UNDERSTANDING ETF DISTRIBUTIONS

ETF distributions reflect taxable income from their holdings

iShares ETFs are registered under the Investment Company Act of 1940 ('40 Act ETFs) and treated as Regulated Investment Companies (RICs) under the Internal Revenue Code. As RICs, they are subject to certain annual distribution requirements. ETF distributions reflect income from their underlying holdings plus impact from the additional factors listed below. RICs generally must:

1 Distribute at least 90% of its investment company taxable income (ICTI) and net tax-exempt income for the taxable year to maintain RIC status

2 Pay at least 98% of its ordinary income in calendar year and 98.2% of its net capital gains earned during the 12 months prior to 10/31 each year to avoid a 4% excise tax on undistributed income

Blackrock's distribution policies

- Each ETF has regularly scheduled distribution dates. BlackRock also reserves an additional distribution date in late December for a potential distribution to avoid excise tax if actual income is materially different from estimates.
- BlackRock only provides estimates for ETFs paying capital gains and does not provide any estimates for regular distributions.
- To help reduce potential for overdistribution and maintain an appropriate distribution yield, the ETF fund administrator seeks to pay the fund's approximate earned income.
- Fixed income ETFs pay out earned income that is based on the yields on bonds when the ETF acquired them. Thus, it takes portfolio turnover either from inflows or monthly rebalances for fund distributions to adjust to current yields in dynamically changing rate environments.
- December distributions can be inconsistent with other regular distributions as it is difficult to estimate calendar year income before the close of the calendar year due to several factors such as those listed below.

Factors that may affect a fund's distribution rate

While income from underlying holdings is typically the largest driver of an ETFs distribution, there are several factors that can impact a fund's net income and thus affect distributions paid to shareholders.

Equity

- Change in the net income, calculated daily. (Net income includes securities lending income and fund expenses)
- Actual net income that remains undistributed in the fund
- Large fund share changes
- Corporate actions resulting in a taxable event
- Adjustments from Passive Foreign Investment Companies (PFICs)
- Adjustments for Real Estate Investment Trust (REIT) return of capital (ROC) estimates
- Impact from income reclassification (return of capital) from corporations
- Gain/loss from foreign currency exposure

Fixed income

- Change in the net income, calculated daily. (Net income includes securities lending income and fund expenses)
- Actual net income that remains undistributed in the fund
- Large fund share changes
- Impact from amortization & accretion of premium & discount bonds
- Gain/loss from paydowns or payups for MBS/ABS
- Income (loss) from inflation adjustments due to holding inflationary linked securities
- Gain/loss from foreign currency exposure

ETF distribution schedule

BlackRock maintains an **ETF distribution schedule** that discloses record dates, ex-dividend dates, and pay dates across its ETF lineup.

Formulas for distributions:

- **Fixed income earned income** = accrued coupon interest – premium amortization + discount accretion – net expenses +/- Inflation Adjustment (TIPS ETFs only) +/- FX gains/losses (ETFs with foreign currency only)
- **Equity earned income =** Dividends from equities + taxable corporate actions – net expenses – REIT adjustments +/- PFIC adjustments +/- FX gains/losses (ETFs with foreign currency only)

An equity ETF's earned income is primarily derived from the fund's underlying equities that have gone ex-dividend before the ex-dividend date of the ETF. Cutoff for inclusion of a dividend in the ETF's distribution is 2 business days prior to the funds ex-dividend date.

ETFs with Return Of Capital (ROC) adjustments:

Since equity REITs don't report their tax information until after year end, please be advised certain iShares funds holding REIT securities apply an estimated return of capital (ROC) percentage to withhold dividend income throughout the fund's fiscal year. This is being done in an effort to avoid an overdistribution that would result in a return of capital to fund shareholders due to ROC adjustments from the underlying REIT holdings.

iShares Funds with 25% ROC adjustment: IYR*, REM*, REZ*, USRT*, & WOOD*

iShares Funds with 20% ROC adjustment: ERET**,** ICF, & REET

iShares Funds with 15% ROC adjustment: IJS*, IWC*, IWM*, & IWN*

iShares Funds with 10% ROC adjustment: IJH, IJJ*, IJK, IJR, IJT*, IMCB, ISCB, ISCG, ISCV, IWR*, IWS, IYF, & XJH

As of 7/31/2024, subject to change. *Note that ETFs with an asterisk will be changing to these ROC adjustments in their December 2024 distributions. IYR, REM, REZ, & USRT will be changing from current 20% to 25% ROC adjustment. WOOD will move from 10% to 25% ROC adjustment. IJS, IWC, IWM, & IWN will move from current 10% to 15% ROC adjustment. IJJ, IJT, & IWR currently have no ROC adjustment and will be moving to a 10% ROC adjustment.

A note on option-based ETFs:

Note that certain ETFs that use options-based strategies have a higher risk of making distributions in excess of a fund's current and accumulated earnings and profits. These distributions may be characterized as a tax-free return of capital to the extent of a shareholder's basis in shares of the fund *and as a capital gain thereafter* (*if the shareholder holds shares of the Fund as capital assets*). For further information please see the funds statement of additional information.

iShares Funds examples: TLTW, LQDW, HYGW, BALI, IVVB, IWMW

As of 7/31/2024, subject to change

Information on capital gain distributions

1

ETFs can help shield investors from capital gain distributions, or the periodic distributions funds make to shareholders on realized profits from the sale of underlying assets. ETFs held 29% of U.S. managed fund assets at the end of 2023 but accounted for less than 1% of capital gains distributions*.

2

ETFs tend to be tax efficient as the ETF structure is designed to insulate investors from the actions of departing investors. Investors generally trade existing ETF shares with each other on exchange, so most ETF trading doesn't trigger trading of underlying securities. When shares need to be created or redeemed, an Authorized Participant ("AP") can conduct an in-kind trade**, meaning securities are exchanged, which allows ETFs to avoid a taxable event within the fund.

3

iShares releases estimates for ETFs paying a capital gain distribution on an annual basis. Capital gain estimates are typically released by mid-November and paid in December. Capital gain distribution information can be found at **www.ishares.com/us/capital-gains-distributions**. Only 5 of the 425+ U.S. listed iShares paid capital gain distributions in 2023.

*Source: Morningstar, as of 12/31/23. ETFs only paid 0.2% of capital gains distributions. Past distributions not indicative of future distributions. ** Note that certain emerging & frontier market countries do not allow for in-kind transactions.

WANT TO KNOW MORE?

iShares.com

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

iShares Funds are obliged to distribute portfolio gains to shareholders by year-end. These gains may be generated due to index rebalancing or to meet diversification requirements. Trading shares of the iShares Funds will also generate tax consequences and transaction expenses. There is no guarantee that any fund will pay dividends.

This material is provided for educational purposes only and does not constitute investment advice. The information contained herein is based on current tax laws, which may change in the future. BlackRock cannot be held responsible for any direct or incidental loss resulting from applying any of the information provided in this publication or from any other source mentioned. The information provided in this material does not constitute any specific legal, tax or accounting advice. Please consult with qualified professionals for this type of advice.

The iShares Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

©2024 BlackRock, Inc or its affiliates. All Rights Reserved. **BLACKROCK** and **iSHARES** are trademarks of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.

Not FDIC Insured • May Lose Value • No Bank Guarantee

iShares
by BlackRock