency for co-movement with the benchmark, while a negative beta indicates that the portfolio and the benchmark tend to move in opposite directions.

	0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20	90/10	100/0
Beta to 10-Year Treasury Rates	-2.99	-2.12	-1.06	-0.27	0.70	1.63	2.55	3.58	4.46	5.34	6.26
Beta to 2-Year Inflation Expectations	0.32	1.48	2.27	2.80	3.37	3.83	4.33	4.90	5.39	5.75	6.16
Beta to Investment Grade Credit Spreads	-0.21	-1.67	-3.79	-5.28	-6.91	-8.36	-9.83	-11.43	-12.85	-14.05	-15.37
Beta to S&P 500 Index	0.04	0.14	0.26	0.36	0.47	0.58	0.68	0.78	0.88	0.96	1.06
Beta to USD <sub>X</sub> (US Dollar Currency Index)	-0.13	-0.18	-0.28	-0.34	-0.42	-0.51	-0.59	-0.70	-0.79	-0.85	-0.94

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## Performance Details

PORTFOLIO PERFORMANCE (As of 09/30/2016)

	Previous Quarter	Year To Date	One Year	Since Last Rebalance	Since Inception	2015
0/100 Model Portfolio	1.08%	7.15%	6.70%	0.73%	3.25%	-0.20%
10/90 Model Portfolio	1.26%	7.05%	7.37%	0.68%	3.70%	0.02%
20/80 Model Portfolio	1.52%	7.01%	7.82%	0.71%	3.50%	-0.19%
30/70 Model Portfolio	1.71%	6.85%	8.42%	0.69%	3.49%	0.09%
40/60 Model Portfolio	2.03%	6.66%	8.84%	0.77%	3.26%	-0.13%
50/50 Model Portfolio	2.33%	6.86%	9.69%	0.83%	3.25%	-0.14%
60/40 Model Portfolio	2.73%	7.27%	10.61%	0.94%	3.26%	-0.23%
70/30 Model Portfolio	3.06%	7.01%	11.02%	1.04%	2.87%	-0.43%
80/20 Model Portfolio	3.46%	7.14%	11.80%	1.17%	2.66%	-0.57%
90/10 Model Portfolio	3.86%	7.26%	12.44%	1.31%	2.40%	-0.72%
100/0 Model Portfolio	4.31%	7.10%	12.76%	1.47%	2.17%	-0.61%

## MONTHLY PERFORMANCE

	Sept 2016	Aug 2016	July 2016	June 2016	May 2016	April 2016	March 2016	Feb 2016	Jan 2016	Dec 2015	Nov 2015	Oct 2015
0/100 Model Portfolio	0.15%	0.12%	0.81%	2.00%	-0.12%	0.79%	1.59%	0.79%	0.83%	-0.66%	-0.29%	0.53%
10/90 Model Portfolio	0.12%	0.11%	1.03%	1.91%	0.07%	0.74%	1.99%	0.63%	0.27%	-0.77%	-0.21%	1.28%
20/80 Model Portfolio	0.13%	0.09%	1.29%	1.74%	0.28%	0.71%	2.45%	0.48%	-0.34%	-1.01%	-0.18%	1.97%
30/70 Model Portfolio	0.10%	0.10%	1.51%	1.57%	0.43%	0.67%	2.84%	0.33%	-0.85%	-1.06%	-0.12%	2.68%
40/60 Model Portfolio	0.12%	0.12%	1.79%	1.46%	0.55%	0.60%	3.28%	0.10%	-1.46%	-1.28%	0.03%	3.33%
50/50 Model Portfolio	0.12%	0.10%	2.10%	1.38%	0.67%	0.60%	3.85%	-0.07%	-2.00%	-1.39%	0.07%	4.02%
60/40 Model Portfolio	0.15%	0.13%	2.44%	1.26%	0.78%	0.68%	4.54%	-0.18%	-2.61%	-1.56%	0.09%	4.66%
70/30 Model Portfolio	0.20%	0.15%	2.70%	1.02%	0.90%	0.69%	4.98%	-0.40%	-3.24%	-1.75%	0.14%	5.44%
80/20 Model Portfolio	0.23%	0.20%	3.01%	0.79%	1.03%	0.76%	5.57%	-0.54%	-3.87%	-1.93%	0.21%	6.18%
90/10 Model Portfolio	0.28%	0.21%	3.35%	0.56%	1.19%	0.74%	6.17%	-0.73%	-4.41%	-2.11%	0.28%	6.79%
100/0 Model Portfolio	0.41%	0.25%	3.63%	0.31%	1.28%	0.72%	6.63%	-0.94%	-5.00%	-2.23%	0.37%	7.29%

