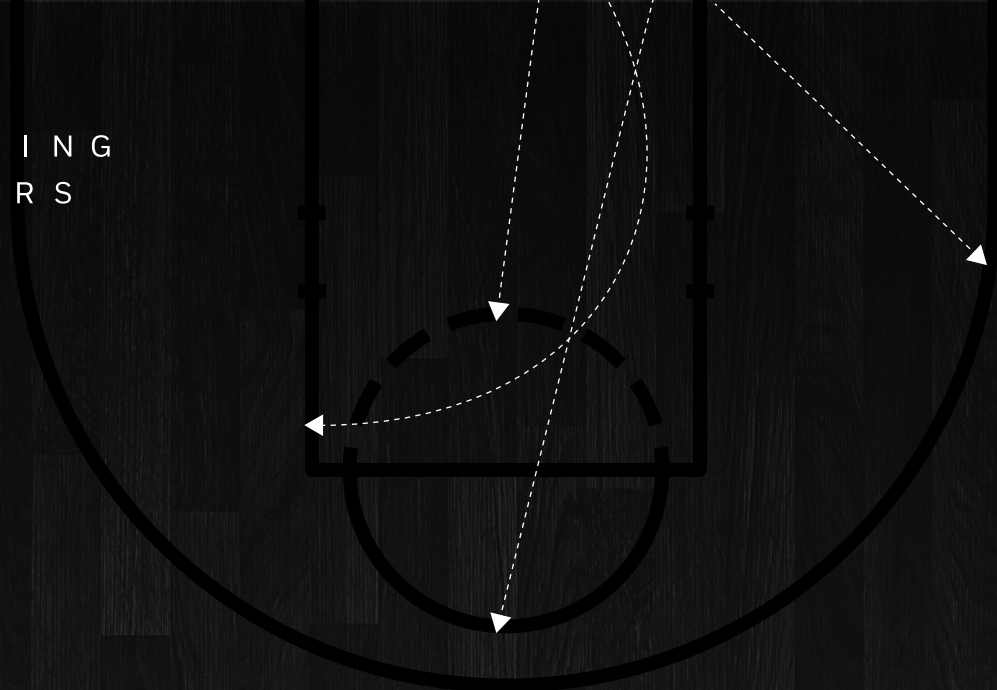


DEFINING
FACTORS

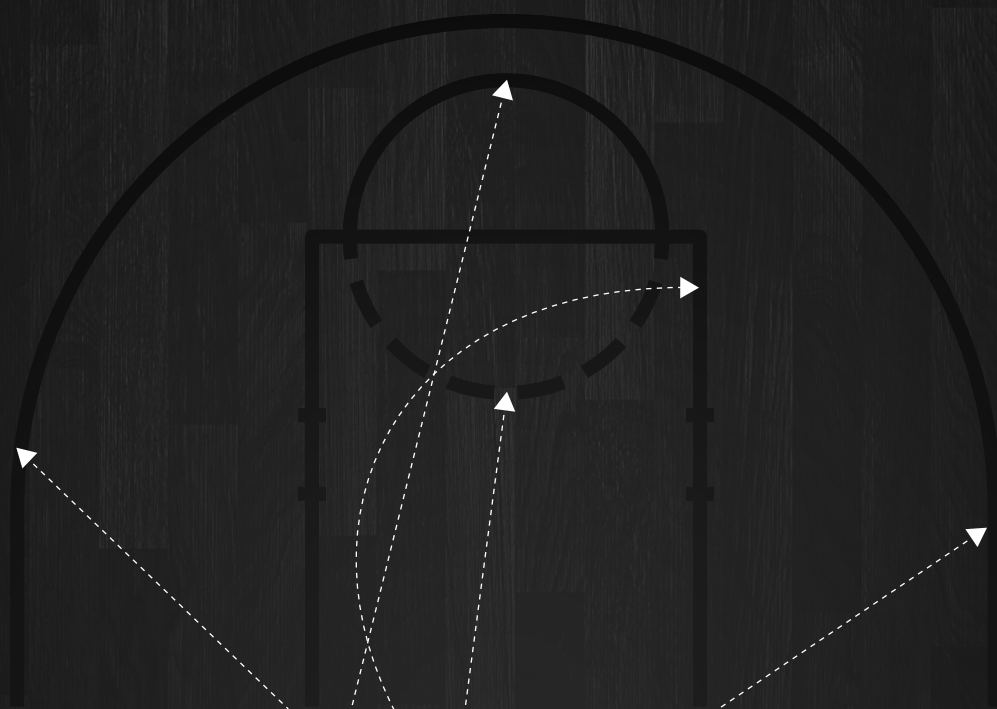
WITH **BlackRock**



BlackRock

The Playbook for Investing

FACTORS OF A WINNING STRATEGY



What Are the Factors of a Winning Strategy?

