

NABTRADE EXCHANGE-TRADED FUNDS 101 WEBINAR

with iShares Australia

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EXCHANGE-TRADED FUNDS (ETFs) 101 WEBINAR



VISHAL TECKCHANDANI (MODERATOR)

Customer Insights Manager,
nabtrade



ALEX ZAIKA

Head of Wealth, iShares
Australia

Opening remarks and what we'll discuss



30 minutes

- An overview of ETFs
- History and growth of ETFs
- Investment choices
- Selecting the right ETF
- ETF trading tips
- Building ETF portfolios
- Useful information on nabtrade

Q&A and closing remarks



15 minutes

- **Don't forget, you can submit questions at any time**
- **You can also download the presentation**



nabtrade ETFs 101 webinar

Alex Zaika - Head of Wealth, iShares Australia

May 2018



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by BLACKROCK®

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What we'll cover

- ✓ An overview of ETFs
- ✓ History and growth of ETFs
- ✓ Investment choices
- ✓ Selecting the right ETF
- ✓ ETF trading tips
- ✓ Building ETF portfolios

What is an Exchange Traded Fund?

A technology invented in 1956... transformed global trade



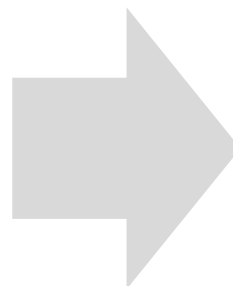
Image is sourced from Thinkstock.com

What is an ETF?

Underlying holdings of the index



- ▶ Many companies
- ▶ Many countries
- ▶ Many currencies



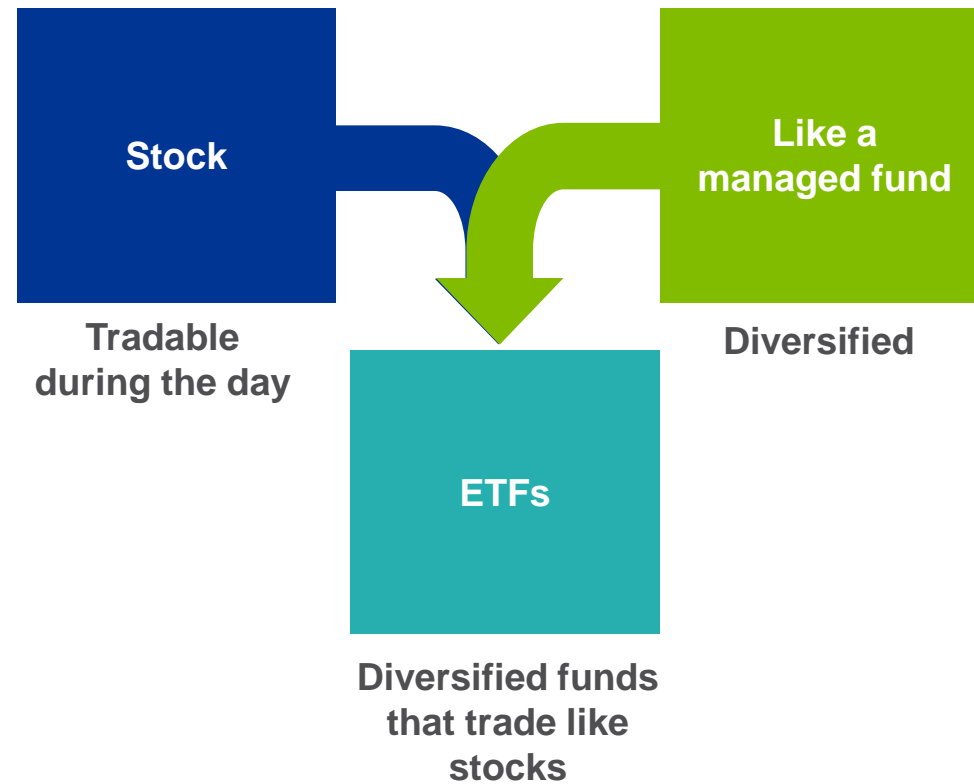
ETF



- ▶ One trade
- ▶ One exchange
- ▶ One currency

Source: BlackRock. For illustrative purposes only

Best of both worlds – two great investment ideas brought together



Source: BlackRock. For illustrative purposes only

5 advantages of ETFs



Diversification

Made up of a broad portfolio of individual securities, ETFs are highly diversified investment vehicles



Liquidity

ETFs are highly liquid, and can be bought and sold during the trading day



Cost Effective

The cost of investing in ETFs is generally lower than an active fund invested in the same market of assets



Accessibility

ETFs offer access to market exposure of a variety of asset classes, both broad and specific



Transparency

With holdings published as often as daily, ETFs are highly transparent, so you always know exactly what you own

This is not a recommendation to invest in any particular financial product. No analysis of their suitability was conducted and no statement of opinion in relation to their suitability is provided.

Risks of using ETFs

Market Risk

The value of the ETF will rise and fall as markets do

Tracking Error / Difference

The risk that the ETF will not accurately track its benchmark

Exchange Rate Fluctuations

If the ETF is not currency hedged, fluctuations in exchange rates can impact the value of the ETF

Counterparty Risk

ETFs that rely on derivative contracts can be exposed to counterparties not delivering on their obligations

Liquidity Risk

Can the ETF be bought or sold quickly and without impacting the price?

All investments have an inherent level of risk. The risks of investing in ETFs and more generally managed investment schemes may include, but are not limited to the risks set out above and the risks set out on this slide are a summary of the risks faced in investing using ETFs. A full list of the risks, both general and specific to ETFs, are set out in the offer document for each ETF, which you should read before any investment into an ETF