Inception date for all models is July 1, 2014. Performance for periods longer than a year has been annualized using a geometric mean. **The model performance shown is hypothetical and for illustrative purposes only and does not represent the performance of a specific investment product. Performance does not include brokerage fees and commissions. Past performance does not guarantee future results. This information should not be relied upon as investment advice, research, or a recommendation by BlackRock regarding (i) the Funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial advisor know enough about their circumstances to make an investment decision. For standardized performance for the underlying funds, please see the end of this document.**

## Q4 2016 Allocations

		Asset Allocation (% Equity / Fixed Income)										
		0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20	90/10	100/0
Standard Deviation <sup>1</sup>		3.24%	3.50%	4.56%	5.64%	7.01%	8.28%	9.61%	11.02%	12.31%	13.50%	14.76%
Weighted Average Expense Ratio <sup>2</sup>		0.25%	0.25%	0.22%	0.21%	0.21%	0.20%	0.19%	0.18%	0.17%	0.16%	0.16%
<b>US Fixed Income</b>		<b>86.0%</b>	<b>77.0%</b>	<b>67.0%</b>	<b>58.0%</b>	<b>47.0%</b>	<b>38.0%</b>	<b>29.0%</b>	<b>21.0%</b>	<b>14.0%</b>	<b>7.0%</b>	<b>-</b>
CIU	iShares Intermediate Credit Bond ETF	25.0%	25.0%	25.0%	23.0%	20.0%	16.0%	13.0%	7.0%	-	-	-
HYG	iShares iBoxx \$ High Yield Corporate Bond ETF	5.0%	3.0%	-	-	-	-	-	-	-	-	-
IEF	iShares 7-10 Year Treasury Bond ETF	15.0%	11.0%	7.0%	7.0%	7.0%	5.0%	3.0%	3.0%	3.0%	2.0%	-
LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF	6.0%	7.0%	9.0%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%	3.0%	-
MBB	iShares MBS ETF	17.0%	16.0%	14.0%	9.0%	4.0%	2.0%	-	-	-	-	-
NEAR	iShares Short Maturity Bond ETF (Active)	9.0%	7.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	2.0%	-
TIP	iShares TIPS Bond ETF	9.0%	8.0%	7.0%	5.0%	3.0%	3.0%	3.0%	2.0%	2.0%	-	-
<b>International Fixed Income</b>		<b>14.0%</b>	<b>13.0%</b>	<b>11.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>9.0%</b>	<b>8.0%</b>	<b>6.0%</b>	<b>4.0%</b>	<b>2.0%</b>	<b>-</b>
EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF	14.0%	13.0%	11.0%	10.0%	10.0%	9.0%	8.0%	6.0%	4.0%	2.0%	-
<b>US Equity</b>		<b>-</b>	<b>8.0%</b>	<b>15.0%</b>	<b>23.0%</b>	<b>30.0%</b>	<b>37.0%</b>	<b>45.0%</b>	<b>51.0%</b>	<b>57.0%</b>	<b>64.0%</b>	<b>69.0%</b>
IJH	iShares Core S&P Mid-Cap ETF	-	-	3.0%	3.0%	5.0%	5.0%	7.0%	7.0%	8.0%	9.0%	10.0%
IJR	iShares Core S&P Small-Cap ETF	-	-	-	-	-	-	-	2.0%	4.0%	5.0%	5.0%
IVE	iShares S&P 500 Value ETF	-	3.0%	4.0%	8.0%	10.0%	13.0%	15.0%	18.0%	20.0%	22.0%	24.0%
IVW	iShares S&P 500 Growth ETF	-	2.0%	4.0%	7.0%	10.0%	12.0%	14.0%	17.0%	19.0%	22.0%	24.0%
MTUM	iShares Edge MSCI USA Momentum Factor ETF	-	-	-	-	-	2.0%	4.0%	3.0%	2.0%	2.0%	2.0%
USMV	iShares Edge MSCI Min Vol USA ETF	-	3.0%	4.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
<b>International Equity</b>		<b>-</b>	<b>2.0%</b>	<b>7.0%</b>	<b>9.0%</b>	<b>13.0%</b>	<b>16.0%</b>	<b>18.0%</b>	<b>22.0%</b>	<b>25.0%</b>	<b>27.0%</b>	<b>31.0%</b>
HEFA	iShares Currency Hedged MSCI EAFE ETF	-	2.0%	2.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	6.0%	7.0%
IEFA	iShares Core MSCI EAFE ETF	-	-	2.0%	2.0%	3.0%	6.0%	8.0%	11.0%	13.0%	14.0%	15.0%
IEMG	iShares Core MSCI Emerging Markets ETF	-	-	3.0%	4.0%	5.0%	5.0%	5.0%	6.0%	7.0%	7.0%	9.0%

