

DECEMBER 31, 2018

2018 ANNUAL MANAGEMENT REPORT OF  
FUND PERFORMANCE

iShares<sup>®</sup>  
by BLACKROCK<sup>®</sup>

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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, 2018*

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# iShares Canadian Financial Monthly Income ETF Management Report of Fund Performance

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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 Canadian Financial Monthly Income ETF (the “Fund”) for the year ended December 31, 2018. 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 FIE for the common units (“Common Units”).

Effective April 6, 2018, (“The Reclassification Date”) BlackRock Canada completed a reclassification of all advisor class units of the Fund. Prior to its reclassification, the Fund also offered advisor class units (“Advisor Class Units”) with the ticker symbol FIE.A (see *Reclassification of Advisor Class 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 Canadian Financial Monthly Income ETF Management Report of Fund Performance

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## Investment Objective and Strategies

The investment objective of the Fund is to maximize total return for investors, consisting of distributions and capital appreciation and to provide investors with a stable stream of monthly cash distributions of \$0.05 per unit (\$0.60 per annum). Currently, the Fund pays monthly cash distributions of \$0.04 per Advisor Class Unit (\$0.48 per annum) and \$0.04 per Common Unit (\$0.48 per annum).

The investment strategy of the Fund is to invest its net assets, together with borrowings under its loan facility, in a portfolio consisting primarily of common shares, preferred shares, corporate bonds and income trust units of issuers in the Canadian financial sector.

## Risk

The risks of investing in the Fund are described in the prospectus. There have been no changes to the Fund over the financial period that materially affected the risk level of the Fund.

## Results of Operations

The Fund's net asset value increased from \$563.1 million at December 31, 2017 to \$579.0 million at December 31, 2018. This change in net asset value represents an increase of \$114.8 million due to net subscriptions to the Fund and a decrease of \$98.9 million due to investment operations less distributions paid.

For the year ended December 31, 2018, the Fund's Common Units returned -9.50%.

For the period from January 1, 2018 to April 6, 2018, the Fund's Advisor Class Units returned -3.63%.

The Fund has a loan facility with a major Canadian financial institution. During the year ended December 31, 2018, the Fund was authorized to borrow an amount up to the lesser of 15% of its net asset value or up to \$50 million, which may be used by the Fund to purchase additional securities or for working capital purposes. Advances bear interest at the prime rate plus 0.25% or the lender's discount rate for bankers' acceptances, as applicable. The outstanding balance of the loan facility as at December 31, 2018 was \$49,691,969 (8.58% of the Fund's net asset value) at a bankers' acceptance rate of 0.85% with a maturity date of September 12, 2019.

During the year ended December 31, 2018, the average amount of borrowings was \$49,889,749 and the minimum and maximum borrowings were \$49,726,313 and \$50,000,000 respectively.

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.

# iShares Canadian Financial Monthly Income ETF Management Report of Fund Performance

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## Recent Developments

### ***Master Declaration of Trust***

The Fund's master declaration of trust was amended and restated as follows:

- On April 6, 2018 to reduce the annual management fee payable on the Advisor Class Units by an amount equal to the applicable service fee component in respect of such units and facilitate the reclassification of the Advisor Class Units to Common Units.

### ***Director & Officer Appointments***

Effective July 1, 2018, Jeffrey Berman was appointed as a director and officer of BlackRock Canada.

Effective October 30, 2018, Michelle Daly was appointed as Chief Financial Officer of BlackRock Canada.

### ***Director & Officer Resignations***

Effective March 16, 2018, Lee Wanie resigned as a director and officer of BlackRock Canada.

Effective June 30, 2018, Warren Collier resigned as a director and officer of BlackRock Canada.

Effective October 30, 2018, Saurabh Pathak resigned as Chief Financial Officer of BlackRock Canada.

### ***Reclassification of Advisor Class Units***

On Reclassification Date BlackRock Canada completed the reclassification of all Advisor Class Units of the Funds into the corresponding Common Units of the Fund.