History of ETFs

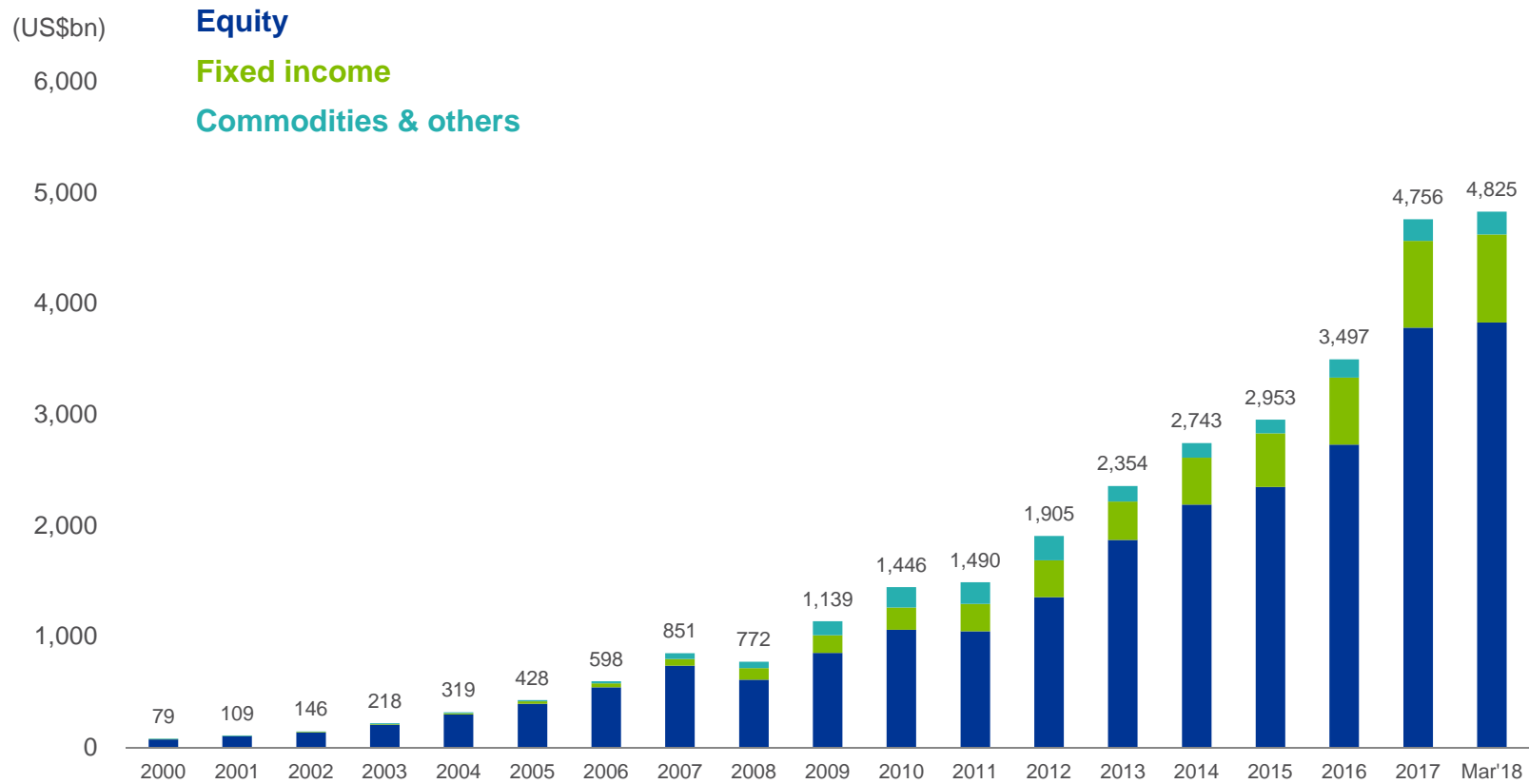
Evolution of investment technology



- Collective investment scheme that gave individuals access to professional investment management
- Managed funds that replicate the returns of a market
- BlackRock first managed a \$6 million Samsonite pension investment in 1971 to track stocks listed on the New York Stock Exchange
- Exchange-traded fund technology moved index funds to the exchange, providing greater liquidity, transparency, and real-time pricing
- World's first ETF launched in 1992, first ASX listed ETF in 2001, world's first fixed income ETF launched in 2002

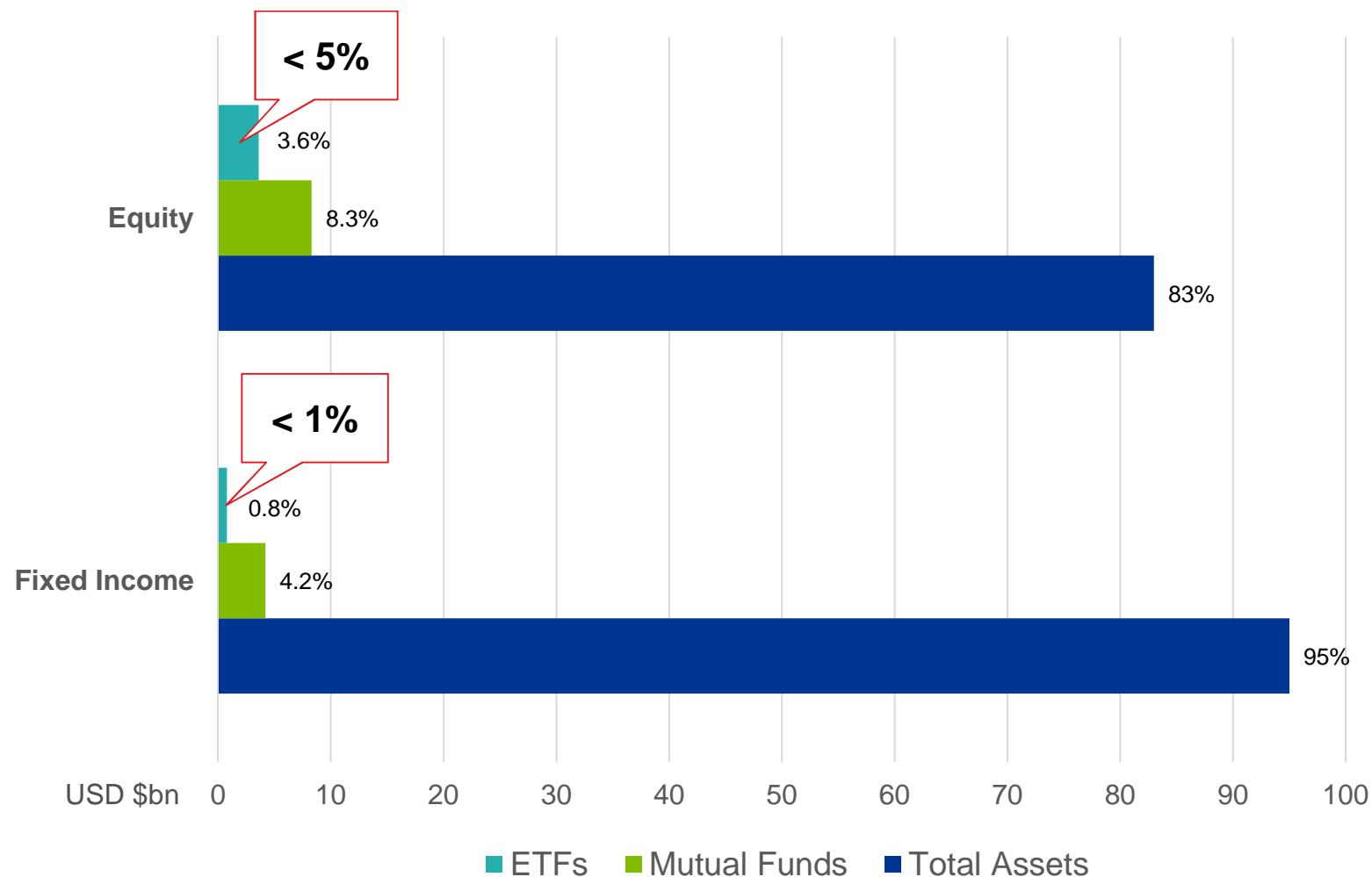
Source: BlackRock

Global ETF industry growth



Source: BlackRock as at 31 March 2018

But ETFs are still a fraction of overall markets



Sources: World Federation of Exchange Database (WFED), BIS (data as of Q2 2017), HFR, Cerulli, Simfund (data as of Nov 2017), iShares GBI (data as of Nov 2017), Global Heat Map, McKinsey Cube

Investment Choices

Investment choices on the ASX

ETFs on the ASX: an ever-increasing set of vehicles to access offshore markets, sectors and securities

- ▶ **Equity**
 - Asia: 11
 - EM: 4
 - Global: 37
 - Global Sectors: 13
 - Smart Beta: 10
- ▶ **Fixed Income, Global: 6**
- ▶ **Commodity: 10**
- ▶ **Currency: 5**
- ▶ **Property, Global: 2**
- ▶ **Infrastructure: 1**
- ▶ **Other: 3**



Source: BlackRock, ASX, as at 31 December 2017. For illustrative purposes only. This is not a recommendation to invest in any particular financial product.