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## Allocation Changes from Prior Quarter

		Asset Allocation (% Equity / Fixed Income)										
		0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20	90/10	100/0
<b>US Fixed Income</b>		-3.0%	-3.0%	-5.0%	-4.0%	-5.0%	-6.0%	-5.0%	-6.0%	-4.0%	-3.0%	-
CIU	iShares Intermediate Credit Bond ETF	-	-	-	+1.0%	-	-	-	-	-	-	-
CLY	iShares 10+ Year Credit Bond ETF	-7.0%	-6.0%	-4.0%	-3.0%	-3.0%	-3.0%	-3.0%	-2.0%	-2.0%	-2.0%	-
CSJ	iShares 1-3 Year Credit Bond ETF	-2.0%	-	-	-	-	-	-	-	-	-	-
HYG	iShares iBoxx \$ High Yield Corporate Bond ETF	-	-1.0%	-3.0%	-2.0%	-	-	-	-	-	-	-
IEF	iShares 7-10 Year Treasury Bond ETF	+3.0%	+3.0%	-	+1.0%	+1.0%	+2.0%	+3.0%	+3.0%	+3.0%	+2.0%	-
LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF	-	-1.0%	-	-	-	-	-	-1.0%	-	-	-
MBB	iShares MBS ETF	-2.0%	-1.0%	-	-2.0%	-3.0%	-2.0%	-	-	-	-	-
NEAR	iShares Short Maturity Bond ETF (Active)	-	-1.0%	-1.0%	-1.0%	-	-1.0%	-3.0%	-3.0%	-3.0%	-1.0%	-
TIP	iShares TIPS Bond ETF	+5.0%	+4.0%	+3.0%	+2.0%	-	-	-	-1.0%	-	-	-
TLT	iShares 20+ Year Treasury Bond ETF	-	-	-	-	-	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-
<b>International Fixed Income</b>		+3.0%	+3.0%	+3.0%	+2.0%	+2.0%	+3.0%	+2.0%	+3.0%	+2.0%	+2.0%	-
EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF	+3.0%	+3.0%	+3.0%	+2.0%	+2.0%	+3.0%	+2.0%	+3.0%	+2.0%	+2.0%	-
<b>US Equity</b>		-	-	+1.0%	-	+2.0%	+2.0%	+3.0%	+2.0%	+1.0%	+2.0%	-
IJH	iShares Core S&P Mid-Cap ETF	-	-	+1.0%	-	+1.0%	+1.0%	+1.0%	-	-	-	+1.0%
IJR	iShares Core S&P Small-Cap ETF	-	-	-	-	-	-	-	-	-	-	-
IVE	iShares S&P 500 Value ETF	-	-	-	-	-	-	-	-	-1.0%	-	-1.0%
IVW	iShares S&P 500 Growth ETF	-	-	-	-	+1.0%	+1.0%	+2.0%	+5.0%	+6.0%	+6.0%	+4.0%
MTUM	iShares Edge MSCI USA Momentum Factor ETF	-	-	-	-	-	-	-	-3.0%	-4.0%	-4.0%	-4.0%
USMV	iShares Edge MSCI Min Vol USA ETF	-	-	-	-	-	-	-	-	-	-	-
<b>International Equity</b>		-	-	+1.0%	+2.0%	+1.0%	+1.0%	-	+1.0%	+1.0%	-1.0%	-
EEMV	iShares Edge MSCI Min Vol Emerging Markets ETF	-	-	-2.0%	-2.0%	-4.0%	-4.0%	-4.0%	-5.0%	-5.0%	-6.0%	-6.0%
HEFA	iShares Currency Hedged MSCI EAFE ETF	-	-	-2.0%	-2.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
IEFA	iShares Core MSCI EAFE ETF	-	-	+2.0%	+2.0%	+3.0%	+3.0%	+2.0%	+3.0%	+2.0%	+1.0%	+2.0%
IEMG	iShares Core MSCI Emerging Markets ETF	-	-	+3.0%	+4.0%	+5.0%	+5.0%	+5.0%	+6.0%	+7.0%	+7.0%	+7.0%

