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iShares® by BlackRock

THE MODERNISATION OF THE EUROPEAN BOND MARKET

The journey continues

In 2020, BlackRock published the "**Modernisation of the European Bond Market**" which highlighted the transformation and disruption taking place in fixed income markets. In this piece, we highlight the key evolutions we have seen in investor adoption of fixed income ETFs and the ETF eco-system in Europe over the past three years.

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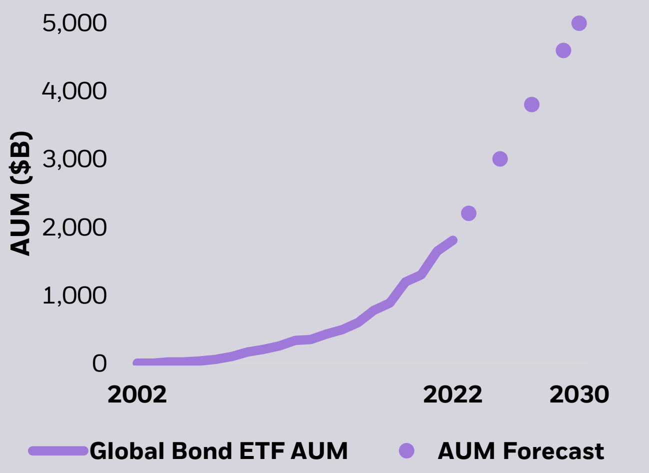
INTRODUCTION

Bond markets have evolved significantly since the global financial crisis in 2008. Post-crisis, regulatory oversight was enhanced, balance sheet capacity was significantly reduced, funding and capital costs increased, and operating models were rationalised accordingly. Banks shifted from primarily principal-based trading to more of a hybrid model consisting of both principal and agency trading with increasing reliance on electronic trading and all-to-all platforms. Against this backdrop, the use of index, or "basket" instruments, including fixed income ETFs and fixed income index derivatives, has significantly increased. We discussed these trends in the "**Modernisation of the European Bond Market**" whitepaper from 2020.

European-listed fixed income ETF AUM has grown to $374 billion, a CAGR of 18% over the past five years. Still, ETF AUM still represents a small proportion of fixed income markets (~1-3% depending on the asset class), with ample room for further growth.

Figure 1
Growth of global fixed income ETF AUM



Source: BlackRock. Data as at April 2023.

The past three years has represented the fastest period of adoption of fixed income ETFs in Europe, particularly among institutional investors. Key drivers of this have been the continued increase in the liquidity of ETFs and broader enhancements in the fixed income trading ecosystem. As markets have entered a new regime of greater macro and market volatility, all types of investors are now evaluating the importance of liquidity and flexibility in portfolios.

Against this backdrop, investors continue to embrace a broader toolkit of index- and portfolio-based products to both source and hedge risk, including ETFs, index derivatives, and portfolio trading. Alongside this, the development of the ETF borrow and repo markets are helping a select group of fixed income ETFs to be considered as both long and short instruments, increasing their utilisation in portfolios and helping to enhance returns for longer-term holders. Advancements in electronification, automation and increased transparency are reducing transaction costs and supporting these trends. Finally, the acceleration of ESG investing and integration is providing a further boost to adoption for all investor types.

In this update to our "**Modernisation of the European Bond Market**" whitepaper , we outline the continued developments in the ETF ecosystem which are driving adoption and the ongoing modernisation of the European bond market:

