

Interim Financial Report

iShares Hedged Funds.

- iShares Core Global Corporate Bond (AUD Hedged) ETF
ARSN 607 996 387
- iShares Global High Yield Bond (AUD Hedged) ETF
ARSN 607 996 403
- iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF
ARSN 607 996 510

iShares Hedged Funds

Condensed Financial Report - For the half-year ended 31 December 2020

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Directors' Report

The directors of BlackRock Investment Management (Australia) Limited (ABN 13 006 165 975) (the "Responsible Entity"), the Responsible Entity of iShares Hedged Funds (the "Funds"), present their interim report together with the condensed financial statements of the Funds, for the half-year ended 31 December 2020 and the auditor's report thereon.

These condensed financial statements have been prepared for the iShares Hedged Funds (which comprise of iShares Core Global Corporate Bond (AUD Hedged) ETF, iShares Global High Yield Bond (AUD Hedged) ETF and iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF as they are disclosing entities under the Corporations Act 2001.

Fund Objectives

iShares Core Global Corporate Bond (AUD Hedged) ETF

The Fund aims to provide investors with the performance of an index, before fees and expenses (including the cost of hedging), composed of investment grade corporate fixed rate bonds issued by corporations in emerging and developed markets worldwide (hedged to Australian dollars).

iShares Global High Yield Bond (AUD Hedged) ETF

The Fund aims to provide investors with the performance of an index, before fees and expenses (including the cost of hedging), composed of liquid, global developed, high yield corporate bonds (hedged to Australian dollars).

iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF

The Fund aims to provide investors with the performance of an index, before fees and expenses (including the cost of hedging), composed of U.S. dollar denominated, emerging market bonds (hedged to Australian dollars).

Principal Activities

The Funds invest in accordance with the provisions of the Funds' Constitutions.

The Funds are currently listed on the Australian Securities Exchange (ASX). The admission date of the Funds was 9 December 2015.

The Funds did not have any employees during the half-year ended 31 December 2020 (31 December 2019: Nil).

There were no significant changes in the nature of the Funds' activities during the half-year ended 31 December 2020 (31 December 2019: Nil).

Directors

The following persons held office as directors of the Responsible Entity during the half-year or since the end of the half-year and up to the date of this report:

Director	Date appointed
M S McCorry	Appointed 2 December 2009
A Telfer	Appointed 12 December 2013
J Collins	Appointed 29 July 2015
A Landman	Appointed 3 February 2020
I Davila	Appointed 5 March 2020

Review and Results of Operations

During the half-year, the Funds continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitutions.

Directors' Report (continued)

Review and Results of Operations (continued)

Results

The performance of the Funds, as represented by the results of their operations, were as follows:

	iShares Core Global Corporate Bond (AUD Hedged) ETF		iShares Global High Yield Bond (AUD Hedged) ETF	
	Half-year ended		Half-year ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the half-year	10,232	5,335	6,330	1,384
Distributions paid and payable	4,518	2,558	2,155	955
			iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	
			Half-year ended	
			31 December 2020	31 December 2019
			\$'000	\$'000
Profit/(loss) for the half-year			2,679	1,512
Distributions paid and payable			2,074	492

Returns

The table below demonstrates the performance of the Funds as represented by the total return.

	Returns*		
	1 July 2020 to 31 December 2020	1 July 2019 to 31 December 2019	1 July 2018 to 31 December 2018
	% p.a.	% p.a.	% p.a.
iShares Core Global Corporate Bond (AUD Hedged) ETF returns	3.36	3.00	0.63
iShares Global High Yield Bond (AUD Hedged) ETF returns	9.37	3.22	(1.61)
iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF returns	8.10	3.01	0.28

* Returns (after fees) are calculated on the assumption that all distributions are reinvested in the Funds, and include the effect of compounding.

Significant Changes in State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Funds that occurred during the financial half-year under review.

Directors' Report (continued)

Rounding of Amounts

The Funds are registered schemes of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and the financial statements have been rounded to the nearest thousand in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

Additional Disclosure

The Funds have applied the relief available in ASIC Corporations (Disclosing Entities) Instrument 2015/839 issued by the Australian Securities and Investments Commission in the preparation of this report. This class order allows registered schemes with a common responsible entity to include their financial statements in adjacent columns in a single financial report.

