

2017 ANNUAL MANAGEMENT REPORT OF  
FUND PERFORMANCE



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This annual management report of fund performance contains financial highlights but does not contain either semi-annual or annual financial statements of the investment fund(s). You may obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-866-iShares (1-866-474-2737), by visiting our website at [www.blackrock.com/ca](http://www.blackrock.com/ca) or SEDAR at [www.sedar.com](http://www.sedar.com) or by writing to us at iShares ETFs, c/o BlackRock Asset Management Canada Limited, 161 Bay Street, Suite 2500, P.O. Box 614, Toronto, ON M5J 2S1.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

This report may contain forward-looking statements. Forward-looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward-looking statements.

# Annual Management Report of Fund Performance

*For the year ended December 31, 2017*

## Table of Contents

# iShares Gold Bullion ETF Management Report of Fund Performance

For the year ended December 31, 2017

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## Management Discussion of Fund Performance

BlackRock Asset Management Canada Limited (“BlackRock Canada”) is pleased to provide you with the Management Report of Fund Performance (“MRFP”) for the iShares Gold Bullion ETF (the “Fund”) for the year ended December 31, 2017. You and your financial advisor can use this information along with the annual and interim financial statements of the Fund to assess the Fund’s performance and how your investment in the Fund aligns with your overall financial plan.

The Fund is an exchange-traded fund which trades on the Toronto Stock Exchange (the “Exchange”). Investors typically buy and sell units of the Fund through a brokerage account. The Fund’s Exchange ticker symbol is CGL for the hedged common units (“Hedged Units”) and CGL.C for the non-hedged common units (“Non-hedged Units”).

References to “net assets” or “net assets per unit” in this MRFP are references to net assets attributable to holders of redeemable units determined in accordance with the International Financial Reporting Standards (“IFRS”) as presented in the Fund’s financial statements. All references to “net asset value” or “net asset value per unit” in this MRFP are references to net asset value determined in accordance with National Instrument 81-106 – *Investment Fund Continuous Disclosure* which is used for all purposes except for the financial statements, including for Fund pricing purposes in connection with subscriptions, exchanges and redemptions.

### **This report includes:**

- Investment objective and strategies
- Risk
- Results of operations
- Recent developments
- Related party transactions
- Financial highlights
- Management fees
- Past performance
- Summary of investment portfolio

# iShares Gold Bullion ETF

## Management Report of Fund Performance

For the year ended December 31, 2017

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### Investment Objective and Strategies

The investment objective of the Fund is to replicate the performance of the price of physical gold bullion, less the Fund's fees and expenses.

The investment strategy of the Fund is to invest in long-term holdings of unencumbered gold bullion, in 100 or 400 troy ounce international bar sizes and to not speculate with regard to short-term changes in gold bullion prices.

### Risk

Effective October 30, 2017, the Fund's risk rating was updated from "high" to "medium to high".

BlackRock Canada applied the new investment risk classification methodology set in National Instruments 81-102 – *Investment Funds*, which came into force on September 1, 2017, to determine the risk rating of the Fund. There have been no changes to the investment objectives, investment strategies or management of the Fund.

### Results of Operations

The Fund's net asset value increased from \$377.8 million at December 31, 2016 to \$440.0 million at December 31, 2017. This change in net asset value represents an increase of \$27.2 million due to net subscriptions to the Fund and an increase of \$35.0 million due to investment operations.

For the year ended December 31, 2017, the Fund's Hedged Units returned 10.55% and the Fund's Non-hedged Units returned 3.90%. For the same period, the London Bullion Market Association Gold Price ("LBMA Gold Price") returned 12.61% in U.S dollar terms and 5.21% in Canadian dollar or non-hedged terms. The main reasons for the difference in performance of -2.06% between the Fund's Hedged Units and the change in the LBMA Gold Price in U.S. dollar terms were management fees (-0.50%) and other miscellaneous factors (-1.56%). The main reasons for the difference in performance of -1.31% between the Fund's Non-hedged Units and the change in LBMA Gold Price in Canadian dollar terms were management fees (-0.50%) and other miscellaneous factors (-0.81%).