1. An evolution of ETF trading & analytics: trading volumes, RV analytics and iNAV

2. Development of the ETF ecosystem: unit lending, repo, collateral and the expanded fixed income toolkit

3. Advances in ETF primary market processes

TREND 1

An evolution of ETF trading & analytics

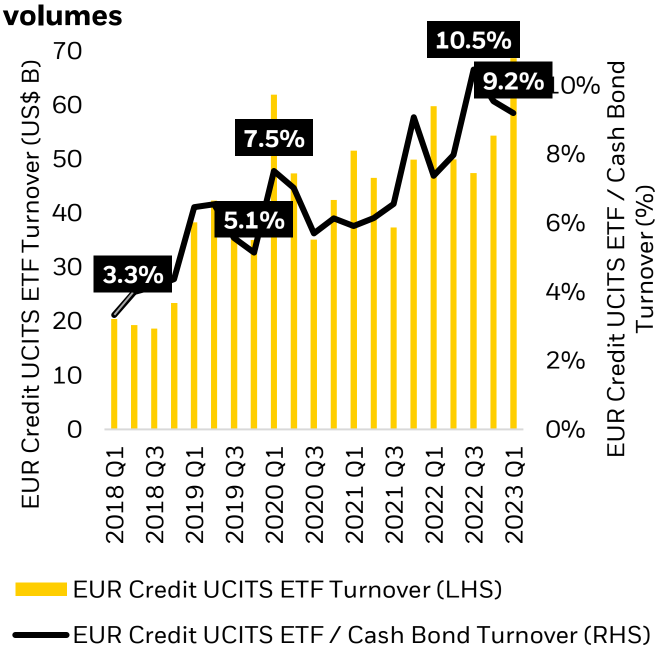
The continued improvement in liquidity of fixed income ETFs in recent years has played a central role in the institutional adoption story in Europe. A pivotal moment came during the Covid-19 stressed period from late February through to March 2020 as European domiciled ETFs faced their first true stress test. Trading volumes surged to new highs as ETFs provided liquidity, price discovery, and immediacy of execution, while underlying bond markets became illiquid and challenging to access.

As markets entered a new regime of greater market and macro volatility in 2022, trading in ETFs continued to accelerate as the efficiency and liquidity of fixed income ETFs supercharged investor adoption amid a historically complex market environment. Then in March 2023, as rates market volatility reached post-GFC highs amid turmoil in the global banking sector, ETF trading volumes surged again. **"ETF Liquidity as Markets enter a new Regime**" from 2022 and the **Q1 2023 Addendum** discusses these trends in further detail.

While fixed income UCITS ETF AUM continues to make up only a small part of the European bond market, ETFs are thus growing in importance as a trading instrument, particularly in credit. This is linked to the additional layer of liquidity they offer on top of the underlying cash bond market.

Figure 2

Trading volumes in EUR-denominated credit ETFs relative to underlying bond market volumes

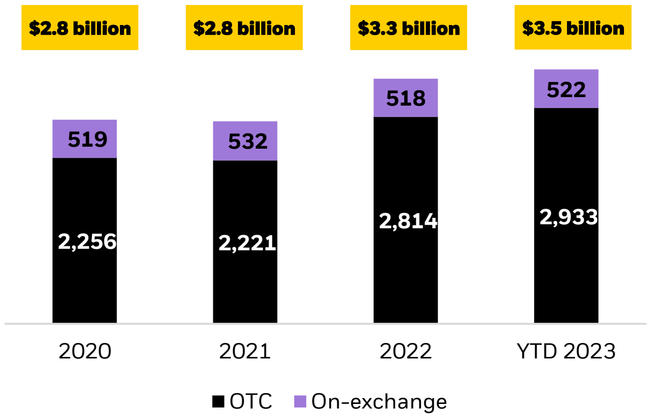


Source: BlackRock, TRAX. Data as at March 2023.

We estimate that secondary trading volumes in EUR-denominated IG and HY ETFs were equivalent to more than 9% of underlying bond market volumes in Q1 2023, up from 3% in Q1 2018. In Q1 2023, overall fixed income ETF traded volumes across the industry averaged $3.6 billion per day, up 8% vs. 2022's ADV and up 30% vs 2020.

Figure 3

Longer term growth trend of fixed income UCITS ETF trading volumes ($ million)



Source: BlackRock. Data as at April 2023.

While trading volume is an important indicator of ETF liquidity, it is by no means the only consideration. Ultimately liquidity is only limited by the liquidity of the underlying market and is enhanced through the ETF structure (see "**Modernisation of the European bond market**").