The Funds have applied the relief available in ASIC Corporations (Directors' Report Relief) Instrument 2016/188 issued by the Australian Securities and Investments Commission in the preparation of this report. Accordingly, the additional information otherwise required to be included in the directors' report has been disclosed in Notes 5 and 6 of the financial statements.

Outbreak of COVID-19

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019 and has now developed into a global pandemic. This coronavirus has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19 has adversely affected the economies of many nations across the entire global economy, individual issuers and capital markets, and could continue to extents that cannot necessarily be foreseen. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

The condensed financial statements were authorised for issue by the directors on 11 March 2021.

This report is made in accordance with a resolution of the directors.



Director

A Telfer

Sydney

11 March 2021

11 March 2021

The Board of Directors
BlackRock Investment Management (Australia) Limited
Level 34, 477 Collins Street
MELBOURNE VIC 3000

Dear Directors

iShares Core Global Corporate Bond (AUD Hedged) ETF, iShares Global High Yield Bond (AUD Hedged) ETF and iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF (collectively "iShares Hedged Funds" or the "Funds")

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of BlackRock Investment Management (Australia) Limited as Responsible Entity of iShares Hedged Funds.

As lead audit partner for the review of the financial statements of iShares Hedged Funds for the financial period 1 July 2020 to 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

iShares Hedged Funds
Condensed Statements of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2020

Condensed Statements of Profit or Loss and Other Comprehensive Income

	Notes	iShares Core Global Corporate Bond (AUD Hedged) ETF		iShares Global High Yield Bond (AUD Hedged) ETF	
		Half-year ended 31 December 2020 \$'000	31 December 2019 \$'000	Half-year ended 31 December 2020 \$'000	31 December 2019 \$'000
Investment income					
Interest income		-	1	-	-
Distributions from related schemes		3,729	2,387	1,402	932
Net gains/(losses) on financial instruments held at fair value through profit or loss (including FX gains/(losses))	4	6,627	3,022	4,959	474
Fee rebates from related schemes		<u>317</u>	<u>190</u>	<u>173</u>	<u>117</u>
Total net investment income/(loss)		<u>10,673</u>	<u>5,600</u>	<u>6,534</u>	<u>1,523</u>
Expenses					
Management fees		418	247	197	131
Transaction costs		16	13	4	6
Custody movement fees		6	5	3	2
Interest expense		<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses		<u>441</u>	<u>265</u>	<u>204</u>	<u>139</u>
Profit/(loss) for the half-year		10,232	5,335	6,330	1,384
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the half-year		<u>10,232</u>	<u>5,335</u>	<u>6,330</u>	<u>1,384</u>

The above Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Statements of Profit or Loss and Other Comprehensive Income (continued)

	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	
	Half-year ended	
	31 December 2020	31 December 2019
Notes	\$'000	\$'000
<i>Investment income</i>		
Interest income	-	-
Distributions from related schemes	660	682
Net gains/(losses) on financial instruments held at fair value through profit or loss (including FX gains/(losses))	4 2,035	845
Fee rebates from related schemes	<u>76</u>	<u>87</u>
<i>Total net investment income/(loss)</i>	<u>2,771</u>	<u>1,614</u>
<i>Expenses</i>		
Management fees	88	95
Transaction costs	2	6
Custody movement fees	2	1
Interest expense	<u>-</u>	<u>-</u>
<i>Total operating expenses</i>	<u>92</u>	<u>102</u>
<i>Profit/(loss) for the half-year</i>	2,679	1,512
Other comprehensive income	<u>-</u>	<u>-</u>
<i>Total comprehensive income/(loss) for the half-year</i>	<u>2,679</u>	<u>1,512</u>

The above Condensed Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Condensed Statements of Financial Position

	Notes	iShares Core Global Corporate Bond (AUD Hedged) ETF		iShares Global High Yield Bond (AUD Hedged) ETF	
		As at		As at	
		31 December 2020	30 June 2020	31 December 2020	30 June 2020
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents		294	342	6	87
Financial assets held at fair value through profit or loss	7	328,894	296,477	79,656	62,770
Receivables		<u>1,250</u>	<u>92</u>	<u>63</u>	<u>2,000</u>
Total assets		<u>330,438</u>	<u>296,911</u>	<u>79,725</u>	<u>64,857</u>
Liabilities					
Financial liabilities held at fair value through profit or loss	8	727	945	101	213
Payables		<u>11,381</u>	<u>6,150</u>	<u>2,272</u>	<u>2,485</u>
Total liabilities		<u>12,108</u>	<u>7,095</u>	<u>2,373</u>	<u>2,698</u>
Net assets attributable to unitholders - equity	6	<u>318,330</u>	<u>289,816</u>	<u>77,352</u>	<u>62,159</u>