The Fund has a distribution policy that requires it to distribute sufficient net income and net realized capital gains so that it will not be liable to pay income tax under Part I of the *Income Tax Act* (Canada). Amounts included in the calculation of net income and net realized capital gains of the Fund for a taxation year, that must be distributed in accordance with the distribution policy, sometimes include amounts that have not actually been received by the Fund.

The Fund may borrow cash in accordance with the restrictions in National Instrument 81-102 – *Investment Funds*. For the year ended December 31, 2017, the Fund did not borrow any cash.

### Recent Developments

#### ***Director Appointment***

Effective October 2, 2017, Pat Chiefalo was appointed a director of BlackRock Canada.

# iShares Gold Bullion ETF Management Report of Fund Performance

For the year ended December 31, 2017

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## **Independent Review Committee**

As required by National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”), BlackRock Canada has established an independent review committee (the “IRC”) to review all conflict of interest matters identified and referred to the IRC by BlackRock Canada and to give its approval or recommendation, depending on the nature of the conflict of interest matter.

On June 1, 2017, Martha Fell became Chair of the IRC. Prior to June 1, 2017, Francis Enderle was Chair of the IRC. The table below sets out the members who served on the IRC of the funds managed by BlackRock Canada (including the Fund) for all or a portion of the year ended December 31, 2017:

Name	Residence
Martha Fell <sup>1</sup>	Toronto, Ontario
Paul Batho	Unionville, Ontario
Geoffrey Creighton	Oakville, Ontario
Francis Enderle <sup>2</sup>	Oakland, California

<sup>1</sup> Chair of the IRC effective as of June 1, 2017.

<sup>2</sup> Chair of the IRC prior to June 1, 2017.

## **Related Party Transactions**

### ***Trustee, Manager and Portfolio Advisor***

BlackRock Canada, an indirect, wholly-owned subsidiary of BlackRock, Inc. (“BlackRock”), is the trustee, manager, and portfolio advisor of the Fund and is responsible for the operations of the Fund, including the management of the Fund’s investment portfolio and the valuation of the Fund’s assets. BlackRock Canada is entitled to an annual management fee for acting as trustee, manager and portfolio advisor of the Fund.

BlackRock Canada has agreed to be responsible for the fees and expenses of the Fund except the annual management fee, any expenses related to the implementation and on-going operation of an IRC under NI 81-107, brokerage expenses and commissions, income taxes, withholding taxes, any applicable harmonized sales tax (“HST”), goods and services tax (“GST”), or other sales taxes, Bullion settlement fees (including delivery, movement and transportation expenses), extraordinary expenses and, in relation to the Hedged Units, any fees associated with the forward contracts relating to the currency hedging strategy of that class.

### ***Sub-Advisor***

BlackRock Canada has appointed its affiliate, BlackRock Institutional Trust Company, N.A. (“BTC”), as the sub-advisor of the Fund. As compensation for its services as sub-advisor, BlackRock Canada pays BTC a portion of the management fees paid by the Fund to BlackRock Canada.

With respect to the appointment of and payment to its affiliate as sub-advisor for the Fund, BlackRock Canada has relied on the positive recommendation that it has received from the IRC. The recommendation requires BlackRock Canada to comply with its current policy and procedures regarding the selection of an affiliated sub-advisor and to report periodically to the IRC.

# iShares Gold Bullion ETF Management Report of Fund Performance

For the year ended December 31, 2017

## Financial Highlights

The following tables show selected key financial information about each class of the Fund and are intended to help you understand its financial performance for the past five years.

Hedged Units	December 31,				
	2017	2016	2015	2014	2013
<b>Net Assets per Unit<sup>1</sup></b>					
<b>Net assets, beginning of year</b>	\$ 10.14	\$ 9.39	\$ 10.70	\$ 10.70	\$ 14.87
<b>Increase (decrease) from operations:</b>					
Total revenue	\$ —	\$ —	\$ —	\$ —	\$ —
Total expenses	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)
Realized gains (losses) for the year	0.51	(0.01)	(1.41)	(0.41)	(0.30)
Unrealized gains (losses) for the year	0.59	0.12	0.24	0.56	(3.96)
<b>Total increase (decrease) from operations<sup>2</sup></b>	\$ 1.04	\$ 0.05	\$ (1.23)	\$ 0.09	\$ (4.33)
<b>Distributions:</b>					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
<b>Total distributions<sup>3,4</sup></b>	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Net assets, end of year</b>	\$ 11.21	\$ 10.14	\$ 9.39	\$ 10.70	\$ 10.70