Electronification & automation continue to advance

Aside from greater market volatility, ETF adoption has also been supported by an increase in the availability and transparency of data on trading volumes (see next section), while advances in the electronification of ETF trading have led to further automation, ease of access and lower costs of execution. Banks have also been building out their ETF algorithmic trading capabilities, leading to the possibility of layering ETF execution strategies based on pre-programmed instructions. This can optimise trading by integrating multiple liquidity pools to source best prices, minimise market impact and slippage and provide a rules-based approach to achieve pre-defined execution targets. Such tools are helping to accelerate the transition towards electronification of fixed income ETF trading that began a few years ago.

Enhanced data transparency bolsters confidence in liquidity and price discovery benefits of ETFs

Post MiFID II, UCITS fixed income ETFs have been one of the first fixed income instruments to benefit from a consolidated post trade view in Europe, one step ahead of traditional fixed income securities. In 2019, Bloomberg moved to **aggregate secondary trading volumes across listings and trading venues**, both on and off exchange, offering a much clearer picture of total ETF liquidity. Since then, data and analytics companies including big xyt and BMLL have also started reporting on fixed income ETF trading volumes. This additional transparency has shed light on OTC trading volumes, which could previously only be estimated, and has helped drive volume growth by boosting investor confidence in ETFs. This is particularly important in Europe, where funds often have listings on multiple exchanges and in several currencies. This means that most secondary trading activity takes place OTC or through multilateral trading venues, rather than directly on exchange. This in contrast to the US, where trades typically occur on exchange.

Bloomberg has also made improvements to the quality of its bid/ask spread data available for ETFs, allowing market participants to view **time-weighted average bid/ask spreads for ETFs** on the same screen as traded volumes. See Appendix 1 for an overview of key Bloomberg analytics.

Recently, some market participants have **improved intraday estimates of underlying net asset values (iNAVs).** In Q1 2023, BlackRock transitioned to TradeWeb iNAVs, a new commercial market data service built to calculate real time indicative intraday net asset values (iNAVs) for European listed fixed income, equity and commodity ETFs. Improved estimates of iNAVs significantly support pricing transparency in bond markets and the price discovery mechanism of ETFs.

The European ETF ecosystem stands to benefit from further evolution of market structure, with the **availability of a consolidated view of trade reporting**. Enhanced transparency and democratised access to both pre and post trade data via a European consolidated tape will also create positive spill over effects to underlying markets.

This is especially relevant for bond markets, considering the benefits of increased ETF trading to price discovery and liquidity in the context of the challenges presented by legacy bond market structure.[2]

The expanding fixed income toolkit: Portfolio trading, Credit index futures & ETF options

Portfolio trading

As laid out in the "**Modernisation of the European bond market**", the growth of fixed income ETFs, electronic trading and portfolio trading are all interlinked, as investors shift towards utilising baskets of bonds, as opposed to single bonds, for investment and risk management purposes.

With the burgeoning ecosystem, brokers can now make markets on and efficiently execute portfolio trades in large sizes, often using fixed income ETFs to directly or indirectly price and hedge the resulting risk. Indeed, we believe portfolio trades are a direct result of the growth of fixed income ETFs and their associated ecosystem. Electronic trading platforms have also been investing in this area, leveraging investments made in ETF-related infrastructure to facilitate platform-based portfolio trading capabilities. "**The expanding fixed income toolkit – portfolio trades & ETFs**" discusses this topic in further detail.

A portfolio trade is a transaction in which a counterparty bids/offers a portfolio of multiple line items simultaneously in a single trade. Such a transaction differs from traditional OWICs and BWICs in that the trade is executed in an all-or-none fashion. However, significant pre-trade line item negotiation may still occur between the counterparty and end client.