	Notes	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	
		As at	
		31 December 2020	30 June 2020
		\$'000	\$'000
Assets			
Cash and cash equivalents		39	118
Financial assets held at fair value through profit or loss	7	40,494	31,661
Receivables		<u>28</u>	<u>605</u>
Total assets		<u>40,561</u>	<u>32,384</u>
Liabilities			
Financial liabilities held at fair value through profit or loss	8	4	97
Payables		<u>1,558</u>	<u>29</u>
Total liabilities		<u>1,562</u>	<u>126</u>
Net assets attributable to unitholders - equity	6	<u>38,999</u>	<u>32,258</u>

The above Condensed Statements of Financial Position should be read in conjunction with the accompanying notes.

Condensed Statements of Changes in Equity

		iShares Core Global Corporate Bond (AUD Hedged) ETF Half-year ended		iShares Global High Yield Bond (AUD Hedged) ETF Half-year ended	
Notes		31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000
Total equity at the beginning of the financial half-year		289,816	148,311	62,159	35,245
Comprehensive income for the half-year					
Profit/(loss) for the half-year		10,232	5,335	6,330	1,384
Other comprehensive income for the half-year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u>10,232</u>	<u>5,335</u>	<u>6,330</u>	<u>1,384</u>
Transactions with unitholders					
Creations	6	66,736	106,845	14,011	107,370
Redemptions	6	(43,977)	(17,669)	(3,057)	(5,463)
Units issued upon reinvestment of distributions	6	41	34	64	40
Distributions paid and payable	5	<u>(4,518)</u>	<u>(2,558)</u>	<u>(2,155)</u>	<u>(955)</u>
Total transactions with unitholders		<u>18,282</u>	<u>86,652</u>	<u>8,863</u>	<u>100,992</u>
Total equity at the end of the financial half-year		<u>318,330</u>	<u>240,298</u>	<u>77,352</u>	<u>137,621</u>
		iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF Half-year ended			
Notes		31 December 2020 \$'000	31 December 2019 \$'000		
Total equity at the beginning of the financial half-year				32,258	17,140
Comprehensive income for the half-year					
Profit/(loss) for the half-year				2,679	1,512
Other comprehensive income for the half-year				<u>-</u>	<u>-</u>
Total comprehensive income for the half-year				<u>2,679</u>	<u>1,512</u>
Transactions with unitholders					
Creations	6		6,114	168,329	
Redemptions	6		-	(7,624)	
Units issued upon reinvestment of distributions	6		22	10	
Distributions paid and payable	5		<u>(2,074)</u>	<u>(492)</u>	
Total transactions with unitholders				<u>4,062</u>	<u>160,223</u>
Total equity at the end of the financial half-year				<u>38,999</u>	<u>178,875</u>

The above Condensed Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Statements of Cash Flows

	Notes	iShares Core Global Corporate Bond (AUD Hedged) ETF		iShares Global High Yield Bond (AUD Hedged) ETF	
		Half-year ended		Half-year ended	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
		\$'000	\$'000	\$'000	\$'000
<i>Cash flows from operating activities</i>					
Proceeds from sale of financial instruments held at fair value through profit or loss		84,356	21,128	10,944	6,160
Purchase of financial instruments held at fair value through profit or loss		(104,876)	(109,844)	(23,181)	(107,876)
Transaction costs		(16)	(13)	(4)	(6)
Interest received		-	1	-	-
Distributions received from related schemes		3,878	2,409	1,458	943
Fee rebates from related schemes received		302	163	157	90
Management fees paid		(399)	(210)	(180)	(102)
Operating expenses paid		(6)	(5)	(3)	(3)
Interest expense paid		(1)	-	-	-
<i>Net cash inflow/(outflow) from operating activities</i>		<u>(16,762)</u>	<u>(86,371)</u>	<u>(10,809)</u>	<u>(100,794)</u>
<i>Cash flows from financing activities</i>					
Proceeds from creations by unitholders		65,593	106,825	15,964	107,370
Payments for redemptions by unitholders		(43,977)	(17,667)	(3,057)	(5,469)
Distributions paid		(4,477)	(2,524)	(2,091)	(915)
<i>Net cash inflow/(outflow) from financing activities</i>		<u>17,139</u>	<u>86,634</u>	<u>10,816</u>	<u>100,986</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>		377	263	7	192
Cash and cash equivalents at the beginning of the half-year		342	161	87	15
Effects of foreign currency exchange rate changes on cash and cash equivalents		(425)	(75)	(88)	(15)
<i>Cash and cash equivalents at the end of the half-year</i>		<u>294</u>	<u>349</u>	<u>6</u>	<u>192</u>
Non cash financing activities	6	<u>41</u>	<u>34</u>	<u>64</u>	<u>40</u>

The above Condensed Statements of Cash Flows should be read in conjunction with the accompanying notes.

