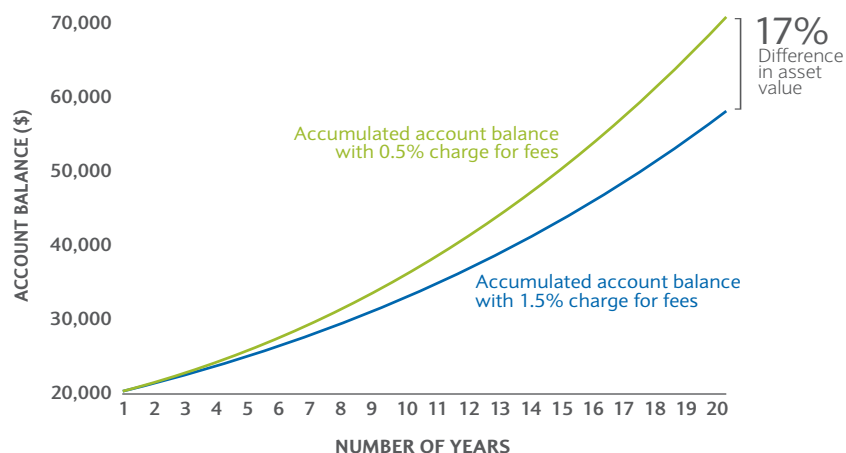


# iSHARES® IN 401(k)

» iShares Exchange Traded Funds (ETFs) are some of the fastest-growing investment vehicles in the financial markets today. ETFs are diversified like index funds, but trade like a stock. They also offer efficient, low-cost, and transparent design—combined with enormous range, flexibility, and access to virtually every major asset class.

## EFFECT OF A 1% DIFFERENCE IN HIGHER ANNUAL FEES ON A \$20,000 401(k) BALANCE INVESTED OVER 20 YEARS.



Source: Government Accountability Office. For illustrative purposes only.

## Lower annual fees

High fees erode 401(k) plan performance. The chart above from a GAO report illustrates exactly how much internal expenses matter: Over the course of 20 years, a \$20,000 investment, earning 7% annually and paying 0.5% annual fees, will grow to about \$70,500. But if fees are 1.5%—a mere 1% difference—that same \$20,000 will only grow to about \$58,400. This is approximately a 17% difference in asset value.

## EXPENSE RATIOS FOR ETFs TEND TO BE SIGNIFICANTLY LOWER THAN THOSE OF TRADITIONAL MUTUAL FUNDS. HIGHER EXPENSES CAN ADVERSELY AFFECT FUND PERFORMANCE.

MORNINGSTAR FUND CATEGORY	AVERAGE ACTIVE FUND (%)	AVERAGE INDEX FUND (%)	ISHARES FUNDS — MANAGEMENT FEES (%) <sup>1</sup>	
Large Cap	1.43	0.58	0.09	S&P 500
			0.15	Russell 1000
Mid Cap	1.57	0.58	0.20	Russell Midcap
Small Cap	1.58	0.70	0.20	Russell 2000
Diversified Foreign Equity	1.65	0.69	0.34	MSCI EAFE
			0.72	MSCI Emerging Markets
Fixed Income	1.11	0.35	0.24 <sup>2</sup>	Barclays Aggregate

Sources: Strategic Insight and BGI, as of 6/09. The annual management fees of iShares funds may be substantially less than those of most mutual funds. iShares transactions may result in record-keeping fees, but the savings from lower annual fees can help offset these costs. Other plan fees may apply.

Investment comparisons are for illustrative purposes only and not meant to be all-inclusive. To better understand the similarities and differences between investments, including investment objectives, risks, fees, and expenses, it is important to read the products' prospectuses.

## Paying lower fees

iShares ETFs are a lower-cost alternative to traditional mutual funds, with expense ratios that are typically well below those of both active and index mutual funds. The average expense ratio of an iShares ETF is 0.41%, versus the average active mutual fund expense ratio of 1.42% and the average index mutual fund expense ratio of 0.69%—1.01% and 0.28% differences, respectively, which can result in significant savings at retirement.<sup>3</sup>

1. "Management Fees" are fees paid to BlackRock Fund Advisors, the Fund's investment advisor. A Fund may also incur indirect expenses on its investments, if any, in other investment companies. Please see the Fund's prospectus for more information on such expenses.