Credit index futures

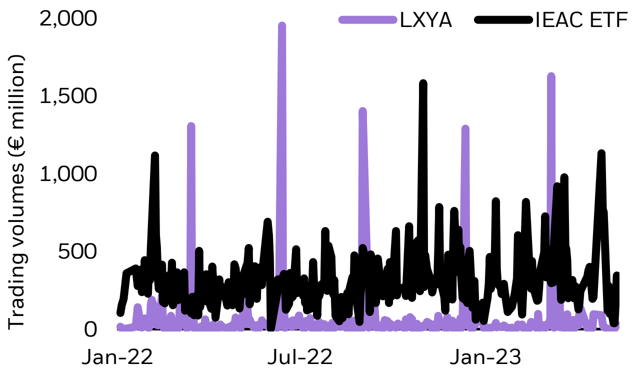
The latest addition to the fixed income investor's toolkit are futures on select credit indices, which will offer a new tool for fast money or CTA investors to obtain leverage or hedge credit exposure. These futures benefit from and add to the growth of fixed income ETFs and their associated eco-system, as dealers often hedge these trades with ETFs for risk management purposes.

1. "Brussels to push for greater ETF trade transparency". Financial Times, 8th July 2021.
2. "U.S. Credit Markets Interconnectedness and the Effects of the COVID-19 Economic Shock". Securities & Exchange Commission, October 2020.

Hence, even if an investor is not directly transacting in an ETF, pricing of their futures trade will reflect some or all components of ETF pricing, such as the bid/ask spread, ETF premium, TER, cost to borrow or repo, included in the cost of funding implied by the futures price.

As credit index futures are still relatively new to the market, the largest and most liquid ETFs remain far more liquid as measured by higher average daily trading volumes and tighter average bid/ask spreads. In 2022, LXYA futures traded €63m on average per day, while IEAC traded almost 5x that at €304m. Note futures volumes tend to spike on roll dates.

Figure 4
Trading volumes
IEAC ETF and LXYA index future



Source: BlackRock. Bloomberg, data as at 11/05/23.

Overall, we see futures as both benefitting from and additive to the liquidity of the broader index eco system.

For investors looking for leverage, hedging or non-linear strategies, **options** exist on a range of credit, EMD and US Treasury UCITS ETFs. Page 7 discusses the evolution of this market in further detail.

More relative value analytics are now available

Over the past several years, financial technology and analytics platforms such as Aladdin and Bloomberg have developed tools that help investors insert ETFs into their daily workflow and consider them as part of their toolkit, by allowing them to perform relative value analysis across index products. More recently, sell side institutions such as Goldman Sachs have also expanded their analytical capabilities in fixed income, allowing clients to compare baskets of bonds and ETFs, looking at portfolio characteristics, risk and return analytics as well as conducting hedging and pre-trade analyses.

The adoption of these analytics by portfolio managers, risk managers, buy-side and sell-side traders and other fixed income market participants has opened the door for more advanced fixed income ETF analyses. These include a standardised approach to simple bond-type analytics such as yield and duration, but also deeper analysis such as key rate durations, to allow investors to execute more accurate rate-hedging of credit ETFs themselves to isolate broad market credit exposure and perform relative value comparisons between an ETF and a cash bond, CDS index or fixed income index total return swap. These tools are being enhanced to include sustainable ETFs and indices, enabling investors to gain a clearer picture of relative value of standard market cap ETFs vs. sustainable comparables.

See Appendix 1 for an overview of key Bloomberg tools and analytics.

TREND 2

Development of the ETF ecosystem: unit lending, repo and options

As the ETF market continues to develop and also drive the bond trading ecosystem in Europe, the future scope of these products will see a more diversified investor base and further utilisation of fixed income ETFs as long and short instruments. Developments such as larger lending pools of ETF units and listed, centrally cleared options on ETFs have further enhanced the liquidity in European domiciled ETFs.

The last few years have witnessed continued growth and strong demand to borrow fixed income ETFs, in particular credit exposures. For example, iShares € High Yield Corp Bond UCITS ETF (IHYG) saw a multi-year peak in borrow demand of $710 million in March 2023[1]. This has led to higher lending returns for those investors who add their inventory to lending programmes.

The unit lending market is growing and offers investors an additional source of return.