BlackRock's Head of Factor Investing Andrew Ang, Ph.D., recently sat down with professional basketball Head Coach Doc Rivers to explore three strategies that can help on the basketball court and in your investment portfolio.

The two "Docs" opened their playbooks on the factors that could help them win in each discipline. This guide will detail how Doc and Andrew's three key strategies apply to basketball and investing, and provide an opportunity to learn more about what factors may help you win in your portfolio.

THE PLAYBOOK

What are the key factors?

Which strategy has performed best and when?

Pursue diversification

Go on the offensive

Seeking defense

What are the key factors?

On the basketball court, great coaches know each player's performance can be measured through shooting percentage, assists, blocked shots and rebounds, which can be factors used to create a championship team. In investing, factors like Value, Size and Momentum are investment characteristics that have been well researched and documented in academic literature. Factors drive returns within and

across asset classes, markets and countries. Factors are not new. Since the 1930s, academics have identified factors as sources of excess returns and risk. Factors have long been a staple within actively managed funds due to their long history of driving returns. Their return premia are well understood and capture a rewarded risk, or the inefficiencies of structural impediments and behavioral biases.

Style factors include value, momentum, quality, small size and minimum volatility



VALUE INVESTING

Finding underpriced securities



MOMENTUM INVESTING

Investing in securities with upward trending prices



QUALITY INVESTING

Preferring companies with solid balance sheets and less volatile earnings



SMALL SIZE INVESTING

Tilting to smaller, more nimble companies



MINIMUM VOLATILITY INVESTING

Favoring stocks with historically lower risk

Which strategy has performed best and when?

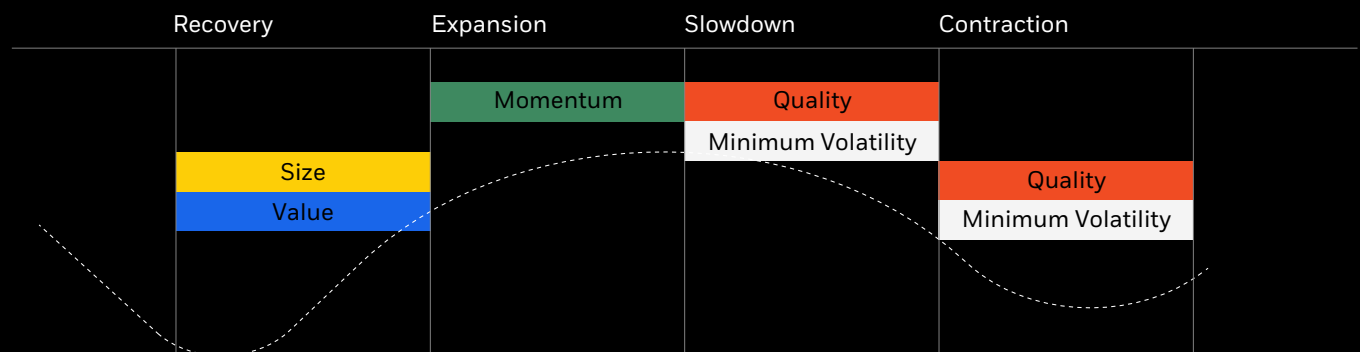
A common maxim in basketball is, “Offense sells tickets and defense wins championships.” Basketball teams rarely excel at both defense and offense simultaneously, but championship teams achieve balance at both ends of the floor.

Similarly, no single factor can guarantee investors outperformance in every time period or market environment.

The performance of individual factors varies year over year, depending in part on the macroeconomic backdrop. Return-seeking factors like Value and Size, for instance, typically perform well in periods of accelerating economic growth. Conversely, defensive factors like Minimum Volatility and Quality may help provide investors protection from declining or volatile markets. A key to long-term investment success is ensuring balanced factor exposure.

Factors in different market environments

FACTOR	STRATEGY FOCUS	WHEN TO CONSIDER THE PLAY
Value	Stocks that are cheap relative to fundamentals	Early economic cycles
Small Size	Smaller, more nimble companies	Early economic cycles
Momentum	Stocks with a positive price trend	Trending markets and mid-economic cycles
Quality	Companies with strong balance sheets	Late economic cycles and recessions
Minimum Volatility	Stocks with lower than average volatility	Volatile, risk-averse and/or declining markets



Source: BlackRock
For illustrative purposes only.