Unitholders of Advisor Class Units as of the Reclassification Date received a number of whole Common Units of the Fund equal to the net asset value ("NAV") per Advisor Class Unit as of the Reclassification Date divided by the corresponding NAV per Common Unit as of the Reclassification Date (the "Reclassification Ratio"). The Reclassification Ratio of Advisor Class Units to Common Units of the Fund was 0.9092741949.

The reclassification of Advisor Class Units into whole Common Units of the Fund did not give rise to a disposition by unitholders of Advisor Class Units for tax purposes on any whole units reclassified. Any remaining fractional Advisor Class Units were redeemed for cash and such a redemption would be considered a disposition for tax purposes.

As a result of the reclassification, holders of Advisor Class Units on the Reclassification Date are now holders of Common Units of the same Fund and the annual management fees and ticker symbols of the Advisor Class units of the Fund have changed to the annual management fees and ticker symbols of the corresponding Common Units.

Immediately following the completion of the reclassification, the Advisor Class Units were delisted from the Exchange.

# iShares Canadian Financial Monthly Income ETF Management Report of Fund Performance

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## ***Strategic Alliance with RBC Global Asset Management***

On January 8, 2019, BlackRock Canada and RBC Global Asset Management Inc. (“RBC GAM”) announced that they have entered into a strategic alliance with regard to their ETF businesses in Canada whereby the ETF families offered by BlackRock Canada and RBC GAM are brought together under one brand – RBC iShares (the “Strategic Alliance”). The Strategic Alliance is a long-term contractual strategic alliance without the establishment of a joint venture entity. Under the Strategic Alliance, each of BlackRock Canada and RBC GAM provide the other party with support and certain services in relation to administration, distribution support, marketing and management of the ETFs managed by each of BlackRock Canada and RBC GAM (collectively, the “Strategic Alliance ETFs”). In connection with the provision of these mutual services, BlackRock Canada and RBC GAM provide each other with certain limited information, review and consent rights in relation to the Strategic Alliance ETFs. In addition, as consideration for these mutual services provided as part of the Strategic Alliance, BlackRock Canada and RBC GAM agree to share management fee revenue earned from the Strategic Alliance ETFs. Although BlackRock Canada and RBC GAM provide services to each other, the two firms continue to maintain separate fund management and portfolio advisory responsibilities for the Strategic Alliance ETFs for which they serve as investment fund manager or portfolio adviser. The Strategic Alliance Agreement contemplates that BlackRock Canada and RBC GAM will work together on new product development and ongoing review and rationalization of the product lineup.

## **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. In addition, BlackRock Canada is entitled to charge Advisor Class Units a service fee paid to registered dealers whose clients hold Advisor Class Units of the Fund.

BlackRock Canada and/or an affiliate, as applicable, acts as trustee or manager of any iShares exchange-traded fund (“iShares ETF”) in which the Fund invests.

The Fund is permitted to purchase, sell and hold securities of certain issuers that are directly or indirectly related to BlackRock Canada (currently including, but not limited to, BlackRock and PNC Financial Services Group, Inc.). With respect to investment in related issuers, BlackRock Canada has relied on the approval that it has received from the IRC. The approval requires BlackRock Canada to comply with its current policy and procedures regarding investments in related issuers and to report periodically to the IRC.

The Fund may execute inter-fund trades. Inter-fund trading is the buying and selling of portfolio securities between funds for which BlackRock Canada serves as trustee and manager and managed accounts to which BlackRock Canada serves as manager. With respect to inter-fund trades, BlackRock Canada has relied on the approval that it has received from the IRC. The approval requires BlackRock Canada to comply with its current policy and procedures regarding inter-fund trading and to report periodically to the IRC.

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The Fund will pay for all ordinary expenses incurred in connection with its operations and administration, other than the fees payable to Manulife Asset Management for acting as a data services provider. The Fund will also be responsible for any extraordinary expenses that it might incur from time to time.