## Ratios and Supplemental Data<sup>5</sup>

Total net asset value (000s)	\$347,399	\$309,193	\$192,502	\$251,372	\$315,709
Number of units outstanding (000s)	31,000	30,500	20,500	23,500	29,500
Management expense ratio <sup>6</sup>	0.55%	0.55%	0.55%	0.56%	0.55%
Trading expense ratio <sup>7</sup>	—	—	—	—	—
Portfolio turnover rate <sup>8</sup>	10.98%	14.39%	15.00%	4.41%	11.63%
Net asset value per unit	\$ 11.21	\$ 10.14	\$ 9.39	\$ 10.70	\$ 10.70
Closing market price <sup>9</sup>	\$ 11.26	\$ 10.10	\$ 9.35	\$ 10.53	\$ 10.68

<sup>1</sup> This information is derived from the Fund's audited annual financial statements and is not a reconciliation of the beginning and ending net assets per unit. The net assets per unit presented in the financial statements is the same as the net asset value per unit calculated for Fund pricing purposes.

<sup>2</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the year.

<sup>3</sup> Distributions were paid in cash or automatically reinvested in additional units of the Fund, or both.

<sup>4</sup> The tax characteristics of distributions are reported annually by the Fund to CDS Clearing and Depository Services Inc. ("CDS"). CDS makes this information available to brokers who provide it to unitholders through standard tax reporting.

<sup>5</sup> This information is provided as at December 31 of the years shown.

<sup>6</sup> Management expense ratio ("MER") is based on total fees and expenses (excluding commissions and other portfolio transaction costs) for the stated period, including the Fund's proportionate share of the MER, if any, of any underlying fund in which the Fund has invested, and is expressed as an annualized percentage of average daily net asset value during the year.

<sup>7</sup> The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net asset value during the stated year. Where the Fund invests in any underlying fund, the TER includes the Fund's proportionate share of the commissions of any underlying fund in which the Fund has invested.

<sup>8</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

<sup>9</sup> Closing market price on the last trading day of the year as reported on the Exchange.

# iShares Gold Bullion ETF

## Management Report of Fund Performance

For the year ended December 31, 2017

Non-hedged Units	December 31,				
	2017	2016	2015	2014	2013
<b>Net Assets per Unit<sup>1</sup></b>					
<b>Net assets, beginning of year</b>	\$ 13.72	\$ 13.09	\$ 12.39	\$ 11.46	\$ 14.93
<b>Increase (decrease) from operations:</b>					
Total revenue	\$ —	\$ —	\$ —	\$ —	\$ —
Total expenses	(0.08)	(0.08)	(0.07)	(0.07)	(0.07)
Realized gains (losses) for the year	0.00 <sup>2</sup>	0.11	0.00 <sup>2</sup>	(0.25)	0.01
Unrealized gains (losses) for the year	0.62	0.31	0.48	1.21	(3.20)
Total increase (decrease) from operations <sup>3</sup>	\$ 0.54	\$ 0.34	\$ 0.41	\$ 0.89	\$ (3.26)
<b>Distributions:</b>					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total distributions <sup>4,5</sup>	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Net assets, end of year</b>	\$ 14.25	\$ 13.72	\$ 13.09	\$ 12.39	\$ 11.46

### Ratios and Supplemental Data<sup>6</sup>

Total net asset value (000s)	\$ 92,641	\$ 68,586	\$ 58,913	\$ 37,169	\$ 45,823
Number of units outstanding (000s)	6,500	5,000	4,500	3,000	4,000
Management expense ratio <sup>7</sup>	0.55%	0.56%	0.56%	0.56%	0.56%
Trading expense ratio <sup>8</sup>	—	—	—	—	—
Portfolio turnover rate <sup>9</sup>	10.98%	14.39%	15.00%	4.41%	11.63%
Net asset value per unit	\$ 14.25	\$ 13.72	\$ 13.09	\$ 12.39	\$ 11.46
Closing market price <sup>10</sup>	\$ 14.38	\$ 13.70	\$ 13.06	\$ 12.34	\$ 11.41

<sup>1</sup> This information is derived from the Fund's audited annual financial statements and is not a reconciliation of the beginning and ending net assets per unit. The net assets per unit presented in the financial statements is the same as the net asset value per unit calculated for Fund pricing purposes.