Figure 5
IHYG ETF, Lendable & On loan balances[1]

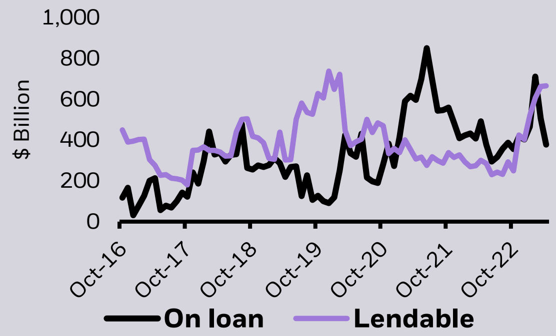
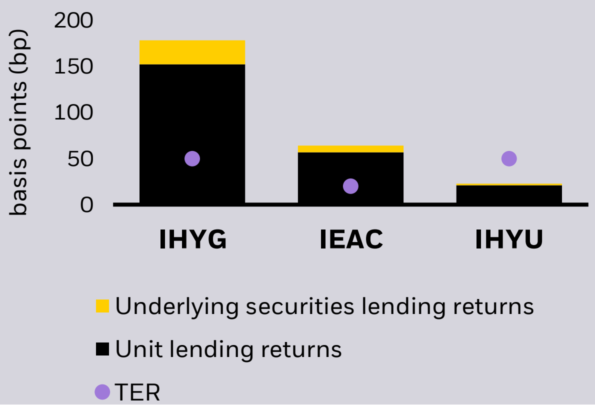


Figure 6
Securities lending returns.[1]



1. Source: IHS Markit. Data as at 30/04/23. With securities lending there is a risk of loss should the borrower default before the securities are returned, and due to market movements, the value of collateral held has fallen and/or the value of the securities loan has risen.

The unit (or ETF share) lending market has benefited from the emergence of a fixed income ETF repo market, with an increasing number of banks pricing and trading fixed income ETFs. This has allowed fixed income investors who may already engage in repo transactions on single bonds to obtain leverage or to improve fund performance by trading ETF repos directly with banks, instead of engaging a Securities Lending Agent (often the custodian). This has made it operationally easier for some fixed income investors to access additional sources of return.

Create to lend activity

Supply in the ETF lending market has also benefited from the growth in create to lend activity by banks. This involves banks creating new ETF shares with bonds sourced via their own repo desks, which they lend out in exchange for fees. This has improved lendable balances of flagship tickers such as IEAC and IHYG, improving their liquidity, bid/ask spreads while supporting the growth of ETF options markets.

ETF options: continued growth

The continued growth of the lending market has supported the options market for UCITS fixed income ETFs, as supply is now broad and stable enough to support market making activities. In 2022, notional traded more than doubled vs. the prior year, to $3.6 billion. While activity was initially focused in options on $HY and $EMD ETFs, more recently investors have started using options on iShares € Corp Bond UCITS ETF (IEAC) and iShares € High Yield Corp Bond UCITS ETF (IHYG) to navigate volatility and hedge downside risk in € credit. Future developments will see options listed on additional ETFs, including IDBT (1-3y UST) and IDTM (7-10y UST), to round out the coverage of the US Treasury curve.

Wider acceptance of ETFs as collateral

More market participants are adopting ETFs as collateral for cleared and uncleared transactions. For example, a growing number of lenders are adopting IHS Markit's ETF Collateral Lists to expand further their ETF collateral acceptance for securities lending transactions. CCPs are also increasingly accepting ETFs as collateral. Increased acceptance is expected to drive down the costs of trading ETFs for investors.

TREND 3

Advances in ETF primary market processes

In the ETF primary market, dedicated ETF brokers known as Authorised Participants (APs) transact with ETF issuers to create or redeem ETF shares. Creation and redemption activity occurs when there is an imbalance of orders to buy or sell shares, therefore, demand cannot be fully met through the secondary market.