## ***Securities Lending Agents***

The Fund has engaged BlackRock Institutional Trust Company, N.A. (“BTC”) and BlackRock Advisors (UK) Limited (“BRAL”), affiliates of BlackRock Canada, as securities lending agents. To mitigate risks from securities lending, the Fund benefits from a borrower default indemnity provided by BlackRock, an affiliate of BlackRock Canada. BlackRock’s indemnity allows for full replacement of securities lent in the event that the borrower defaults on its obligation to return the loaned securities and collateral received is insufficient to reconstitute the portfolio of loaned securities. BTC and/or BRAL bear all operational costs directly related to securities lending as well as the cost of borrower default indemnification. The Fund did not engage in securities lending activities during the year ended December 31, 2018.

BlackRock Canada relies on a positive recommendation and standing instruction that it has received from the IRC with respect to the securities lending activities of the Fund, including the appointment of and payment to its affiliates as securities lending agents. The standing instruction requires BlackRock Canada to comply with its current policy and procedures regarding securities lending and to report periodically to the IRC.

## ***Sub-Advisor***

BlackRock Canada has appointed its affiliate, 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 Canadian Financial Monthly Income ETF Management Report of Fund Performance

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## 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.

Common Units	December 31,				
	2018	2017	2016	2015	2014
<b>Net Assets per Unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 7.64	\$ 7.27	\$ 6.46	\$ 7.31	\$ 7.11
<b>Increase (decrease) from operations:</b>					
Total revenue	\$ 0.31	\$ 0.31	\$ 0.30	\$ 0.30	\$ 0.29
Total expenses	(0.06)	(0.06)	(0.05)	(0.05)	(0.05)
Realized gains (losses) for the year	0.22	0.19	0.08	0.11	0.24
Unrealized gains (losses) for the year	(1.20)	0.42	1.01	(0.72)	0.18
Total increase (decrease) from operations <sup>2</sup>	\$ (0.73)	\$ 0.86	\$ 1.34	\$ (0.36)	\$ 0.66
<b>Distributions:</b>					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	(0.22)	(0.23)	(0.24)	(0.22)	(0.23)
From capital gains	(0.24)	(0.12)	—	(0.09)	—
Return of capital	(0.02)	(0.13)	(0.24)	(0.17)	(0.25)
Total distributions <sup>3,4</sup>	\$ (0.48)	\$ (0.48)	\$ (0.48)	\$ (0.48)	\$ (0.48)
Net assets, end of year	\$ 6.47	\$ 7.64	\$ 7.27	\$ 6.46	\$ 7.31

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

Total net asset value (000s)	\$579,015	\$467,678	\$385,875	\$305,907	\$307,143
Number of units outstanding (000s)	89,500	61,250	53,050	47,350	42,000
Management expense ratio <sup>6</sup>	0.97%	0.93%	0.94%	0.85%	0.85%
Trading expense ratio <sup>7</sup>	0.03%	0.02%	0.02%	0.04%	0.02%
Portfolio turnover rate <sup>8</sup>	33.03%	31.70%	32.80%	48.95%	29.99%
Net asset value per unit	\$ 6.47	\$ 7.64	\$ 7.27	\$ 6.46	\$ 7.31
Closing market price <sup>9</sup>	\$ 6.50	\$ 7.64	\$ 7.28	\$ 6.46	\$ 7.31

<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 year, 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 Canadian Financial Monthly Income ETF Management Report of Fund Performance