ETF Distributions



Regular Distributions

ETFs pay regular distributions ranging from monthly through to annual



Franking Credits

ETFs pass through franking credits to ETF investors

Examples

Exposure	Ticker	Distribution Frequency	Cash Yield	Gross Yield
Australian Shares	IOZ	Quarterly	3.82%	5.03%
Global Shares	IWLD	Semi-Annual	1.46%	1.72%
Australian Fixed Income	IAF	Quarterly	2.30%	2.30%
International Fixed Income	IHHY	Tri-Annual	6.64%	6.64%

Source: BlackRock as at 31 March 2018.

Past performance is not a reliable indicator of future performance . This is not a recommendation to invest in any particular financial product. No analysis of their suitability was conducted and no statement of opinion in relation to their suitability is provided.

Cash Yield = distribution amount paid in cash to ETF investors

Gross Yield = cash yield + franking credits

Selecting an ETF

Questions to ask when selecting an ETF



Exposure

Does the ETF deliver the desired exposure?



Structure

How does the ETF deliver the market exposure?



Tracking Difference/Error

Does the ETF manager deliver the index performance?



Liquidity

How well does the ETF provider support trading in the ETF?



Cost

What is the total cost of investing in the ETF?

Exposure

When it comes to ETF benchmarks, it may seem like one index is as good as another. Understanding the difference between indices is key to selecting the most appropriate ETF to achieve your investment objectives.

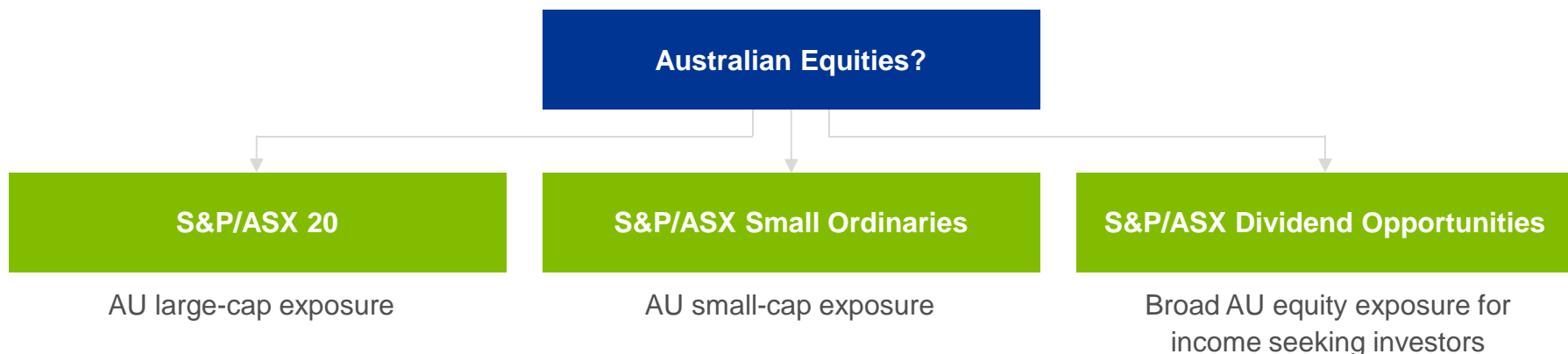


Index Exposure



Index Methodology

Example



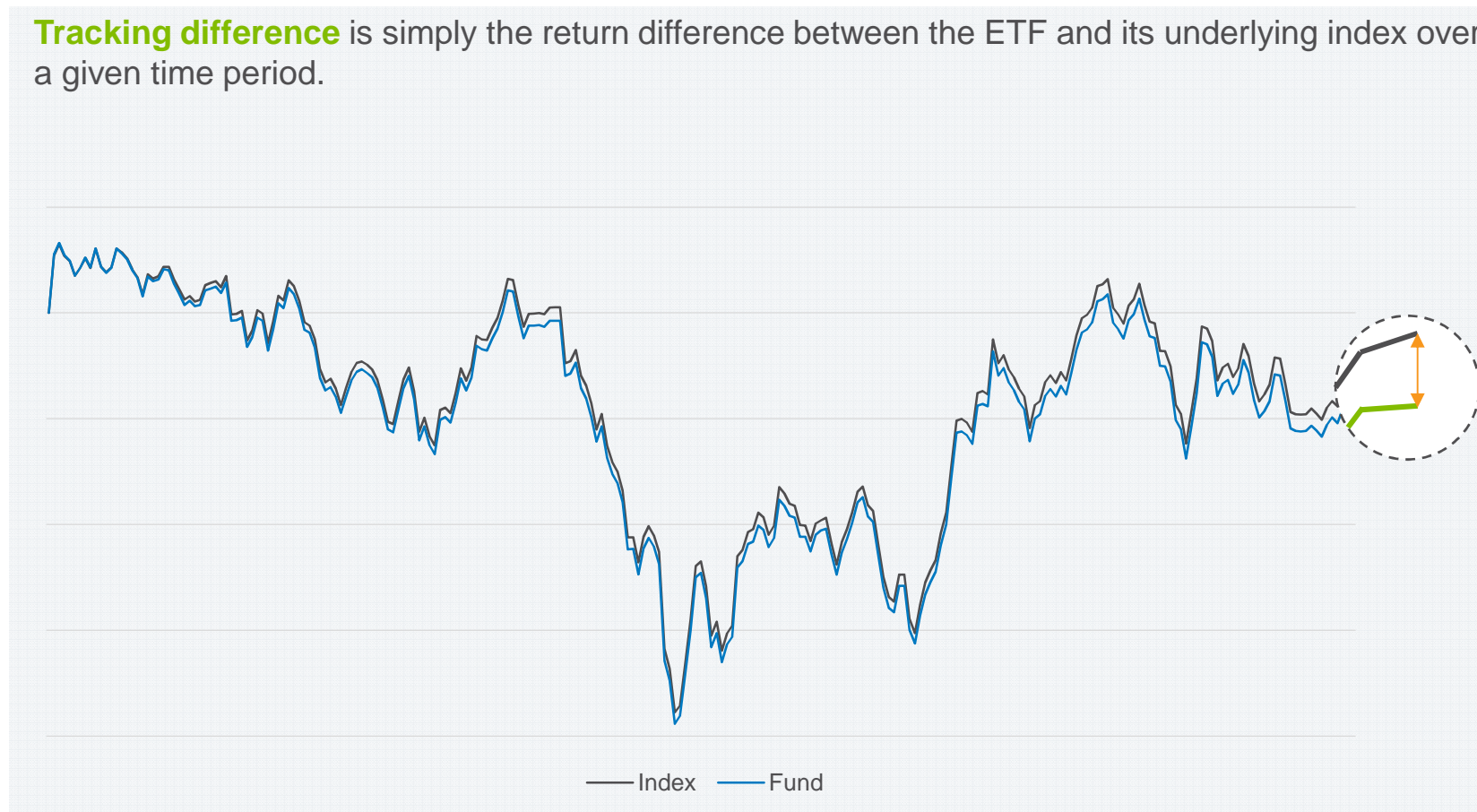
Structure

	Physical ETFs	Synthetic
Holds underlying securities	Yes	No
Benefits	<ul style="list-style-type: none"> ✓ Simple ✓ Transparent ✓ Costefficient 	<ul style="list-style-type: none"> ✓ Access to restricted markets ✓ Access exposures where physical holdings are not practical ✓ Execute complex strategies ✓ Other considerations
Counterparty risk	No	Yes
Credit risk	No	Yes
Daily transparency into holdings	Yes	Depends

Source: BlackRock. For illustrative purposes only.