<sup>2</sup> Rounded to less than \$0.01.

<sup>3</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the year.

<sup>4</sup> Distributions were paid in cash or automatically reinvested in additional units of the Fund, or both.

<sup>5</sup> The tax characteristics of distributions are reported annually by the Fund to CDS Clearing and Depository Services Inc. ("CDS"). CDS makes this information available to brokers who provide it to unitholders through standard tax reporting.

<sup>6</sup> This information is provided as at December 31 of the years shown.

<sup>7</sup> Management expense ratio ("MER") is based on total fees and expenses (excluding commissions and other portfolio transaction costs) for the stated period, including the Fund's proportionate share of the MER, if any, of any underlying fund in which the Fund has invested, and is expressed as an annualized percentage of average daily net asset value during the year.

<sup>8</sup> The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average daily net asset value during the stated year. Where the Fund invests in any underlying fund, the TER includes the Fund's proportionate share of the commissions of any underlying fund in which the Fund has invested.

<sup>9</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

<sup>10</sup> Closing market price on the last trading day of the year as reported on the Exchange.

# iShares Gold Bullion ETF Management Report of Fund Performance

For the year ended December 31, 2017

## Management Fees

The management fees are calculated based on 0.50% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are paid monthly in arrears. For the year ended December 31, 2017, the Fund accrued \$2,079,952 (excluding GST and HST in the amount of \$221,112) in management fees. These management fees were received by BlackRock Canada for managing the portfolio, maintaining portfolio systems used to manage the Fund, maintaining the [www.blackrock.com/ca](http://www.blackrock.com/ca) website, and providing all other services including marketing and promotion.

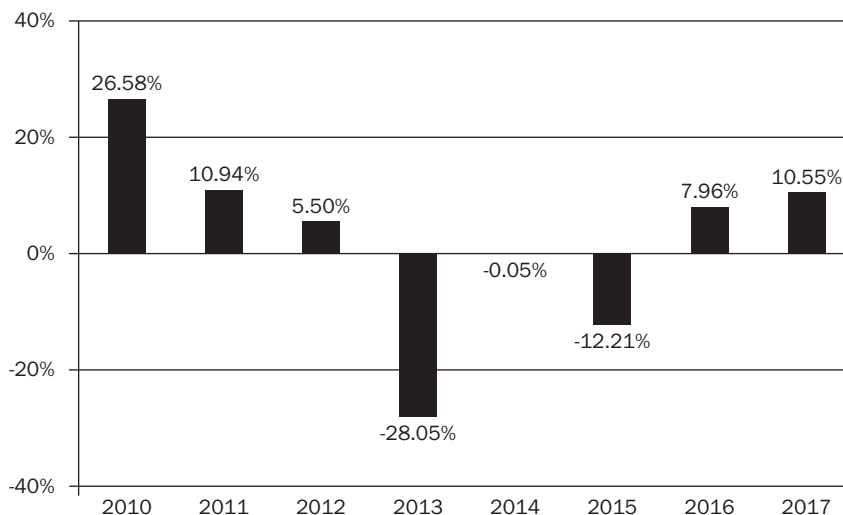
## Past Performance

The following charts show past performance for each class of the Fund. The indicated rates of return (a) are the historical total returns including changes in net asset value per unit, and (b) assume reinvestment of all distributions during the period in additional units at the net asset value per unit at the time of the distribution. The reinvestment of distributions increases returns. These returns do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. The benchmark for performance purposes is the London Bullion Market Association Gold Fix "London Gold Fix" prior to March 20, 2015 and the LBMA Gold Price thereafter. These returns do not indicate how each class of the Fund will perform in the future.

## Year-by-Year Returns

The bar charts below show the annual performance of each class of the Fund for each of the years shown and illustrate how its performance has changed from year to year. The charts show, in percentage terms, how much an investment made in each class of the Fund on the first day of each year would have grown or decreased by the last day of the year.