This information should not be relied upon as investment advice, research, or a recommendation by BlackRock regarding (i) the Funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial advisors know enough about their circumstances to make an investment decision.

**STANDARDIZED PERFORMANCE** as of 09/30/2016 — for All Holdings in the Strategic Model Portfolios

Ticker	ETF	Inception Date	Expense Ratio	1 Year Returns		5 Year Returns		10 Year Returns		Since Inception	
				NAV	Market Price	NAV	Market Price	NAV	Market Price	NAV	Market Price
CIU	iShares Intermediate Credit Bond ETF	01/05/2007	0.20%	4.91%	5.09%	3.66%	3.61%	-	-	4.79%	4.79%
CLY	iShares 10+ Year Credit Bond ETF	12/08/2009	0.20%	15.52%	15.76%	6.79%	6.48%	-	-	8.09%	8.13%
CSJ	iShares 1-3 Year Credit Bond ETF	01/05/2007	0.20%	1.92%	1.99%	1.62%	1.63%	-	-	2.94%	2.93%
EEMV	iShares Edge MSCI Min Vol Emerging Markets ETF	10/18/2011	0.69%	10.89%	11.32%	0.00%	0.00%	-	-	4.20%	4.37%
EFAV	iShares Edge MSCI Min Vol EAFE ETF	10/18/2011	0.33%	11.32%	11.20%	0.00%	0.00%	-	-	9.07%	9.12%
EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF	12/17/2007	0.60%	16.18%	15.89%	6.95%	6.95%	-	-	6.94%	6.94%
HEFA	iShares Currency Hedged MSCI EAFE ETF	01/31/2014	0.70%	4.92%	4.84%	-	-	-	-	5.08%	5.08%
HYG	iShares iBoxx \$ High Yield Corporate Bond ETF	04/04/2007	0.50%	10.73%	10.94%	7.10%	7.31%	-	-	5.58%	5.58%
IEF	iShares 7-10 Year Treasury Bond ETF	07/22/2002	0.15%	5.54%	5.57%	3.21%	3.20%	5.97%	5.98%	5.46%	5.46%
IEFA	iShares Core MSCI EAFE ETF	10/18/2012	0.08%	7.48%	7.24%	-	-	-	-	5.78%	5.85%
IEMG	iShares Core MSCI Emerging Markets ETF	10/18/2012	0.14%	16.47%	16.89%	-	-	-	-	-0.16%	0.07%
IJH	iShares Core S&P Mid-Cap ETF	05/22/2000	0.07%	15.25%	15.24%	16.39%	16.38%	8.99%	9.00%	9.01%	9.01%
IJR	iShares Core S&P Small-Cap ETF	05/22/2000	0.07%	18.14%	18.13%	17.82%	17.83%	8.64%	8.64%	9.69%	9.69%
IVE	iShares S&P 500 Value ETF	05/22/2000	0.18%	15.78%	15.83%	15.66%	15.65%	5.39%	5.38%	5.11%	5.10%
IVW	iShares S&P 500 Growth ETF	05/22/2000	0.18%	14.56%	14.62%	16.59%	16.58%	8.66%	8.65%	3.83%	3.83%
LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF	07/22/2002	0.15%	9.64%	9.70%	5.72%	5.62%	6.03%	6.02%	5.96%	5.96%
MBB	iShares MBS ETF	03/13/2007	0.29%	3.28%	3.28%	2.38%	2.37%	-	-	4.14%	4.15%
MTUM	iShares Edge MSCI USA Momentum Factor ETF	04/16/2013	0.15%	14.79%	14.84%	-	-	-	-	13.79%	13.79%
NEAR	iShares Short Maturity Bond ETF	09/25/2013	0.26%	1.24%	1.25%	-	-	-	-	0.97%	0.99%
TIP	iShares TIPS Bond ETF	12/04/2003	0.20%	6.47%	6.60%	1.79%	1.82%	4.34%	4.36%	4.42%	4.43%
TLT	iShares 20+ Year Treasury Bond ETF	07/22/2002	0.15%	13.79%	14.05%	5.50%	5.50%	8.08%	8.11%	7.71%	7.73%
USMV	iShares Edge MSCI Min Vol USA ETF	10/18/2011	0.15%	17.26%	17.29%	-	-	-	-	14.85%	14.85%