Pursue diversification

You need a diverse set of skills on the basketball court to win a championship. In investing, factors are what investors can utilize to seek broad, persistent sources of returns that have generated long-term outperformance over market-cap-weighted benchmarks. Having balanced exposures to these factors can seek to enhance diversification, pursue above-average returns and manage risk.

Like basketball teams, all equity portfolios experience ups and downs. In basketball, consistency in outperformance is what takes teams from the regular season into playoffs; it is also what takes portfolios from average to above-average over time. Building a portfolio “team” of complementary factors can help drive greater consistency in portfolio outcomes, potentially reducing risk and improving returns over time.

“In basketball, one superstar teams never win. But when you have multiple players, those are the teams that usually win.”

—Doc Rivers



Watch Doc Rivers and BlackRock's Andrew Ang break down diversification strategies

Pursue diversification in your portfolio

The best teams can do it all, combine dynamic offense at one end of the floor with a shutdown defense on the other. Doc Rivers' approach to basketball takes advantage of every factor, similar to how a diversified exposure selects stocks based on all five rewarded factors.



Play all five factors with one ETF

DYNF

BlackRock
U.S. Equity Factor
Rotation ETF

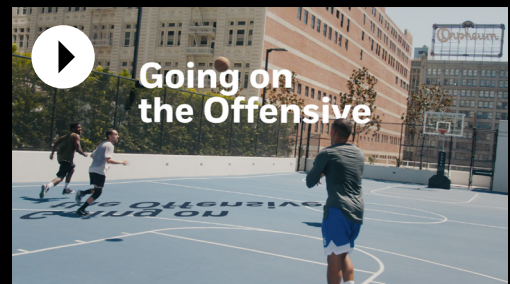
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Go on the offensive

Playing offense in an investment portfolio requires strategies that seek to take advantage of economic insight, diversification and efficient execution. During periods of economic recovery and expansion, return-seeking factors such as Momentum, Size and Value may offer winning approaches to seek outperformance.

“When we can see the economy undergoing expansion is when we want to lean into return-enhancing strategies.”

—Andrew Ang



Watch Doc Rivers and BlackRock's Andrew Ang discuss the right time to push your offense

MOMENTUM

Much like when a team “goes on a run” in basketball, Momentum tends to perform well when trends persist, and recent winners continue to win.

SIZE

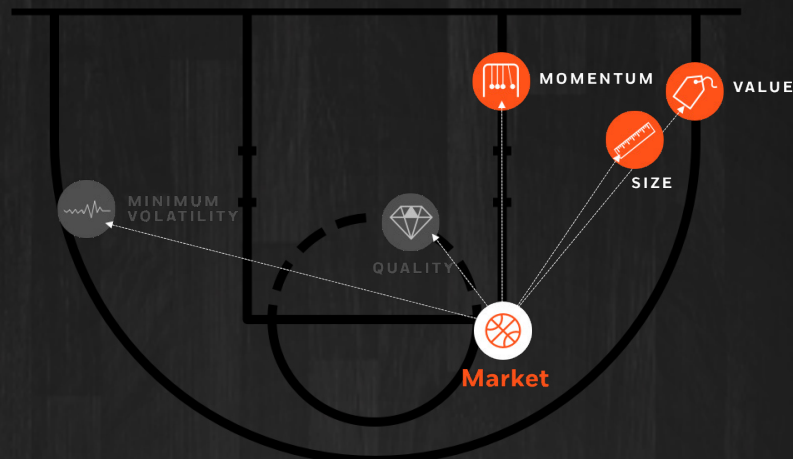
The low Size factor tends to perform best during the early stages of economic recoveries. Small businesses can outperform large-cap peers but also are susceptible to changes in investor risk appetite.

VALUE

The Value factor tends to perform best during economic recoveries. Value has performed well when a new trend is established and when names that have been most beaten down return to favor.

Go on offense in your portfolio

On the court, a powerful offense can score points in a variety of ways: moving the ball, posting up under the basket, converting from the foul line and shooting the three. iShares Factor ETFs can help position your portfolio for offense.



Make the play with low-cost iShares ETFs

VALUE

iShares Edge MSCI USA Value Factor ETF

MTUM

iShares Edge MSCI USA Momentum Factor ETF

SIZE

iShares Edge MSCI USA Size Factor ETF

For illustrative purposes only.