Condensed Statements of Cash Flows (continued)

	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	
	Half-year ended	
	31 December 2020	31 December 2019
Notes	\$'000	\$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments held at fair value through profit or loss	6,138	8,434
Purchase of financial instruments held at fair value through profit or loss	(10,965)	(169,340)
Transaction costs	(2)	(6)
Interest received	-	-
Distributions received from related schemes	661	755
Fee rebates from related schemes received	71	53
Management fees paid	(84)	(58)
Operating expenses paid	(2)	(1)
Interest expense paid	-	-
	<u>-</u>	<u>-</u>
<i>Net cash inflow/(outflow) from operating activities</i>	<u>(4,183)</u>	<u>(160,163)</u>
<i>Cash flows from financing activities</i>		
Proceeds from creations by unitholders	6,114	168,329
Payments for redemptions by unitholders	-	(7,624)
Distributions paid	(2,052)	(482)
	<u>4,062</u>	<u>160,223</u>
<i>Net cash inflow/(outflow) from financing activities</i>	<u>4,062</u>	<u>160,223</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>		
	(121)	60
Cash and cash equivalents at the beginning of the half-year	118	17
Effects of foreign currency exchange rate changes on cash and cash equivalents	42	253
	<u>39</u>	<u>330</u>
<i>Cash and cash equivalents at the end of the half-year</i>	<u>39</u>	<u>330</u>
Non cash financing activities	6	10
	<u>22</u>	<u>10</u>

The above Condensed Statements of Cash Flows should be read in conjunction with the accompanying notes.

1 Statement of Compliance

The condensed financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed financial statements do not include all the notes normally included in an annual financial report. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

2 Basis of Preparation and Accounting Policies

These condensed financial statements include financial statements for iShares Core Global Corporate Bond (AUD Hedged) ETF, iShares Global High Yield Bond (AUD Hedged) ETF and iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF (the "Funds") as individual entities. The Funds were constituted on 31 August 2015.

The Funds are registered schemes of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial statements are consistent with those adopted and disclosed in the Funds' 2020 annual financial report for the financial year ended 30 June 2020.

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2020 that would be expected to have a material impact on the Funds.

3 Financial Risk Management

(a) Fair Values of Financial Assets and Liabilities

The carrying amounts of the Funds' assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Condensed Statements of Profit or Loss and Other Comprehensive Income.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their last traded prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in Note 2 of the annual financial report for financial year ended 30 June 2020. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets and financial liabilities held by the Funds is the last traded market price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by the Responsible Entity to determine the appropriate valuation price to use that is most representative of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

3 Financial Risk Management (continued)

Fair Values of Financial Assets and Liabilities (continued)

(ii) Fair value in an inactive or unquoted market (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward foreign exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the net asset value per unit as reported by the Responsible Entity of such funds.

(b) Fair Value Hierarchy

The Funds classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables present the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2020 and 30 June 2020.

	iShares Core Global Corporate Bond (AUD Hedged) ETF			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2020				
Financial assets				
Forward foreign exchange contracts	-	12,528	-	12,528
Listed unit trusts	<u>316,366</u>	<u>-</u>	<u>-</u>	<u>316,366</u>
Total	<u>316,366</u>	<u>12,528</u>	<u>-</u>	<u>328,894</u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>727</u>	<u>-</u>	<u>727</u>
Total	<u>-</u>	<u>727</u>	<u>-</u>	<u>727</u>