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Advisor Class Units	April 6,		December 31,		
	2018	2017	2016	2015	2014
<b>Net Assets per Unit<sup>1</sup></b>					
<b>Net assets, beginning of period</b>	\$ 6.97	\$ 6.73	\$ 6.06	\$ 6.95	\$ 6.84
<b>Increase (decrease) from operations:</b>					
Total revenue	\$ 0.07	\$ 0.28	\$ 0.28	\$ 0.29	\$ 0.28
Total expenses	(0.03)	(0.11)	(0.10)	(0.10)	(0.11)
Realized gains (losses) for the period	0.13	0.18	0.07	0.11	0.22
Unrealized gains (losses) for the period	(0.42)	0.36	0.84	(0.71)	0.20
Total increase (decrease) from operations <sup>2</sup>	\$ (0.25)	\$ 0.71	\$ 1.09	\$ (0.41)	\$ 0.59
<b>Distributions:</b>					
From income (excluding dividends)	\$ —	\$ —	\$ —	\$ —	\$ —
From dividends	(0.06)	(0.23)	(0.18)	(0.17)	(0.18)
From capital gains	(0.06)	(0.12)	—	—	—
Return of capital	(0.00) <sup>3</sup>	(0.13)	(0.30)	(0.31)	(0.30)
Total distributions <sup>4,5</sup>	\$ (0.12)	\$ (0.48)	\$ (0.48)	\$ (0.48)	\$ (0.48)
<b>Net assets, end of period</b>	\$ 6.60	\$ 6.97	\$ 6.73	\$ 6.06	\$ 6.95

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

Total net asset value (000s)	\$ 88,756	\$ 95,460	\$ 98,117	\$ 101,081	\$ 125,800
Number of units outstanding (000s)	13,450	13,700	14,575	16,675	18,100
Management expense ratio <sup>7</sup>	1.75%	1.76%	1.78%	1.72%	1.68%
Trading expense ratio <sup>8</sup>	0.03%	0.02%	0.02%	0.04%	0.02%
Portfolio turnover rate <sup>9</sup>	33.03%	31.70%	32.80%	48.95%	29.99%
Net asset value per unit	\$ 6.60	\$ 6.97	\$ 6.73	\$ 6.06	\$ 6.95
Closing market price <sup>10</sup>	\$ 6.60	\$ 6.96	\$ 6.74	\$ 6.06	\$ 6.95

<sup>1</sup> This information is derived from the Fund's audited financial statements, for the Common Units, and the audited annual financial statements for both the Common Units and Advisor Class Units. Unaudited Advisor Class Units information is presented as at April 6, 2018, the date the Advisor Class Units were reclassified into corresponding Common Units of the same Fund. The Advisor Class Units were subsequently delisted from the Exchange and there were no Advisor Class Units outstanding as at December 31, 2018.

<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 period.

<sup>3</sup> Rounded to less than \$0.01.

<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 April 6, 2018 and December 31 of the period 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 period.

<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 period. 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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 period or year, as applicable, as reported on the Exchange.

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*For the year ended December 31, 2018*

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## Management Fees

The management fees are calculated based on 0.65% per annum of the average daily net asset value of the Fund. The fees are accrued daily and are paid monthly in arrears. In addition, BlackRock Canada and/or an affiliate, as applicable, is entitled to receive management fees for acting as trustee or manager of any iShares ETF held by the Fund (“underlying product fee”). As the underlying product fees are embedded in the market value of any iShares ETF in which the Fund invests, the underlying product fees are paid indirectly by the Fund.

BlackRock Canada has adjusted the management fee payable by the Fund during the year to ensure that total annual fees paid directly and indirectly by the Fund to BlackRock Canada and/or its affiliate, as applicable, did not exceed 0.65% per annum (excluding GST and HST) of the Fund’s net asset value.

For the year ended December 31, 2018, the Fund accrued, directly and indirectly, \$3,840,355 (excluding GST and HST in the amount of \$294,145) in total annual fees (management fees and underlying product fees of \$3,016,513 and \$823,842, respectively).

The total annual fees were received by BlackRock Canada and/or its affiliate, as applicable, for managing the Fund’s portfolio and the portfolio of any iShares ETF in which the Fund invests, maintaining portfolio systems used to manage the Fund and any iShares ETF, maintaining the [www.blackrock.com/ca](http://www.blackrock.com/ca) website, and providing all other services including marketing and promotion.