Tracking difference

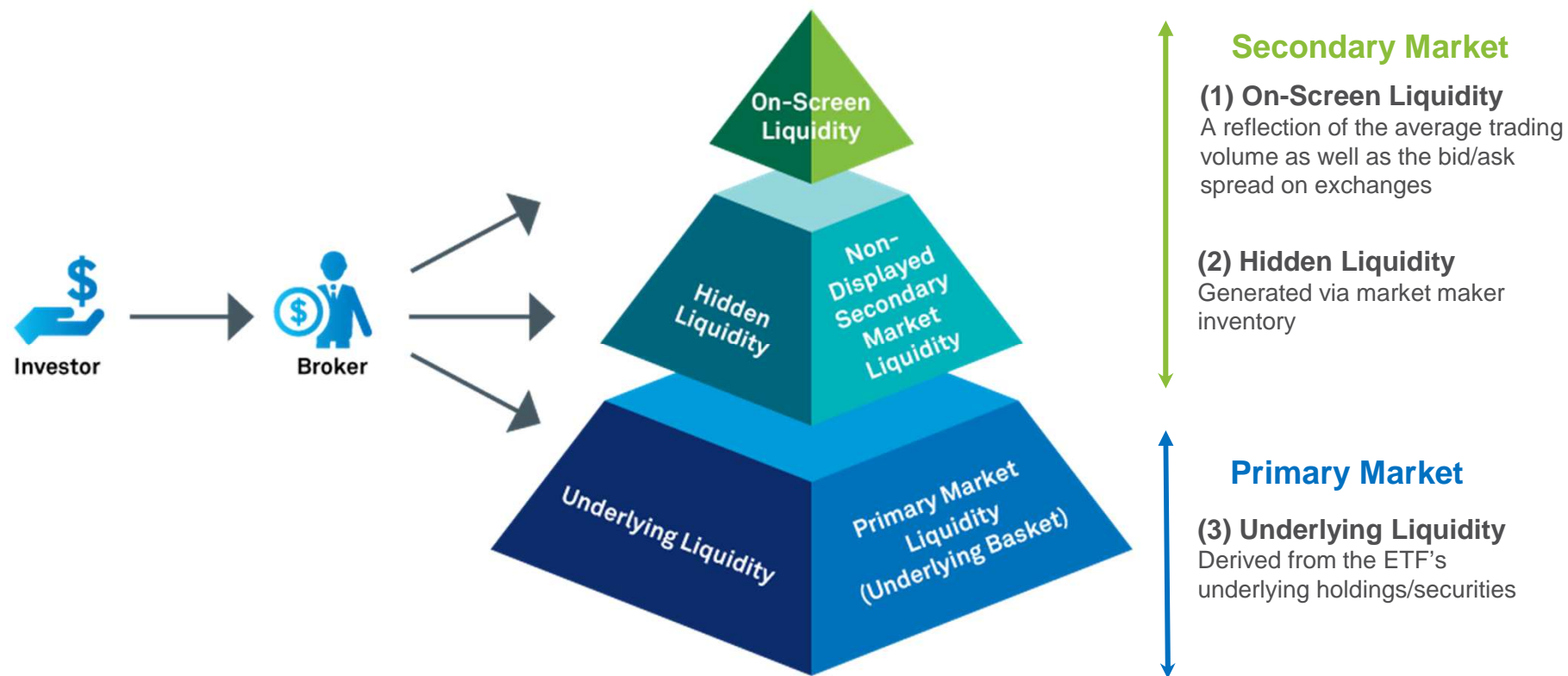
Tracking difference is simply the return difference between the ETF and its underlying index over a given time period.



Diagrams are for illustrative purposes only.

Hidden liquidity – understanding ETF liquidity

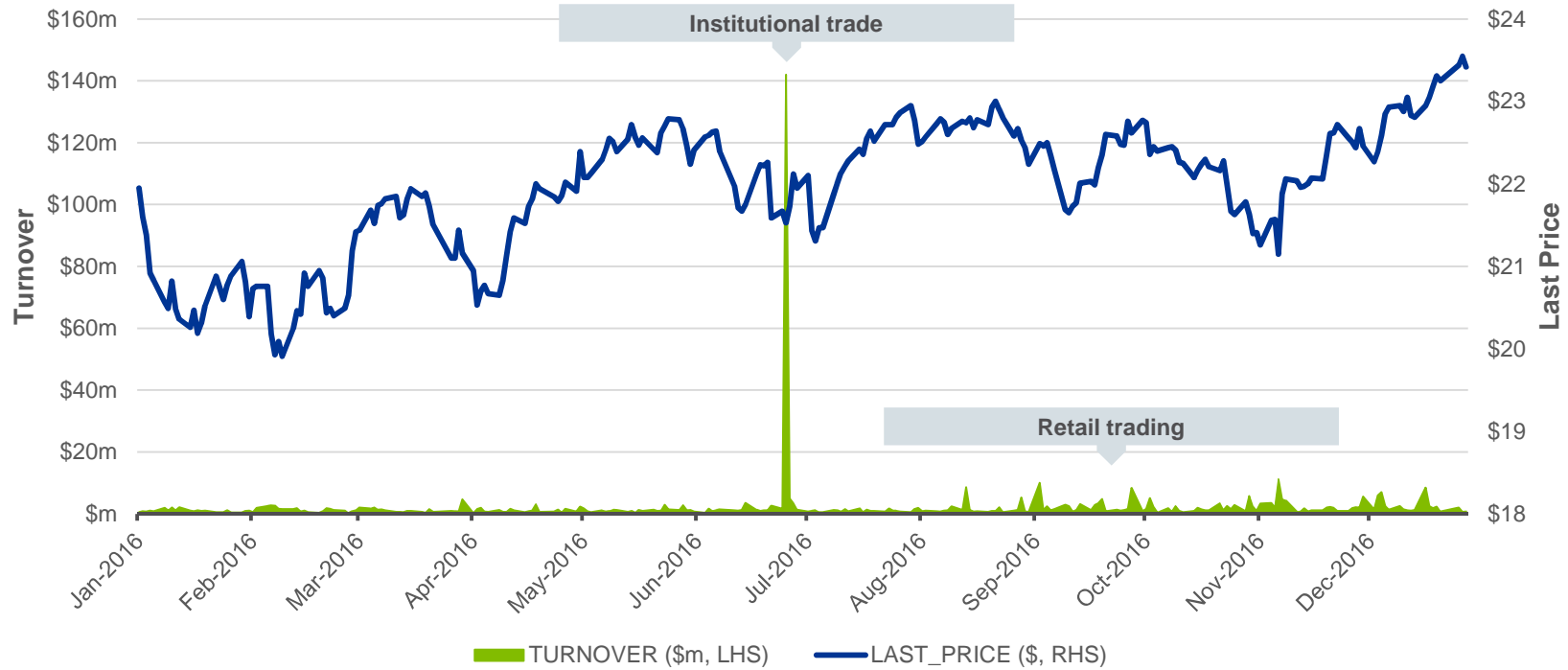
ETFs benefit from multiple layers of liquidity resulting in potentially lower entry / exit costs.



