

The savvy investor's
7-minute guide to **iShares**.



First things first

**Their value comes from the way they work.
Their potential comes from the pros who
use them.**

To make the most out of iShares Funds, it helps to understand two basic things about them:

The first is that the funds themselves are a type of investment called an ETF, short for Exchange Traded Fund. Think of ETFs as a hybrid of index funds and individual stocks: They're diversified like index funds, but trade like a stock. The unique structure of an ETF yields a "wish list" of benefits that many investors are looking for, but that neither an index fund, an actively managed mutual fund nor an individual stock alone can provide. (You'll learn about those benefits on the pages to come.)

The second thing worth knowing is that iShares ETFs are most useful in the hands of a financial professional. iShares Funds may be simple to understand, but they're intended to be used in very sophisticated, strategic and precise ways.

This isn't amateur hour; it's the stuff of pros.



The big picture

Want diversification? This is about as good as it gets.

You already know the drill on diversification: The more securities you own in an asset class, the more protected you'll be from the risk of any one of those securities taking a nosedive.

An iShares ETF is designed to track an index that represents an asset class (such as large-cap growth or health care). To do this requires that the fund hold many different stocks or bonds—dozens, usually—from that asset class. So with a single trade, iShares Funds let you instantly achieve index-like diversification over an entire asset class.

That's a smart place to be.

Diversification may not protect against market risk and does not guarantee a profit.

ISHARES S&P GSTI™ SOFTWARE INDEX FUND

ACTIVISION	LAWSON SOFTWARE
ADOBE SYSTEMS	MACROVISION
ADVENT SOFTWARE	MCAFFEE
ANSYS	MENTOR GRAPHICS
AUTODESK	MICROS SYSTEMS
BEA SYSTEMS	MICROSOFT
BGIF INSTITUTIONAL MONEY MARKET INSTITUTIONAL SHARE CLASS	MICROSTRATEGY
BMC SOFTWARE	NAVTEQ
CA	NOVELL
CADENCE DESIGN SYSTEMS	NUANCE COMMUNICATIONS
CRM SOFTWARE	ORACLE
CITRIX SYSTEMS	PARAMETRIC TECHNOLOGY
COGNOS	QUEST SOFTWARE
COMPUWARE	RED HAT
ELECTRONIC ARTS	SALESFORCE.COM
FACTSET RESEARCH SYSTEMS	SYBASE
FAIR ISAAC	SYMANTEC
INFORMATICA	SYNOPTIS
INTUIT	TAKE-TWO INTERACTIVE
JACK HENRY & ASSOCIATES	THQ
	TIBCO SOFTWARE
	WIND RIVER SYSTEMS

Diversification: a case in point.

Every iShares Fund (such as the iShares S&P GSTI™ Software Index Fund, shown above) provides a well-diversified representation of its asset class.

Why so many choices

In asset allocation, as in life, it takes all kinds.

There are over 140 different iShares ETFs, with even more on the way. But what might seem like an overwhelming set of choices to you is very much appreciated by your financial advisor.

That's because this large, extended family of funds gives your advisor the opportunity to build your portfolio around as many asset classes as you need: domestic or international, value or growth, large-cap or small, whole sectors or specific industries—and still more funds that specialize in the fixed-income markets.

No other family of ETFs is so versatile, so flexible.

EQUITIES

DOMESTIC

Large-cap

Mid-cap

Small-cap

Value

Growth

Sectors

INTERNATIONAL

Global

Regional

Countries

Sectors

FIXED INCOME

GOVERNMENT

MORTGAGES

MUNICIPAL

CREDIT

The world's most complete family of ETFs.

Asset allocation is a precise art. With more than 140 funds to choose from, iShares Funds give your advisor the tools to manage your portfolio exactly as planned.

Fees and taxes

There are returns and then there are returns.

When a mutual fund enjoys a year of good returns, investors enjoy it somewhat less. And if it's a bad year they're having, the news to investors is even worse.