Prior to the Reclassification Date, in accordance with the Declarations of Trust of certain Funds, BlackRock Canada, in its capacity as the Fund’s trustee and manager, was entitled to collect from Advisor Class Units a service fee paid to registered dealers whose clients held Advisor Class Units of the Fund. The service fee was calculated based on 0.75% per annum of the average daily net asset value of the Advisor Class Units of the Fund. The fees were accrued daily and were paid at the end of each calendar quarter. For the year ended December 31, 2018, the Fund accrued \$172,495 (excluding GST and HST in the amount of \$22,502) in service fees.

## 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. These returns do not indicate how each class of the Fund will perform in the future.

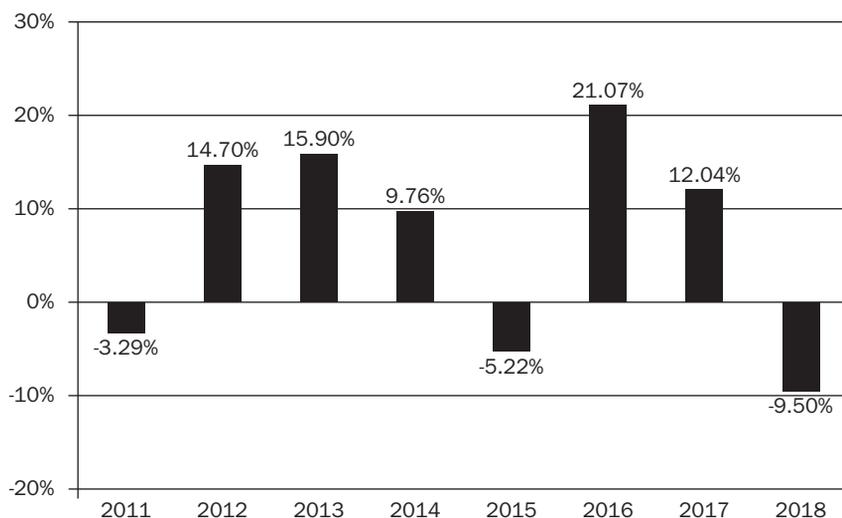
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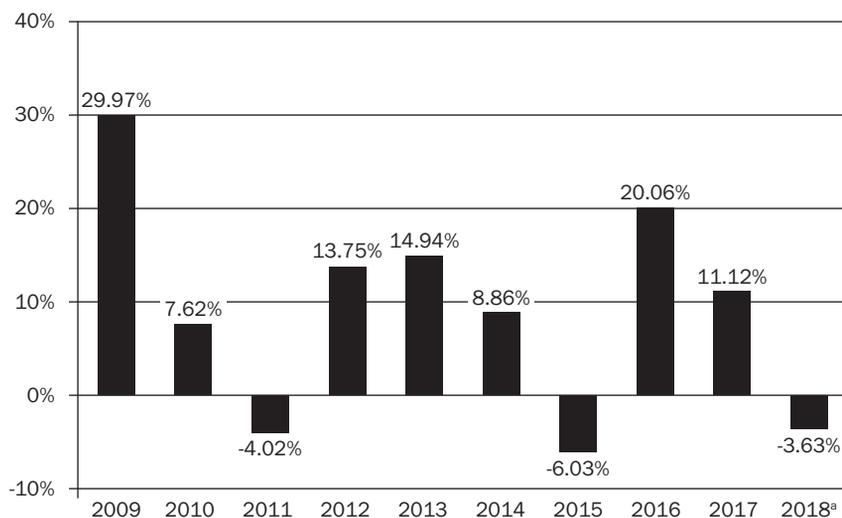
## Year-by-Year Returns

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.

Common Units commencement: April 16, 2010



## Advisor Class Units



<sup>a</sup> The period from January 1, 2018 to April 6, 2018.