Diagrams are for illustrative purposes only.

Example: Utilising underlying market liquidity

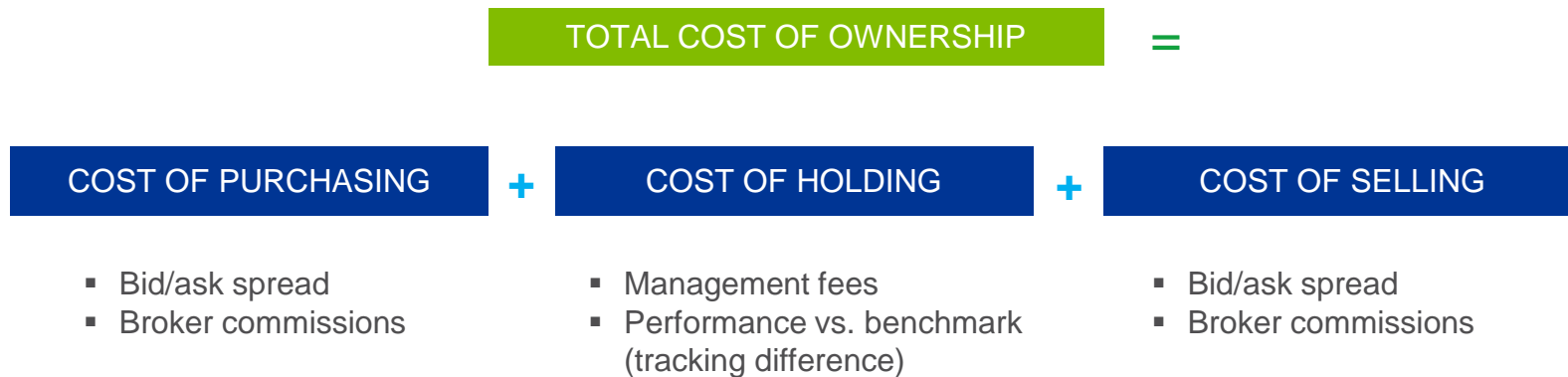
Efficient trading in IOZ



Source: BlackRock, Bloomberg, 24 Jan 2017. Past performance is not a reliable indicator of future performance. There can be no assurance that an active trading market for ETFs will be developed or be maintained. This case study and its corresponding iShares solution is based on specific investor's circumstances for illustrative purpose only. This is not a securities recommendation to invest in any particular financial product. This material provides general information only and has not been prepared having regard to your objectives, financial situation or needs.

Cost: understanding the total cost of owning an ETF

Assessing the cost of an ETF requires investors to look beyond management expense ratio



Source: BlackRock, for illustration purposes only. Source: www.google.com, January 2017. Images are used for illustrative purposes only. BlackRock has not acquired any rights or license to reproduce the images set out in this document. The images set out in this document are used only for the purposes of this presentation.

ETF trading best practices

ETF trading best practices



Trade when markets are most active

- ▶ Pricing is likely to be most efficient when there are multiple liquidity providers active
- ▶ Where possible, time orders when underlying markets are open
- ▶ Avoid trading in the market open or market close



Use limit orders

- ▶ Be a price maker, not a price taker and avoid potential price slippage



For larger orders

- ▶ Liquidity providers can provide two way risk prices on screen

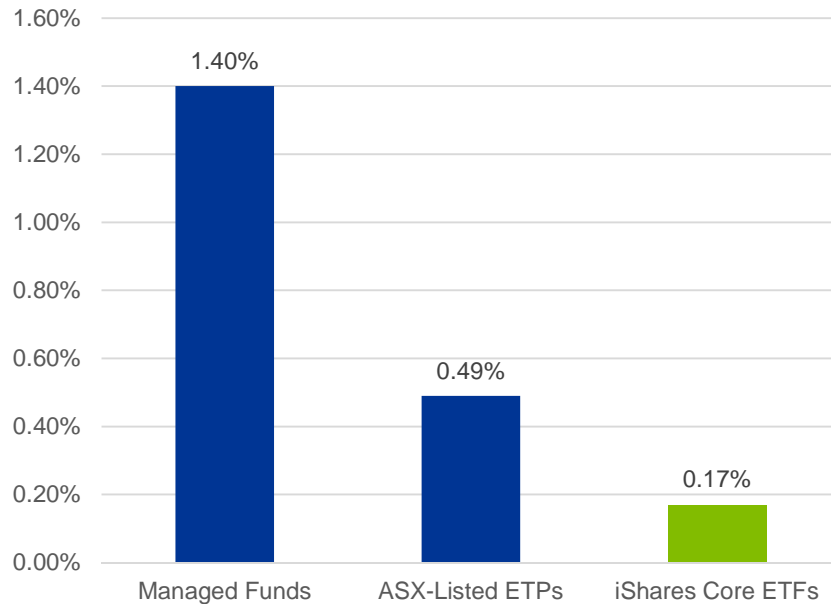
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Building portfolios using ETFs

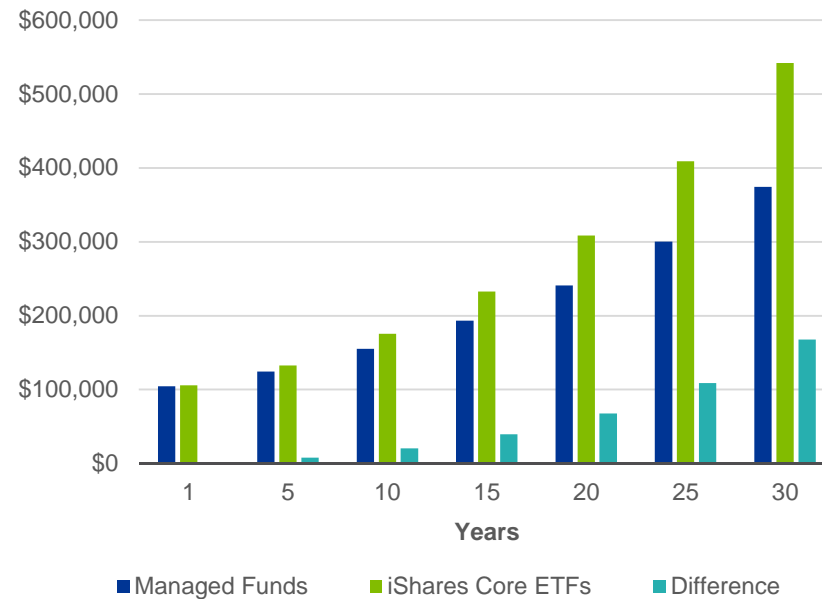
Core allocation

iShares Core ETFs are designed to help meet the needs of long term investors – providing a simple way to achieve broad market exposure with low fees ranging from 0.07% to 0.26% p.a.