That's because a mutual fund's returns are diminished by expenses and fund management fees—and then reduced even more by capital gains consequences.

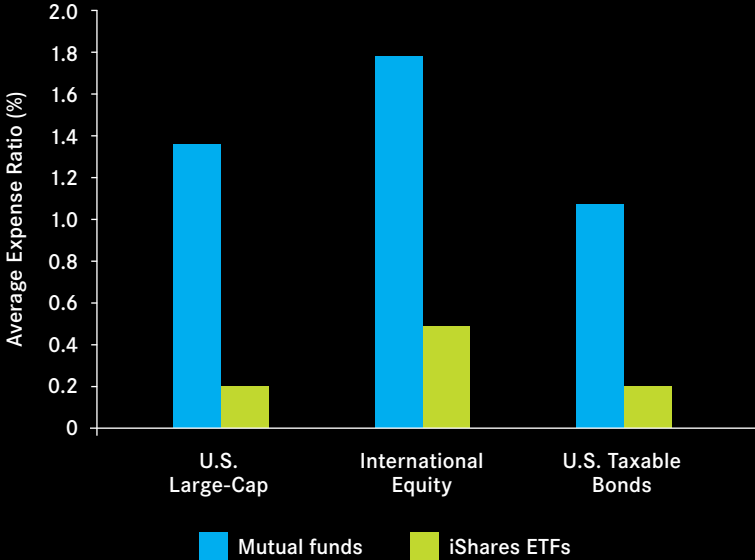
iShares ETFs, on the other hand, incur far smaller costs than their actively managed mutual fund counterparts. Often less, even, than an ordinary index fund.

Capital gains consequences may be substantially less with iShares Funds, too, over the time that you own them. (As with any investment, if you sell an iShares Fund at a gain, the normal tax laws still apply.)

Bottom line: with iShares ETFs, more of your returns wind up where they belong—with you.

There is no guarantee that distributions will not be made in the future.

COST OF OWNERSHIP



Lower fees, across the board.

In asset class after asset class, the cost of owning iShares Funds is dramatically lower than the average cost of owning a mutual fund.

Source: Strategic Insights, 12/31/06. The annual management fees of iShares Funds may be substantially less than those of most mutual funds. Transactions of shares in iShares Funds will result in brokerage commissions, but the savings from lower annual fees can help offset these costs. Average expense ratio is calculated on an equal weighted average basis.

The net-net on returns

When we say iShares ETFs are hard to beat, it's not exactly marketing-speak.

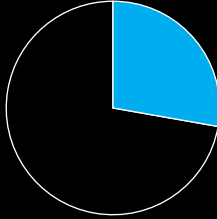
Because iShares ETFs are designed to replicate a market index, they produce returns that are typically very close to the benchmark.

How do most mutual funds fare in comparison? Not so well. There are currently more than 8,000 actively managed funds available to investors. The facts show, however, that from Q1 2002 to Q1 2007, the majority of those mutual funds failed to perform as well as their benchmarks.¹

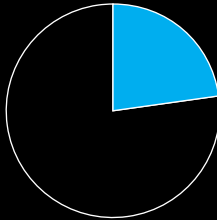
That's why savvy investors use both index oriented and actively managed assets to strike the delicate balance between risk and return.

1. Source: Standard & Poor's. For periods ending 03/31/07. Outperformance is based on equal-weighted fund counts. Past performance is no guarantee of future results.

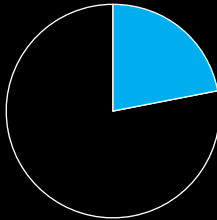
IT'S HARD TO BEAT THE MARKET



**Actively managed large-cap funds
(in blue) that outperformed
the S&P 500 (2002–2007)**



**Actively managed mid-cap funds
(in blue) that outperformed the
S&P MidCap 400 (2002–2007)**



**Actively managed small-cap funds
(in blue) that outperformed the
S&P SmallCap 600 (2002–2007)**

Source: Standard & Poor's. For periods ending 03/31/07. Outperformance is based on equal-weighted fund counts. Past performance is no guarantee of future results. S&P® and S&P 500® are registered trademarks of the McGraw-Hill Companies, Inc. Standard & Poor's does not sell, sponsor, promote or endorse financial products linked to the S&P 500. Indexes are unmanaged and one cannot invest in an index.