Seeking defense

Late stretches of a basketball game require strong defense to ensure a win. In the late stretches of an economic cycle, investors can seek more protection against increased volatility and softening growth by pursuing Minimum Volatility and Quality strategies.

“You have to get some stops to end the game in a win, and usually the stops are by playing great defense.”

—Doc Rivers



Watch Doc Rivers and BlackRock's Andrew Ang discuss when to step up your defense

QUALITY

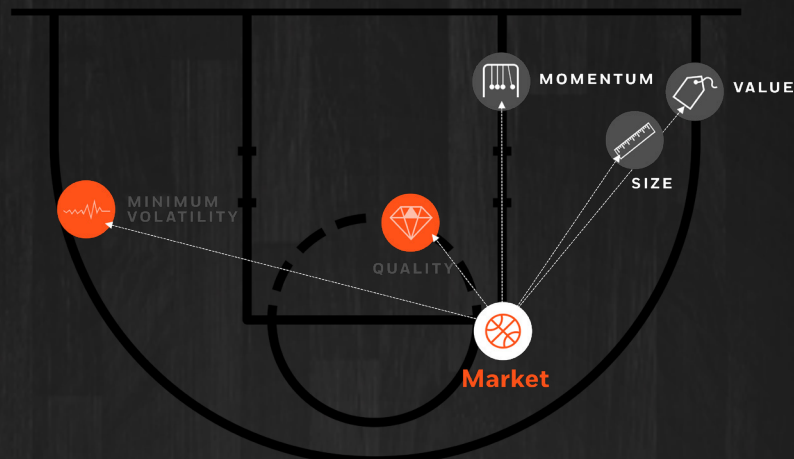
As famed investor Warren Buffett has stated, “Far better to buy a wonderful business at a fair price than to buy a fair business at a wonderful price.” Quality focuses on companies with stable earnings and tends to perform best as the economy begins to slow down and contract.

MINIMUM VOLATILITY

Minimum volatility tends to perform best during economic slowdowns and contracting economic regimes. In fact, stocks with the highest volatilities have exhibited low returns during these periods while stocks with low volatilities have tended to have returns approximately the same as the market.*

Go on defense in your portfolio

A lockdown defense is key to a winning team—by guarding the rim, blocking shots and taking possession of the ball. Here's how you can use iShares Factor ETFs to help position your portfolio for defense.



Make the play with low-cost iShares ETFs

USMV

iShares Edge MSCI Min Vol USA ETF

QUAL

iShares Edge MSCI USA Quality Factor ETF

* Ang, A., Hodrick, R. J., Xing, Y., and Zhang, X. “The Cross-Section of Volatility and Expected Returns.” *The Journal of Finance*, 61 (2006): 259–299

For illustrative purposes only.

Building a Winning Strategy

In basketball, great coaches focus on putting players on the court who complement one another. At times, that means playing more scoring-focused offensive players. As games shift, that can also mean transitioning to more defensive-minded players to preserve a lead. Investing is no different. Long-term investors should consider starting with a portfolio consisting of time-tested

factor exposures that have yielded return premiums over the long run. The BlackRock and iShares suite of ETFs consists of factor strategies that provide investors a simple way to access many of the time-tested drivers of return present in actively managed portfolios, whether looking to implement offensive, defensive or balanced-factor strategies.

iShares and BlackRock Factor ETFs

DIVERSIFICATION

DYNE

BlackRock U.S. Equity Factor Rotation ETF

OFFENSE

VLUE

iShares Edge MSCI USA Value Factor ETF

IVLU

iShares Edge MSCI Intl Value Factor ETF

MTUM

iShares Edge MSCI USA Momentum Factor ETF

IMTM

iShares Edge MSCI Intl Momentum Factor ETF

SIZE

iShares Edge MSCI USA Size Factor ETF

ISZE

iShares Edge MSCI Intl Size Factor ETF

DEFENSE

USMV

iShares Edge MSCI Min Vol USA ETF

EFAV

iShares Edge MSCI Min Vol EAFE ETF

EEMV

iShares Edge MSCI Min Vol Emerging Markets ETF

QUAL

iShares Edge MSCI USA Quality Factor ETF

IQLT

iShares Edge MSCI Intl Quality Factor ETF



What's in your playbook?

[Learn More >](#)

BlackRock

Carefully consider the Fund's investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Fund's prospectus, and if available, summary prospectus, which may be obtained by calling 1-800-iShares (1-900-474-2737) or by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing. Investing involves risk, including possible loss of principal.

There can be no assurance that performance will be enhanced or risk will be reduced for investment vehicles 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, an investment may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses.

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

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