Average Management Fee (% p.a.)¹

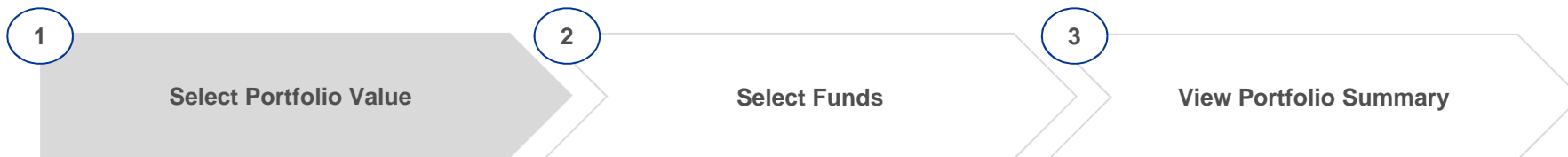


Impact of fees magnifies over time²

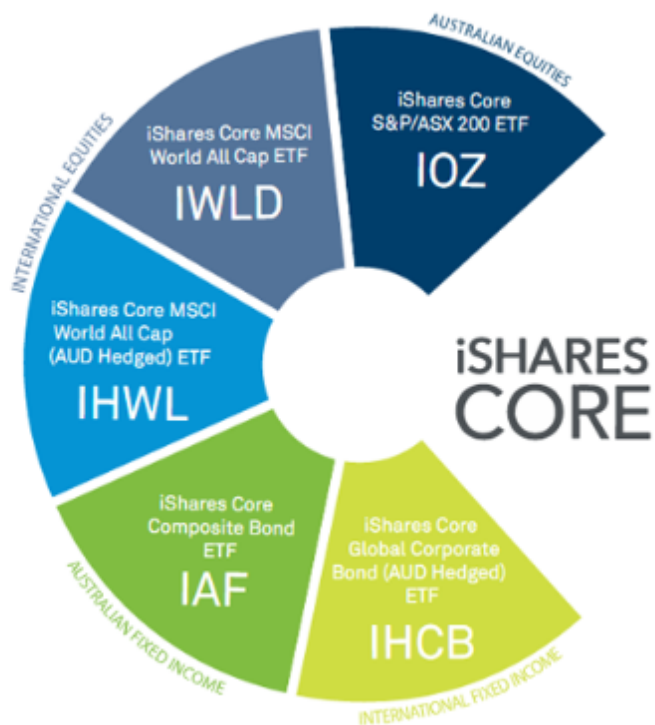


1 Source: Morningstar, Bloomberg, as of 31 January 2018. Comparison is between the average management fee (or indirect cost ratio) of the iShares Core ETF range (0.19%) and the average indirect cost ratio of the Morningstar Australian Investment Trust universe (1.42% excluding outliers to provide a more conservative measure). The Morningstar Australian Investment Trust universe is comprised of over 2,800 open-ended funds, including Unit Trusts, Superannuation Funds, Allocated Pensions and Term Allocated Pensions. Management fee / indirect cost ratio is quoted as a percentage of annual average net assets. **2 Source:** This example is for illustrative purposes only and does not account for any sales or trading commissions which would have reduced the returns. Assumes lump sum investment of \$100,000 with a 6% annual rate of return invested over 30 years. Management fees assumed are the average management fee (or indirect cost ratio) of the iShares Core ETF range (0.19%) and the average indirect cost ratio of the Morningstar Australian Investment Trust universe (1.42%) as described in 1 above. **Quoted management fees subject to change. For illustrative purposes only. This is not a recommendation to invest in any particular financial product. No analysis of their suitability was conducted and no statement of opinion in relation to their suitability is provided. Past performance is not a reliable indicator of future performance.**

iShares Core Builder



To access iShares Core Builder, please visit:
www.blackrock.com/tools/core-builder/au



Allocate the portfolio value

Indicate below the investment amount you would like to allocate to your client's sample portfolio. This can range from AUD 1,000 to AUD 1,000,000,000.

You will have the opportunity in the final step to adjust this if you change your mind.

AUD

i Why does the amount matter?

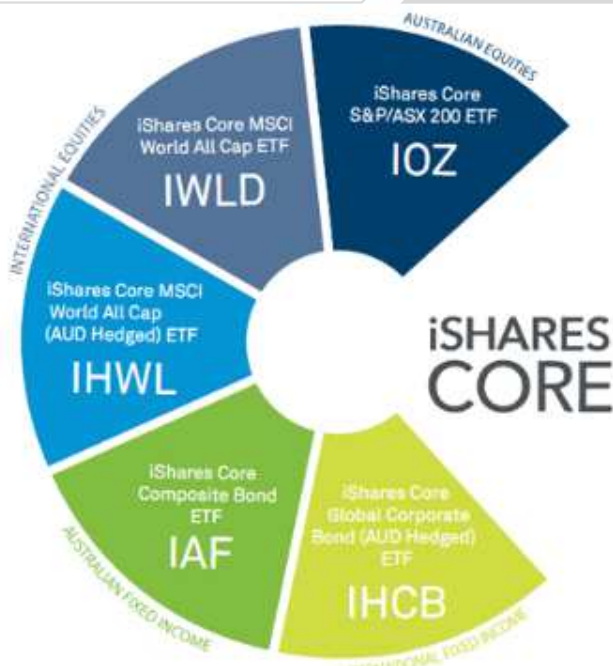
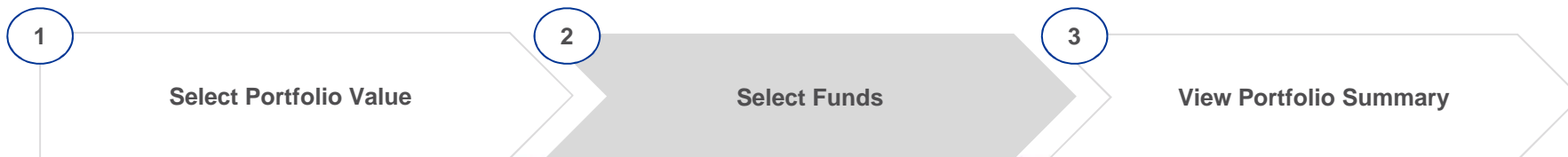
Select funds

The material in this tool, including the example portfolios, provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances.

The example portfolios included in this tool are based only on iShares ETFs within the iShares Core Series, which are a limited subset of iShares ETFs. Each example portfolio shows one way out of multiple possible ways of investing and BlackRock makes no recommendation that any example portfolio shown is the best way of investing. The example portfolios may be used only as a form of guidance or research data at your own risk. You may not represent the example portfolios as portfolios constructed by, or asset allocations provided by, any entity or associated entity within the BlackRock or iShares group of companies.

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iShares Core Builder



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Select funds to build your client's portfolio

Build a customised sample portfolio by allocating an amount or percentage to each fund you wish to include in the portfolio. Alternatively, you can select a pre-defined example portfolio.

Once 100% of the portfolio is allocated you will be able to view the portfolio summary.