3 Financial Risk Management (continued)

(b) Fair Value Hierarchy (continued)

	iShares Core Global Corporate Bond (AUD Hedged) ETF			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2020				
Financial assets				
Forward foreign exchange contracts	-	8,622	-	8,622
Listed unit trusts	<u>287,855</u>	<u>-</u>	<u>-</u>	<u>287,855</u>
Total	<u><u>287,855</u></u>	<u><u>8,622</u></u>	<u><u>-</u></u>	<u><u>296,477</u></u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>945</u>	<u>-</u>	<u>945</u>
Total	<u><u>-</u></u>	<u><u>945</u></u>	<u><u>-</u></u>	<u><u>945</u></u>

	iShares Global High Yield Bond (AUD Hedged) ETF			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2020				
Financial assets				
Forward foreign exchange contracts	-	2,844	-	2,844
Listed unit trusts	<u>76,812</u>	<u>-</u>	<u>-</u>	<u>76,812</u>
Total	<u><u>76,812</u></u>	<u><u>2,844</u></u>	<u><u>-</u></u>	<u><u>79,656</u></u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>101</u>	<u>-</u>	<u>101</u>
Total	<u><u>-</u></u>	<u><u>101</u></u>	<u><u>-</u></u>	<u><u>101</u></u>

	iShares Global High Yield Bond (AUD Hedged) ETF			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2020				
Financial assets				
Forward foreign exchange contracts	-	1,543	-	1,543
Listed unit trusts	<u>61,227</u>	<u>-</u>	<u>-</u>	<u>61,227</u>
Total	<u><u>61,227</u></u>	<u><u>1,543</u></u>	<u><u>-</u></u>	<u><u>62,770</u></u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>213</u>	<u>-</u>	<u>213</u>
Total	<u><u>-</u></u>	<u><u>213</u></u>	<u><u>-</u></u>	<u><u>213</u></u>

3 Financial Risk Management (continued)

(b) Fair Value Hierarchy (continued)

	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2020				
Financial assets				
Forward foreign exchange contracts	-	1,710	-	1,710
Listed unit trusts	<u>38,784</u>	<u>-</u>	<u>-</u>	<u>38,784</u>
Total	<u><u>38,784</u></u>	<u><u>1,710</u></u>	<u><u>-</u></u>	<u><u>40,494</u></u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
Total	<u><u>-</u></u>	<u><u>4</u></u>	<u><u>-</u></u>	<u><u>4</u></u>
iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2020				
Financial assets				
Forward foreign exchange contracts	-	1,163	-	1,163
Listed unit trusts	<u>30,498</u>	<u>-</u>	<u>-</u>	<u>30,498</u>
Total	<u><u>30,498</u></u>	<u><u>1,163</u></u>	<u><u>-</u></u>	<u><u>31,661</u></u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>97</u>	<u>-</u>	<u>97</u>
Total	<u><u>-</u></u>	<u><u>97</u></u>	<u><u>-</u></u>	<u><u>97</u></u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, listed unit trusts, exchange traded derivatives and money market securities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment grade corporate bonds, certain listed equities, certain unlisted unit trusts, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified as level 2 are derivative instruments. The fair value of derivative instruments is derived from industry standard valuation models with published or observable market data.

The fair value of a forward foreign exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. Future cash flows are estimated using FX forward exchange rates and the contracted rates. Cash flows are discounted at a rate that reflects the time value of money and credit risk.

The Funds' assets and liabilities not measured at fair value on a recurring basis (but fair value disclosures are required) at 31 December 2020 and 30 June 2020 have been classified as level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the end of the reporting date.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

The Funds did not hold any level 3 instruments during the half-year ended 31 December 2020 (30 June 2020: Nil).

There were no transfers between levels for recurring fair value measurements during the half-year ended 31 December 2020 (30 June 2020: Nil).

3 Financial Risk Management (continued)

(c) COVID-19 Impact

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019 and has now developed into a global pandemic. The impact of COVID-19 has adversely affected the economies of many nations across the entire global economy, individual issuers and capital markets, and could continue to extents that cannot necessarily be foreseen.

The Responsible Entity has assessed the impact of COVID-19 in preparing the financial statements. As at the reporting date, the carrying value of financial assets and liabilities held at fair value through profit or loss have an appropriate consideration of market conditions as at reporting date on the inputs to valuations, the classification in the fair value hierarchy and credit and liquidity concerns. There has been no impact on other assets and liabilities nor on the going concern ability of the Funds.

The nature of COVID-19 may impact future estimates and outcomes applied to the measuring of the Funds financial performance and position. The impact of events that arise after the reporting period will be accounted for in future reporting periods.