# iShares Canadian Financial Monthly Income ETF Management Report of Fund Performance

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## Annual Compound Returns

The following table shows the annual compound total return for the Common Units of the Fund for the years ended on December 31, 2018. The annual compound return is compared to the returns of the following securities market indices calculated on the same basis:

Index Name	Description
S&P/TSX Capped Composite Index	The S&P/TSX Capped Composite Index is comprised of the largest (by market capitalization) and most liquid securities listed on the TSX, selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals.
S&P/TSX Capped Financials Index	The S&P/TSX Capped Financials Index is comprised of securities of Canadian financial sector issuers listed on the TSX, selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals.
S&P/TSX Preferred Share Index	The S&P/TSX Preferred Share Index is a modified market capitalization-weighted index provided by S&P and designed to track to the performance of the Canadian preferred stock market.
FTSE Canada Short Term Bond Index	The FTSE Canada Short Term Bond Index is a market capitalization weighted index consisting of a broadly diversified range of investment grade federal, provincial, municipal and corporate bonds with a term to maturity between one and five years.

Performance figures for the indices below are provided for comparative purposes only and are in Canadian dollars. Since the Fund's investment objective is not specifically to track the indices and the Fund is not managed relative to the composition of any of the indices, the performance of the Common Units of the Fund may not reflect that of the indices.

Common Units	1 Year	3 Years	5 Years	10 Years	Since Inception
FIE	-9.50%	7.08%	5.02%	n/a	6.10%
S&P/TSX Capped Composite Index	-8.89%	6.37%	4.06%	n/a	5.02%
S&P/TSX Capped Financials Index	-9.22%	8.50%	6.88%	n/a	8.18%
S&P/TSX Preferred Share Index	-7.93%	3.82%	0.33%	n/a	2.17%
FTSE Canada Short Term Bond Index	1.91%	1.00%	1.73%	n/a	2.35%

Former Advisor Class unitholders had their units converted to Common units of the ETF based on the Conversion Ratio disclosed in the Recent Developments section as at the close of business on April 6, 2018. Assuming the former Advisor Class unitholders held the Common units they received as part of the Conversion until December 31, 2018, the returns those unitholders would have experienced for 2018 and for the other periods disclosed in the table above would have been substantially similar to those of the Common unitholders, when adjusted for the differences in the expenses of the ETF paid by each class.

# iShares Canadian Financial Monthly Income ETF Management Report of Fund Performance

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## Summary of Investment Portfolio

The Fund held no short positions as at December 31, 2018. 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, 2018 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
iShares S&P/TSX Canadian Preferred Share Index ETF	20.85
iShares Canadian Corporate Bond Index ETF	11.78
Royal Bank of Canada	9.08
Toronto-Dominion Bank (The)	8.77
Canadian Imperial Bank of Commerce	8.46
Bank of Montreal	8.32
Bank of Nova Scotia (The)	8.03
National Bank of Canada	6.88
Sun Life Financial Inc.	5.17
Genworth MI Canada Inc.	4.41
Manulife Financial Corp.	3.08
Power Corp. of Canada	2.68
Killam Apartment Real Estate Investment Trust	0.82
Granite Real Estate Investment Trust	0.81
Northview Apartment Real Estate Investment Trust	0.80
Canadian Apartment Properties Real Estate Investment Trust	0.79
Choice Properties Real Estate Investment Trust	0.79
Great-West Lifeco Inc.	0.77
Tricon Capital Group Inc.	0.77
Industrial Alliance Insurance & Financial Services Inc.	0.75
Laurentian Bank of Canada	0.75
Power Financial Corp.	0.75
Fairfax Financial Holdings Ltd.	0.75
CI Financial Corp.	0.74
Dream Global Real Estate Investment Trust	0.72
<b>Total</b>	<b><u>107.52</u></b>
<b>Total Net Asset Value (000s)</b>	<b>\$579,015</b>

### PORTFOLIO ALLOCATION

Sector/Investment Type	% of Net Asset Value
Canadian Common Stocks and Income Trusts	75.58
Canadian Preferred Stocks	20.85
Canadian Bonds	11.78
Loan facility	(8.58)
Cash	0.19
Other assets, less liabilities	0.18
<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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