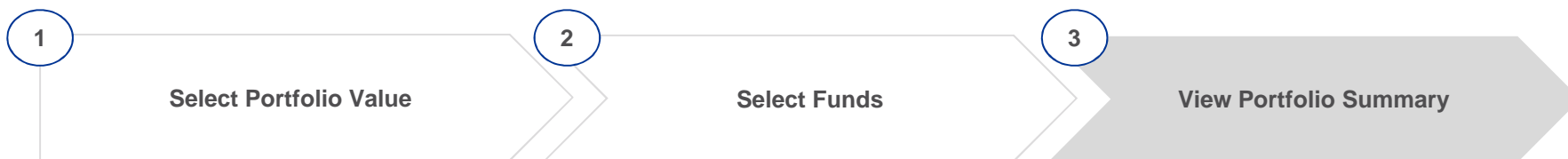
Custom | Conservative | Moderate | **Balanced** | Growth | Aggressive i

Fund Name	Mgmt Fee (%)	Allocation (%)	Value \$	Est. Units*
iShares Core S&P/ASX 200 ETF IOZ	0.15	<input type="text" value="27"/>	<input type="text" value="13500"/>	557
iShares Core MSCI World All Cap ETF IWLD	0.16	<input type="text" value="22"/>	<input type="text" value="11000"/>	346
iShares Core MSCI World All Cap (AUD Hedged) ETF IHWL	0.19	<input type="text"/>	<input type="text"/>	-
iShares Core Composite Bond ETF IAF	0.20	<input type="text" value="30"/>	<input type="text" value="15000"/>	142
iShares Core Global Corporate Bond (AUD Hedged) ETF IHCB	0.26	<input type="text" value="11"/>	<input type="text" value="5500"/>	53
Australian Cash	0.00	<input type="text" value="10"/>	<input type="text" value="5000"/>	5,000
Clear		100.00%	AUD 50,000	

Balanced **Balanced exposure to both global & domestic fixed income and equities.**

*Estimated units are calculated with consideration to the iShares ETF's last issued net asset value (NAV) price and are provided for illustrative purposes only. iShares ETFs are traded on exchange at prices which may be different to the iShares ETF's last issued NAV price. Additionally, the calculation of the estimated units does not take into consideration transaction costs which may be incurred in the trading of iShares ETFs. Accordingly, actual units obtained from the trading of iShares ETFs may differ from the estimated units calculated within this tool.

iShares Core Builder



Aggregate Portfolio Data (as of 20-Apr-2018)



All dollar figures are provided in Australian dollars (AUD).

*The Composite Management Fee is the weighted average of the individual management fees included within your portfolio.

To access iShares Core Builder, please visit: www.blackrock.com/tools/core-builder/au

The portfolio performance shown in this tool is hypothetical and for illustrative purposes only. Performance figures represent past performance. Past performance is not indicative of future performance and current performance may be higher or lower than the performance shown. Past performance should not be the sole factor of consideration when selecting a product. The value of the investments may go up or down and the investor may not get back the amount invested.

The performance, including the performance of the example portfolios included in this tool, does not represent the performance of an actual account or investment product and is not the result of any actual trading.

Portfolio performance is calculated on an aggregate base, with consideration to the selected investments and according to the percentage allocated to each investment. The calculation of the growth of the initial investment is indicative and does not take into account any possible impact of inflation. Performance does not include costs of ownership or trading costs, such as brokerage and commissions, that may be incurred in the trading of securities within the portfolio and actual investment outcomes may vary. Frequent trading of iShares ETFs may incur charges that erode cost efficiency and performance. Volatility is calculated based on annualised standard deviation of daily returns. Performance figures of iShares ETFs are calculated on a net asset value (NAV) price basis, include management fees of the iShares ETFs included within a portfolio and assume the reinvestment of distributions of any such iShares ETF. Where an iShares ETFs performance data is unavailable, the iShares ETFs benchmark index returns may be used to represent performance of the iShares ETF. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Performance of any cash allocation is calculated with consideration to the RBA Cash Rate.

AN OVERVIEW OF EXCHANGE-TRADED FUNDS ON NABTRADE

*Empower yourself to make
confident investment decisions*

IMPORTANT INFORMATION



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REASONS TO INVEST

in ETFs with nabtrade



Enjoy competitive
brokerage

2,000+

Options including ASX,
US, Germany & Hong
Kong listed funds

Pricing

Brokerage*	\$14.95	\$19.95	\$19.95	\$55.00
Trade size	\$5,000	\$10,000	\$20,000	\$50,000

**International trades will incur a foreign exchange conversion spread of between 0.50% to 0.80% of the trade transaction value.*

Funding options for ETFs

There are two ways to
found your
investments:



Add cash to
your account

Every nabtrade account comes
with a linked cash account.



Borrow to
invest

With a NAB Investment Loan you
can borrow to invest. Visit
nabmarginlending.com.au for more
information.

USEFUL INFORMATION

you can access with an account



The screenshot shows the nabtrade website interface for the iShares S&P 500 ETF IVV:ASX. The page is divided into several sections, with red circles and numbers highlighting key areas:

- 1**: Price and volume information, including the current price of \$353.88 and a 0.00% change.
- 2**: Fund Strategy section, which describes the fund's investment objectives and performance relative to its category.
- 3**: Performance chart showing the 1-year price performance of +12.27%.
- 4**: Morningstar Style Box, which shows the fund's position based on market capitalization (Medium) and investment style (Blend).
- 5**: Performance and Profile table, providing key metrics such as Total Assets, Expense Ratio, and Dividend Yield.
- 6**: Top 5 Holdings section, featuring a pie chart and a table listing the top holdings: AAPL (3.78%), MSFT (3.12%), AMZN (2.55%), BRKB (1.7%), and FB (1.7%).
- 7**: Similar investments to IVV, listing peer ETFs like BetaShares FTSE RAFI U.S. 1000 ETF QUS.
- 8**: Research section, which includes a 'Discover, then invest.' banner and a link to the Global Scanner.

Information you can access:

1. PRICING (LIVE FOR ASX ETFs)
2. FUND STRATEGY & SNAPSHOT
3. PERFORMANCE CHART
4. MORNINGSTAR STYLE BOX & RATING
5. PERFORMANCE/PROFILE/DIVIDENDS
6. TOP HOLDINGS
7. SIMILAR INVESTMENTS
8. RESEARCH

Screenshot sourced from the nabtrade secure site

Overview	Charts	ASX Announcements	Dividends	Portfolio	Performance	Trades	Derivatives	Depth	Research
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iShares Core S&P 500 (AU) IVV 25 04 2018 04:20pm AEST

by Alexander Prineas

Suitability

It's tough to envisage a better U.S. equity vehicle than iShares S&P 500 IVV. IVV tracks the S&P 500, a well diversified and representative index that active managers have struggled to beat. That's especially the case given IVV's incredibly low fee of 0.04%—lower than any other exchange-traded fund in Australia. Even more, revenue from iShares' securities lending helps to further offset costs. IVV is not just cheap—it's also capably managed. A large and experienced team runs the AUD 100 billion New York-listed parent ETF, where it has a long record of tracking the benchmark. The Australian vehicle is a cross-listing, meaning investors can tap into the liquidity of the massive primary listing. While this scale minimises bid-ask spreads, cross-listings do come with paperwork and U.S. estate tax complications. Nevertheless, the dominance and diversity of American companies means that by purchasing this one ETF, investors get exposure to a broad portfolio of some of the world's best companies, including areas that are underrepresented in Australia, such as technology and healthcare. IVV offers diversification, as the S&P 500 has a low correlation to Australian equities. But there is some exposure to mid-cap names, the S&P 500 is mostly large-cap-focused, so IVV is not quite as diversified as some of its peers and may lag in times of small-cap outperformance. While American companies have a global footprint, this single-country ETF will depend on the U.S. economy, currency, and policy settings and their inherent risks. On the other hand, IVV should outperform when small caps struggle, which often occurs in down markets. All up IVV ticks the boxes—namely an incredibly low fee, liquidity, a track record of effective implementation, and a diversified portfolio. Many investors won't need this type of vehicle as they already have U.S. exposure through global equity or diversified funds. But for investors seeking a dedicated U.S. vehicle, IVV is outstanding.