Honesty is the best policy

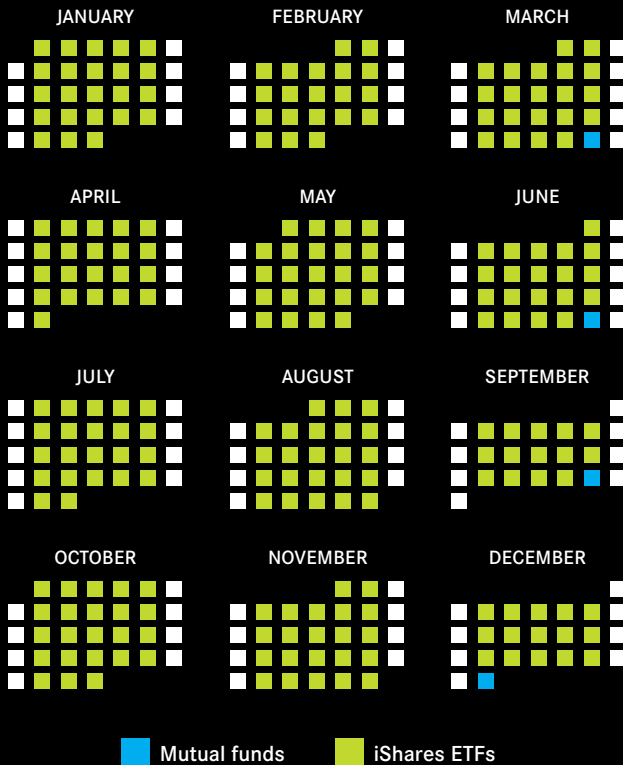
You can't know what you own if a fund doesn't tell you what it owns.

One thing that iShares ETFs and mutual funds do have in common is that both hold many different stocks or bonds. But most mutual funds disclose which securities they're holding just once every three months.

iShares Funds, on the other hand, publicly release this information every day.

This matters because mutual fund managers frequently change their minds about which securities to hold. The more this happens, the less your advisor is able to avoid investing you unknowingly in the same security—over and over again, within different funds.

iShares ETFs have nothing to hide.



Every day vs. once in a blue moon.

Many mutual funds disclose their holdings on a quarterly basis, and those holdings can change a lot in between. This works against your advisor's efforts to keep you invested in very specific ways. iShares Funds, on the other hand, report their holdings every trading day.

For illustrative purposes only.

Why iShares ETFs

Every dollar matters. (Multiply that attitude by a quarter-trillion.)

iShares Funds are hardly the only ETFs you and your advisor can choose from. In fact, the ETF field is a crowded one, with hundreds of funds available from dozens of providers.

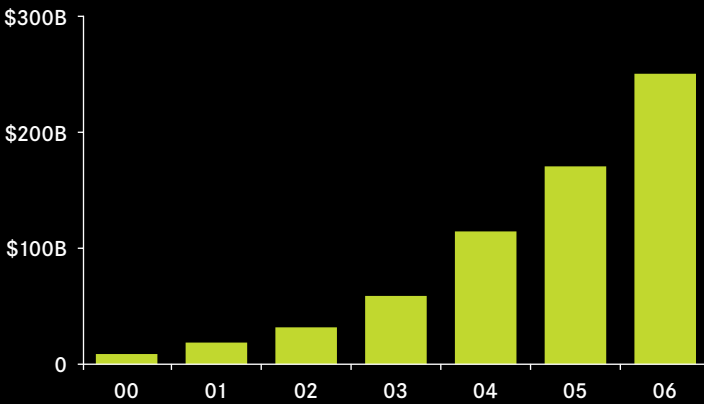
Yet more than 75% of all new assets pouring into the entire ETF category these past three years were invested in iShares Funds.²