4 Net Gains/(Losses) on Financial Instruments Held at Fair Value Through Profit or Loss

The net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	iShares Core Global Corporate Bond (AUD Hedged) ETF Half-year ended		iShares Global High Yield Bond (AUD Hedged) ETF Half-year ended	
	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss (including FX gains/(losses))	<u>6,627</u>	<u>3,022</u>	<u>4,959</u>	<u>474</u>
	<u><u>6,627</u></u>	<u><u>3,022</u></u>	<u><u>4,959</u></u>	<u><u>474</u></u>
			iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF Half-year ended	
			31 December 2020 \$'000	31 December 2019 \$'000
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss (including FX gains/(losses))			<u>2,035</u>	<u>845</u>
			<u><u>2,035</u></u>	<u><u>845</u></u>

5 Distributions to Unitholders

The distributions during the half-year were as follows:

	iShares Core Global Corporate Bond (AUD Hedged) ETF			
	Half-year ended			
	31 December 2020		31 December 2019	
	\$'000	CPU	\$'000	CPU
Distributions paid - Quarter 4*	772	29.89	272	19.95
Distributions paid - Quarter 1	<u>3,746</u>	<u>126.04</u>	<u>2,286</u>	<u>135.18</u>
	<u>4,518</u>		<u>2,558</u>	

	iShares Global High Yield Bond (AUD Hedged) ETF			
	Half-year ended			
	31 December 2020		31 December 2019	
	\$'000	CPU	\$'000	CPU
Distributions paid - Quarter 4*	741	117.24	65	19.61
Distributions paid - Quarter 1	<u>1,414</u>	<u>201.24</u>	<u>890</u>	<u>227.79</u>
	<u>2,155</u>		<u>955</u>	

	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF			
	Half-year ended			
	31 December 2020		31 December 2019	
	\$'000	CPU	\$'000	CPU
Distributions paid - Quarter 4*	1,787	575.56	231	143.92
Distributions paid - Quarter 1	<u>287</u>	<u>86.67</u>	<u>261</u>	<u>87.00</u>
	<u>2,074</u>		<u>492</u>	

* Relates to 30 June 2020 and 30 June 2019 distributions which had an ex-date of 1 July 2020 and 1 July 2019 respectively.

6 Net Assets Attributable to Unitholders

Under AASB 132 Financial instruments: Presentation, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

The Funds meet the criteria set out under AASB 132 and net assets attributable to unitholders is classified as equity.

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend to a right to the underlying assets of the Funds. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Funds. Units are created and redeemed at the unitholders' option at prices based on the value of the Funds' net assets at the time of creation/redemption less transaction costs.

6 Net Assets Attributable to Unitholders (continued)

Movement in number of units and net assets attributable to unitholders during the half-year were as follows:

	iShares Core Global Corporate Bond (AUD Hedged) ETF			
	31 December 2020	30 June 2020	31 December 2020	30 June 2020
	No.'000	No.'000	\$'000	\$'000
Opening balance	2,582	1,362	289,816	148,311
Profit/(loss) for the half-year	-	-	10,232	11,397
Creations	590	1,630	66,736	180,242
Redemptions	(390)	(410)	(43,977)	(44,288)
Units issued upon reinvestment of distributions	-	-	41	65
Distributions paid and payable	-	-	(4,518)	(5,911)
Closing balance	<u>2,782</u>	<u>2,582</u>	<u>318,330</u>	<u>289,816</u>

	iShares Global High Yield Bond (AUD Hedged) ETF			
	31 December 2020	30 June 2020	31 December 2020	30 June 2020
	No.'000	No.'000	\$'000	\$'000
Opening balance	632	331	62,159	35,245
Profit/(loss) for the half-year	-	-	6,330	(28,236)
Creations	140	2,170	14,011	230,409
Redemptions	(30)	(1,870)	(3,057)	(170,328)
Units issued upon reinvestment of distributions	1	1	64	133
Distributions paid and payable	-	-	(2,155)	(5,064)
Closing balance	<u>743</u>	<u>632</u>	<u>77,352</u>	<u>62,159</u>

	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF			
	31 December 2020	30 June 2020	31 December 2020	30 June 2020
	No.'000	No.'000	\$'000	\$'000
Opening balance	310	160	32,258	17,140
Profit/(loss) for the half-year	-	-	2,679	(46,335)
Creations	60	2,440	6,114	262,451
Redemptions	-	(2,290)	-	(200,516)
Units issued upon reinvestment of distributions	-	-	22	10
Distributions paid and payable	-	-	(2,074)	(492)
Closing balance	<u>370</u>	<u>310</u>	<u>38,999</u>	<u>32,258</u>

6 Net Assets Attributable to Unitholders (continued)

Capital Risk Management

The Funds manage their net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily creations and redemptions at the discretion of unitholders.