Morningstar Current Rating as of 06 02 2018

GOLD	SILVER	BRONZE	NEUTRAL	NEGATIVE
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Morningstar Previous Rating as of 21 07 2016

GOLD	SILVER	BRONZE	NEUTRAL	NEGATIVE
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Screenshot sourced from the nabtrade secure site



Fund rating



Suitability



Fundamental view



Portfolio construction



Fees



Alternatives

FIND AN ETF

with our ETF scanner tool



Accessing the ETF scanner

Finding the ETFs scanner tool:

- Login to nabtrade
- Hover your cursor over the 'Insights Centre' tab
- Select 'ETFs'

Using the ETFs scanner tool:

- Select the relevant criteria from 'Your Filters'
- Click on 'View Results'
- A list of ETFs will appear at the bottom of the page. You can sort the results by 'Performance' and 'Income'

Exchange Traded Funds (ETFs)

Your Filters: Asset Class: Fixed Income, Market Cap: More than \$500M, \$100M - \$500M, Sector Allocation, Regional Allocation, Exchange: Australia ASX

View Results

Overview Performance Income

Code	Name	Last Price	Since Inception	YTD	1 Month	6 Months	5 Years	10 Years
IAF	iShare Core Composite Bond ETF	\$108.21	4.65%	—	—	—	—	—
RCB	Russell Investments Australian Select Corporate...	\$10.01	4.23%	1.54%	0.00%	2.81%	4.31%	—
VGB	Vanguard Australian Government Bond Index ETF	\$45.32	4.2%	—	—	—	—	—
VAF	Vanguard Australian Fixed Interest Index ETF	\$45.15	3.51%	0.7%	-1.27%	2.52%	—	—
PLUS	Vindex Vectors Australian Corporate Bond Plus ETF	\$17.25	3.57%	0.2%	-0.33%	1.36%	—	—
VIF	Vanguard International Fixed Interest Index (Incl...	\$47.81	3.05%	0.00%	0.00%	0.61%	—	—
QPON	Securities Australian Bank Senior Floating Rate...	\$25.51	2.37%	0.44%	0.17%	0.97%	—	—

Screenshot sourced from the nabtrade secure site

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Why European exposure makes sense

IEU:ASX \$62.87 +0.24 (0.38%)
ASX real-time quotes as of 28 Oct 2018 03:45pm AEST



Switzer SuperReport

European shares are at their lowest discount ever versus US shares and here are five ways to buy in. [Click here to read the article.](#)



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USING ETFs TO ENHANCE YOUR RETURNS

By Dhruv Nagrath

Mon 30 October 2017 09:00 AM

[Managing your portfolio](#)

Share

Technology is changing everything: your humble smartphone has millions of times the computational power of the spacecraft that took humans to the moon, you can go for weeks without withdrawing cash thanks to contactless payments, and apparently drones are now [delivering burritos](#). Technology is transforming every aspect of our lives, and the way we invest is no exception. Exchange traded funds (ETFs) have made it possible to build diversified, low-cost portfolios of thousands of stocks and bonds with just a few trades on the ASX.

However that was just the beginning. Smart Beta ETFs take investing to the next level by automating the techniques that professional investors have been using since the 1930's. Why settle for the market return (referred to as 'beta'): you can now seek outperformance at a very low cost. This article examines how.

What drives stock returns?

For many decades, active investors have used 'filters' or 'screens' to identify attractive investment opportunities. These filters have typically targeted 'factors', the underlying drivers of return, in order to seek better performance. For example, two classic factors are size and value. Targeting size means investing in smaller companies - they may be more nimble - while seeking value means buying stocks that are believed to be trading cheaply, with lower price to earnings and price to book ratios relative to the broad market. Two other commonly targeted factors include quality and momentum. Professional investors have sought to outperform the market over the years by targeting one or more of these or other factors. Smart Beta ETFs are transforming investing by allowing investors to easily target these factors.

Table 1 - Factors targeted by iShares Multifactor ETFs

Episode 10 - ETFs - Behind the Hype

Duration 34:34 minutes | File Size 32.17 MB

Exchange Traded Funds, or ETFs, have become one of the most popular products for investors who are wishing to create long term wealth. Once just simple index trackers, they now offer exposure to currencies, sectors such as robotics and biotechnology, and even allow investors to short or leverage their market exposure.

Important information

INTRODUCING

model portfolios on nabtrade



What is a model portfolio?

A model portfolio is a selection of investments, chosen by expert investment managers, designed to fulfil various investor needs.

How to find model portfolios on nabtrade:

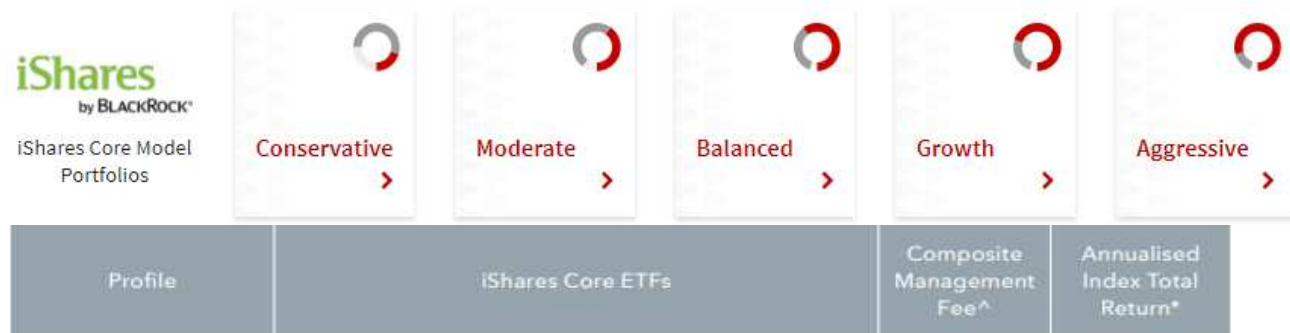
- Login to nabtrade
- Hover your cursor over the 'Insights Centre' tab
- Select 'Model Portfolios'

iShares Core Model Portfolios

Every investor is different and this knowledge underpins the flexible tools to create portfolios tailored to your needs. The iShares Core Model Portfolios, using iShares Core ETFs provides a simple and low-cost way to build a diversified portfolio for the long term.

The five model portfolios have been expertly designed for a range of needs and risk preferences, these are; Conservative, Moderate, Balanced, Growth and Aggressive. These portfolios are based on the average portfolio allocations across asset classes by Australian managed funds in these categories.

They are meant to be illustrative only and demonstrate a range of investment outcomes. They are not intended to be investment advice.



- iShares Core S&P/ASX 200 ETF (IOZ) **38.5%**
- iShares Core MSCI World All Cap ETF (IWLD) **31.5%**
- iShares Core Composite Bond ETF (IAF) **17.7%**
- iShares Core Global Corporate Bond (AUD Hedged) ETF (IHCB) **6.3%**
- iShares Core Cash ETF **6.0%**

Screenshots sourced from the nabtrade secure site

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Q&A!



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