Today, iShares Funds are the world's number-one family of ETFs.³ Here in the U.S., they're also the fastest growing fund family among all no-load mutual funds and index funds. And the second-fastest growing family among all mutual funds.²

2. Source: Strategic Insights as of 12/31/06, as measured over the past three years. Includes exchange traded grantor trusts.

3. Source: Morgan Stanley Institutional Equity Report as of 02/22/07. Based on assets under management, market share and number of funds.

GROWTH OF iSHARES ETFs



Join those in the know.

iShares is the worldwide leader in ETFs (and the second-fastest growing fund family in the U.S.), with over a quarter-trillion dollars in assets under management.

*Source: National Stock Exchange, 9/30/07.
Universe includes exchange traded grantor trusts.*

The people behind the funds

You've got the world's largest asset manager on your side.

To recap: iShares ETFs are diversified. They generally cost less in fees, and less in taxes. They keep nothing hidden from view. And in the past, they outperformed a majority of mutual funds.

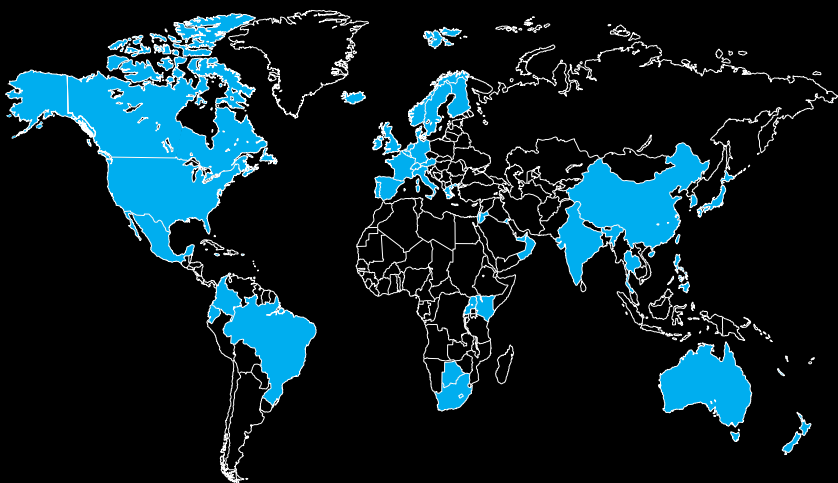
Many investors would be satisfied to know that, and nothing else. But if you'd like one more reason to feel good about iShares Funds, here it is:

They're the brainchild of Barclays Global Investors, the largest asset manager in the world.⁴

BGI is the financial powerhouse that's been chosen to manage portfolios for well over half of the 100 largest pension plans on earth—along with those of thousands of corporate investors, trusts, foundations and endowments.

Between BGI's resources and your advisor's expertise, you've got a powerful team working for you.

4. Source: Pensions & Investments as of 05/07.



“Global” is our middle name. Seriously.

iShares Funds are the brainchild of Barclays Global Investors, the world’s largest asset manager. BGI’s clients are located in 52 countries, and include thousands of corporate investors, trusts, pensions, foundations and endowments.

Source: www.barclaysglobal.com as of 08/31/07.

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. Read the prospectus carefully before investing.

There are risks involved with investing, including possible loss of principal.

The strategies discussed above are strictly for illustrative and educational purposes and should not be construed as a recommendation to purchase or sell, or an offer to sell or a solicitation of an offer to buy any security, including iShares Funds. The information provided is not intended to be a complete analysis of every material fact respecting any strategy. The examples presented do not take into consideration commissions, tax implications, or other transactions costs, which may significantly affect the economic consequences of a given strategy.

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