The Funds monitor the level of daily creations and redemptions relative to the liquid assets in the Funds. As of 31 December 2020 the capital of the Funds are represented in the net assets attributable to unitholders table.

In the event of a significant redemption, the Funds' Constitutions allow the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitution for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitutions allow payment to be delayed beyond the maximum number of days.

7 Financial Assets Held at Fair Value Through Profit or Loss

	iShares Core Global Corporate Bond (AUD Hedged) ETF		iShares Global High Yield Bond (AUD Hedged) ETF	
	As at		As at	
	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
Forward foreign exchange contracts	12,528	8,622	2,844	1,543
Listed unit trusts	<u>316,366</u>	<u>287,855</u>	<u>76,812</u>	<u>61,227</u>
Total financial assets held at fair value through profit or loss	<u>328,894</u>	<u>296,477</u>	<u>79,656</u>	<u>62,770</u>
			iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	
			As at	
			31 December 2020 \$'000	30 June 2020 \$'000
Forward foreign exchange contracts			1,710	1,162
Listed unit trusts			<u>38,784</u>	<u>30,499</u>
Total financial assets held at fair value through profit or loss			<u>40,494</u>	<u>31,661</u>

8 Financial Liabilities Held at Fair Value Through Profit or Loss

	iShares Core Global Corporate Bond (AUD Hedged) ETF		iShares Global High Yield Bond (AUD Hedged) ETF	
	As at		As at	
	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
Forward foreign exchange contracts	<u>727</u>	<u>945</u>	<u>101</u>	<u>213</u>
Total financial liabilities held at fair value through profit or loss	<u>727</u>	<u>945</u>	<u>101</u>	<u>213</u>

8 Financial Liabilities Held at Fair Value Through Profit or Loss (continued)

	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	
	As at	
	31 December 2020 \$'000	30 June 2020 \$'000
Forward foreign exchange contracts	4	97
Total financial liabilities held at fair value through profit or loss	4	97

9 Segment Information

iShares Core Global Corporate Bond (AUD Hedged) ETF

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the Bloomberg Barclays Global Aggregate Corporate Index (AUD Hedged). The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the Bloomberg Barclays Global Aggregate Corporate Index (AUD Hedged). Accordingly, no additional qualitative or quantitative disclosures are required.

iShares Global High Yield Bond (AUD Hedged) ETF

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the Market iBoxx Global Developed Markets Liquid High Yield Capped Index (AUD Hedged). The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the Market iBoxx Global Developed Markets Liquid High Yield Capped Index (AUD Hedged). Accordingly, no additional qualitative or quantitative disclosures are required.

iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the composed of U.S. dollar denominated, emerging market bonds (hedged to Australian dollars). The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the index composed of U.S. dollar denominated, emerging market bonds (hedged to Australian dollars). Accordingly, no additional qualitative or quantitative disclosures are required.

10 Events Occurring After the Reporting Period

No significant events have occurred since the end of the reporting period up to the date of signing the Condensed Financial Report which would impact on the financial position of the Funds disclosed in the Condensed Statements of Financial Position as at 31 December 2020 or on the results and cash flows of the Funds for the half-year ended on that date.

Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) In the opinion of the directors of the Responsible Entity, there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (b) In the opinion of the directors of the Responsible Entity, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Funds.

Signed in accordance with a resolution of the Responsible Entity made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity.



Director

A Telfer

Sydney

11 March 2021

Independent Auditor's Review Report to the unitholders of iShares Hedged Funds

Conclusion

We have reviewed the accompanying half-year financial report of iShares Core Global Corporate Bond (AUD Hedged) ETF, iShares Global High Yield Bond (AUD Hedged) ETF and iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF (collectively "iShares Hedged Funds" or the "Funds"), which comprises the condensed statements of financial position as at 31 December 2020, and the condensed statements of profit or loss and other comprehensive income, the condensed statements of cash flows and the condensed statements of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 5 to 20.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Funds is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Funds' financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Funds in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BlackRock Investment Management (Australia) Limited (the "Responsible Entity"), as Responsible Entity for the Funds, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Responsible Entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the

Funds' financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 11 March 2021

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