Hedged Units commencement: May 28, 2009

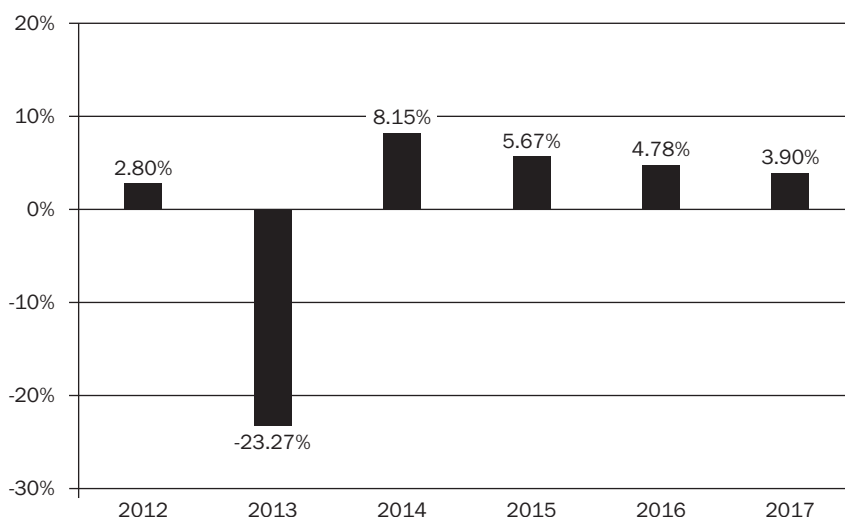




# iShares Gold Bullion ETF Management Report of Fund Performance

For the year ended December 31, 2017

Non-hedged Units commencement: March 31, 2011



## Annual Compound Returns

The following tables show the annual compound total return for each class of the Fund for the years ended on December 31, 2017. The annual compound returns of each class are compared to the returns of the LBMA Gold Price<sup>1</sup> calculated on the same basis. See Results of Operations section of this report for further information regarding the current year performance of each class of the Fund relative to the LBMA Gold Price.

Hedged Units	1 Year	3 Years	5 Years	10 Years	Since Inception
CGL	10.55%	1.56%	-5.51%	n/a	2.05%
Benchmark: LBMA Gold Price <sup>1</sup> (USD)	12.61%	2.82%	-4.77%	n/a	3.65%
Difference	-2.06%	-1.26%	-0.74%	n/a	-1.60%

Non-hedged Units	1 Year	3 Years	5 Years	10 Years	Since Inception
CGL.C	3.90%	4.78%	-0.92%	n/a	1.84%
Benchmark: LBMA Gold Price <sup>1</sup> (CAD)	5.21%	5.54%	-0.26%	n/a	2.31%
Difference	-1.31%	-0.76%	-0.66%	n/a	-0.47%

<sup>1</sup> The benchmark for performance purposes is the London Gold Fix prior to March 20, 2015 and the LBMA Gold Price thereafter.

# iShares Gold Bullion ETF Management Report of Fund Performance

For the year ended December 31, 2017

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## Summary of Investment Portfolio

The Fund held no short positions as at December 31, 2017. The following Top Holdings table shows the 25 largest positions (or all positions if the total number of positions is less than 25) held by the Fund as at December 31, 2017 based on the fair value of the position, expressed as a percentage of the Fund's net asset value.

### TOP HOLDINGS

Position	% of Net Asset Value
Gold Bullion	99.37
Cash	0.24
<b>Total</b>	<b><u>99.61</u></b>
<b>Total Net Asset Value (000s)</b>	<b>\$440,040</b>

### PORTFOLIO ALLOCATION

Investment Type	% of Net Asset Value
Gold Bullion	99.37
Net unrealized appreciation on forward currency contracts	1.92
Cash	0.24
Other assets, less liabilities	(1.53)
<b>Total</b>	<b><u>100.00</u></b>

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund and quarterly updates are available on the internet at [www.blackrock.com/ca](http://www.blackrock.com/ca).

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For more information visit [www.blackrock.com/ca](http://www.blackrock.com/ca) or call 1-866-iShares (1-866-474-2737)

Additional information about the iShares® Funds, including information about index provider licensing and trademark matters, can be found in the relevant fund's prospectus, available at [www.blackrock.com/ca](http://www.blackrock.com/ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).

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