ETF primary market transactions require an interaction between the ETF sponsor - such as BlackRock - and an AP - a broker that enters into an agreement with an ETF sponsor allowing it to dynamically manage the creation and redemption of ETF shares. Primary market transactions typically take place via custom baskets, involving the transfer of a basket of bonds which represent a diversified risk slice of the fund into or out of the fund. Cash-based transactions may also be executed by BlackRock on behalf of the AP, with the execution costs passed back to the AP.

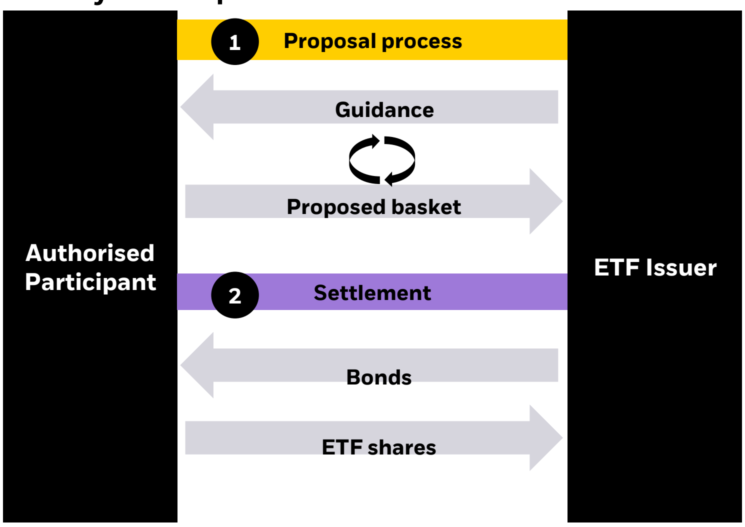
As fixed income ETFs continue to increase in size and scale relative to the bond market, a robust, durable primary process and resilient infrastructure are both necessary and important not only for the health of the ETF ecosystem but also for that of the underlying market itself. A fast and consistent approach to dealing with creation and redemption custom baskets in all market conditions gives APs confidence in the primary market process and allows them to better price and provide liquidity to end investors. Indeed, in 2022, iShares handled 10% more custom baskets, while custom basket notional rose 30% vs 2021, supporting the continued growth in UCITS fixed income ETFs.

As the bond market continues to modernise, so to do the techniques fixed income dealers use to interact with ETF issuers in the primary market. As the ETF product offering continues to develop, there is an ongoing need to evolve how ETF issuers manage primary market processes through the use of technology to process creations and redemptions effectively.

Greater efficiency & transparency in primary market process

BlackRock has invested heavily in its primary market infrastructure over the past several years, in order to bolster our ability to accommodate large, frequent flows under all market conditions. Notable enhancements from the iShares fixed income ETF primary market platform include improving the predictability and transparency of the custom basket process through the development of better interfaces with APs which allow them to electronically submit custom basket proposals. Pre-proposal guidance provide additional transparency on which bonds are likely to be considered as part of creation or redemption baskets on that trading day. More recently, algorithms have been developed which help guide APs when selecting their baskets, applying a rules and exposure-based framework to provide instantaneous feedback on their proposed baskets, as well as guidance on bonds that could be accepted as part of the process. This helps APs quickly shape inventory into representative risk slices to be reviewed and approved by iShares portfolio managers. In Q1 2023, more than 76% of credit custom basket proposals received feedback through this process. These enhancements to the custom basket process allow APs to accurately price funds while providing greater certainty throughout the basket process, reducing transaction times and driving further liquidity in portfolios.

Figure 7
Primary market process



Source: BlackRock. This is a simplified overview of the primary market process. For illustrative purposes only.

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TREND 3

Advances in ETF primary market processes

The efficiency of BlackRock's primary market processes is seen through the continued tight tracking of iShares ETFs, even as primary market volumes continue to grow, particularly for the most liquid credit ETFs considered as financial instruments, IEAC and IHYG. Indeed, alongside our stratified sampling approach to index investing, the custom basket process allows iShares PMs to use primary flows to rebalance our funds toward the forward benchmark during the month, limiting the impact of rebalancing during volatile markets. In addition, ETF transaction costs are externalised through this process protecting existing investors in the fund.