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.iShares.com](http://www.iShares.com). Shares of iShares Funds are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. eastern time (when NAV is normally determined for most iShares Funds), and do not represent the returns you would receive if you traded shares at other times. Performance shown may reflect fee waivers and/or expense reimbursements by the investment advisor to the fund for some or all of the periods shown. Performance would have been lower without such waivers. Performance for periods longer than a year has been annualized using a geometric mean.



<sup>1</sup>Standard deviation for the model portfolio is a statistical estimate measuring how dispersed returns are around an average. Standard deviation is estimated using the risk factor exposures and volatilities of the underlying funds, based on BlackRock Solutions multi-asset class risk models, and takes into account the correlations of these factors across the portfolio. Standard deviation is not meant to be a prediction of fund or model volatility and actual volatility of any portfolio based in whole or in part on the models shown will vary and may be higher.

<sup>2</sup>If applicable, the net expense ratio has been applied to the calculation of the average weighted expense ratio.

Contribution to risk is an additive measure of risk. The contribution to risk of a factor exposure of the fund is calculated as the change in the total portfolio risk that results from a small incremental increase to that factor exposure. This risk measure takes into account correlations across exposures and captures the risk of these as well as how diversifying they are in the total portfolio. Risk contributions are designed to sum to equal the total volatility of the portfolio.

Risk contribution factor exposures are: Total Risk contribution is the total standard deviation of the portfolio and is the sum of the risk contributions across rate, credit, FX, and other risk. Rate Risk contribution captures volatility associated with portfolio covariation with benchmark government interest rates. Credit Risk contribution captures volatility associated with portfolio covariation with investment grade, high yield and distressed debt credit spreads over benchmark interest rates. FX Risk contribution captures volatility associated with portfolio covariation with foreign exchange rate fluctuations. Other Risk contribution captures the remaining portion of volatility that is idiosyncratic relative to Rate, Credit and FX Risk.

Beta to 10-year Treasury Rates measures the portfolio's sensitivity to changes in the 10-year maturity US Treasury bond interest rate. Beta to 2-Year Inflation Expectations measures the portfolio's sensitivity to changes in the market interest rate spread between 2-year US Treasuries and the 2-year US Treasury Inflation Protected Security.

Beta to the S&P 500 Index measures the portfolio's sensitivity to changes in the value of the S&P 500 index.

Beta to Investment Grade Spreads measures the portfolio's sensitivity to changes in the credit spread of a diversified US investment grade bond index, as measured by the J.P. Morgan US Liquid Index.

Beta to USDX (US Dollar Currency Index) measures the portfolio's sensitivity to changes in the value of the US Dollar Index, which measures the average change in value of the USD versus major world currencies.

**Carefully consider the funds within the model portfolios' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses, and, if available, the summary prospectuses which may be obtained by visiting [www.iShares.com](http://www.iShares.com). Read the prospectus carefully before investing.**

**Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns.**

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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. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

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. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries.

The Currency Hedged Fund's use of derivatives may reduce the Fund's returns and/or increase volatility and subject the Fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. The Fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that the Fund's hedging transactions will be effective. The Funds within the model portfolio are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

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