2. The total annual operating expenses are shown for the iShares Barclays Capital Aggregate Bond Fund. In addition to the management fees, the total expenses include "acquired fund fees and expenses" of 0.04%, which are related to the fund's investments in the BlackRock Cash Funds: Prime (the "money market fund"). "Acquired fund fees and expenses" represent the fund's pro rata share of the fees and expenses charged by the money market fund and may vary based on the fund's allocation of assets to the annualized net expenses of the money market fund. Annual operating expenses do not include the effect of interest earned by investments in the money market fund, which is expected to offset the money market fund's fees and expenses.

3. Strategic Insight, as of 6/09.

**ACTIVE MANAGERS WHO UNDERPERFORMED THE INDEX OVER 5 YEARS.**

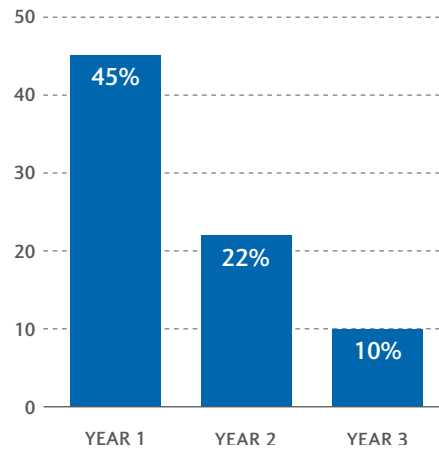


Sources: BGI, Morningstar, MSCI Inc., and Russell, as of 12/31/08. Percentages account for merged or liquidated funds over the time period. Data is based on the oldest share class of active open-end mutual funds to avoid double-counting of multiple share classes. **Past performance does not guarantee future results.**

**It's hard to beat the market**

Index investments like iShares ETFs deliver performance that tracks a market or asset class benchmark. While good active managers exist, the challenge is identifying them in advance, and not simply chasing returns. Only the very skilled (or very lucky) active managers can be right most of the time.

**LARGE CAP BLEND MANAGERS WHO OUTPERFORMED THE S&P 500® IN CONSECUTIVE YEARS.**



Sources: Morningstar and BGI, as of 12/31/08. Averages for time period 1994 to 2008. Data is based on the oldest share class of active open-end mutual funds to avoid double-counting of multiple share classes. **Past performance does not guarantee future results.**

**It's even harder to beat the market consistently**

Following a year of outperformance, the number of large cap blend managers who continued to beat the S&P 500® declined in each of the following two years.

**Know the differences**

While iShares ETFs and mutual funds each hold baskets of securities, some key differences do exist. iShares ETFs trade on exchanges intraday at market price, which may be greater or less than net asset value, and shares of iShares ETFs are not individually redeemed from the fund. In addition, iShares ETFs seek to track a market index, before fees and expenses.

In comparison, mutual funds are accessed directly from the fund company or through a select broker, pricing generally occurs once a day, and investors buy or redeem shares at the end-of-day net asset value, less any applicable fees. Some mutual funds may charge redemption fees. Mutual funds may be either actively managed or track an index. The structure of both active and index mutual funds is similar, but the management strategy differs. Active mutual funds seek to outperform their benchmark while the goal of index mutual funds is to track their index. Consequently, active funds typically charge more than index-linked products such as an exchange traded fund, or an index mutual fund, for the increased trading and research expenses that may be incurred.

**Carefully consider the iShares Funds' investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Funds' prospectuses, which may be obtained by calling 1-800-iShares (1-800-474-2737) or by visiting [www.iShares.com](http://www.iShares.com). Read the prospectuses carefully before investing.**

**Investing involves risk, including possible loss of principal.** Diversification may not protect against market risk. Buying and selling shares of iShares Funds will result in brokerage commissions.

In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Bonds and bond funds will decrease in value as interest rates rise.

The iShares Funds ("Funds") are distributed by SEI Investments Distribution Co. (SEI). SEI is not affiliated with BlackRock Fund Advisors. The iShares Funds are not sponsored, endorsed, issued, sold, or promoted by MSCI Inc., Frank Russell Company, or Standard & Poor's, nor are they sponsored, endorsed, or issued by Barclays Capital. None of these companies make any representation regarding the advisability of investing in the Funds. Neither SEI, nor any of its affiliates, are affiliated with the companies listed above.

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**Not FDIC Insured • No Bank Guarantee • May Lose Value**

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**LET'S BUILD A BETTER INVESTMENT WORLD.®**