Lowering the cost of primary market transactions for APs

Trading venues have invested significantly in recent years in infrastructure that further improves the efficiency of the primary market process for APs. For example, Tradeweb – through its partnership with BlackRock – has created the first centrally cleared ETF matching service, where buyers and sellers can match off their orders at mid levels without needing to access the primary market at all. Future developments will include innovation to improve APs' access to bonds to facilitate creations into certain funds. This would lead to lower costs of creations into ETFs and hence lower transaction costs for end-clients.

CONCLUSION

Growing adoption of fixed income ETFs and other index and portfolio-based products, coupled with growth in electronic trading, algorithmic pricing capabilities and dramatic improvements in technology are continuing to revolutionise the way investors access European corporate bond markets.

The new regime of greater macro and market volatility since 2022 has proved to be a catalyst for further adoption of fixed income ETFs, particularly by institutional investors as investors use them to help them navigate rapidly changing market conditions and efficiently access the fixed income market. Bond and ETF ecosystem developments in the secondary and primary markets along with the development of better tools and analytics to assess ETFs alongside other instruments are enhancing investors' ability to use ETFs as part of their toolkit, further accelerating adoption.

The growth in index vehicles is a recognition of the need for liquidity and transparency to increase or decrease exposure when making portfolio construction decisions. Given the still opaque nature of the underlying cash bond market, coupled with the lack of a timely, unified picture of bond trades and pricing (a consolidated tape), we believe ETFs will continue to play an increasingly integral role for investors looking to access and navigate bond markets. Investors who embrace fixed income ETFs and other index exposures may benefit from improved transparency, liquidity, and efficiency.

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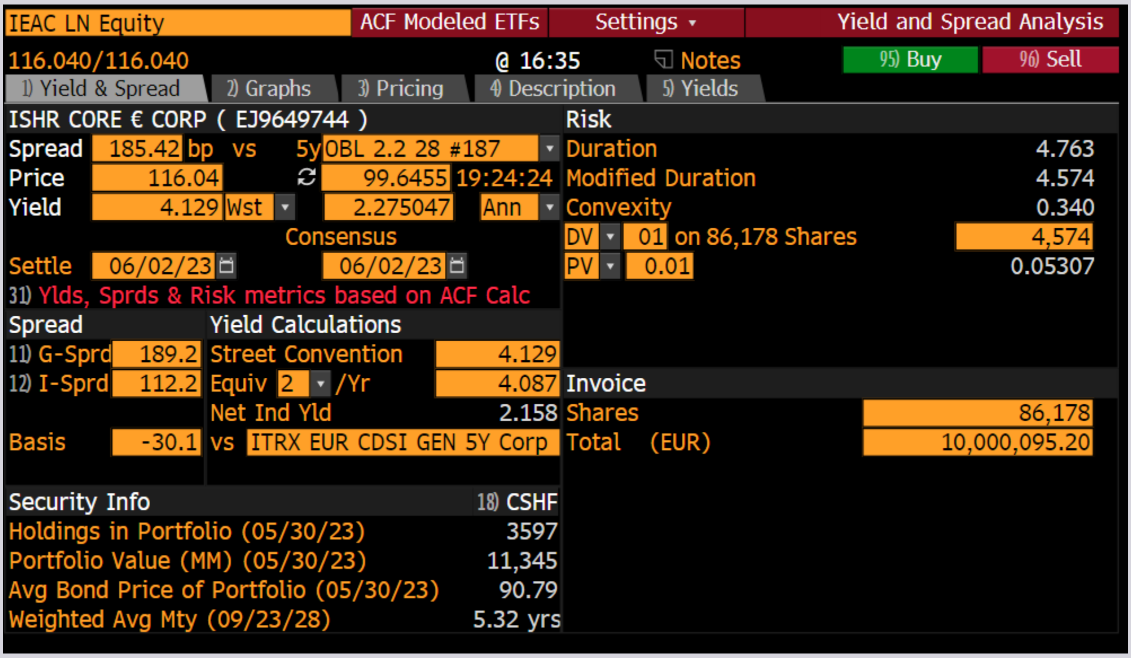
APPENDIX 1

Analytics on ETFs

Bloomberg users can use the YAS function to view yields, spreads and risk metrics for ETFs similar to the way they would analyse individual bonds. This tool leverages the ACF methodology for calculating these metrics.

Bloomberg YAS

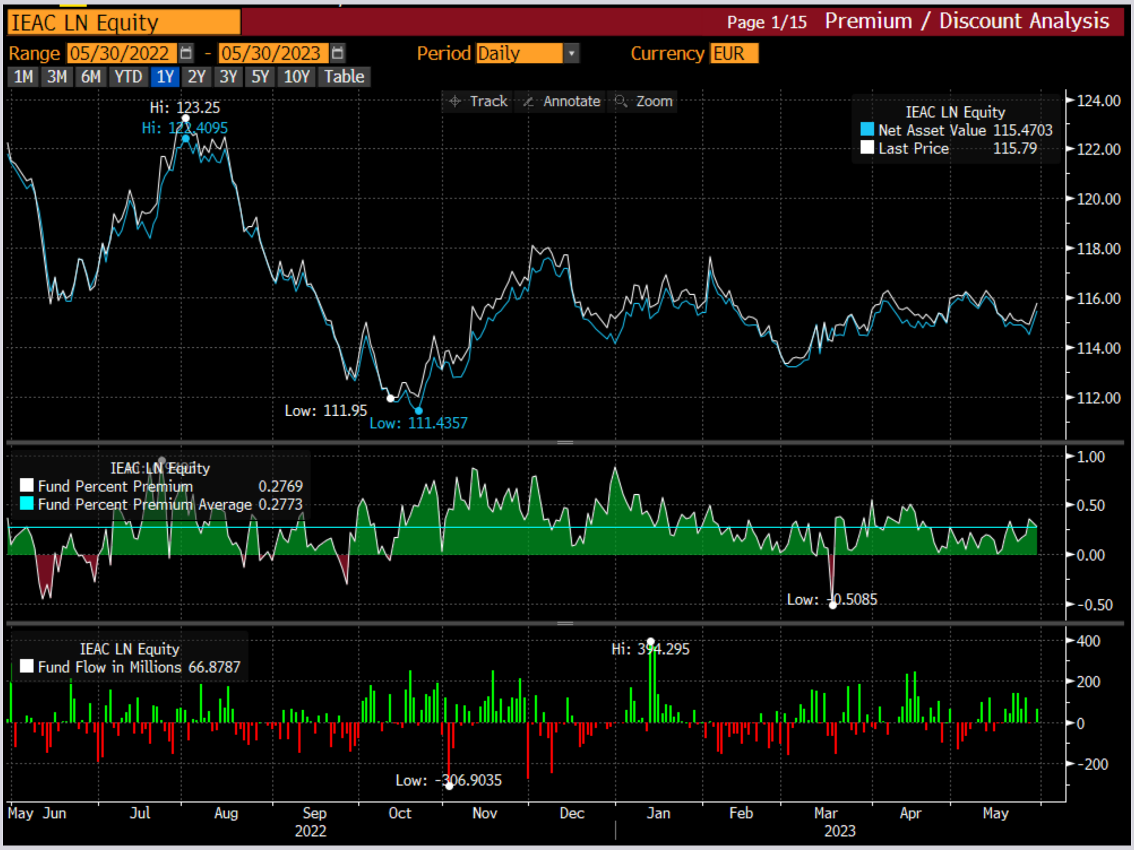


Source: BlackRock, for illustrative purposes only.

ETF price vs. NAV & daily net fund flows

Bloomberg users can run the NAV function to analyse closing prices versus end of day Net Asset Values, as well as historical daily net fund flows.

Bloomberg NAV



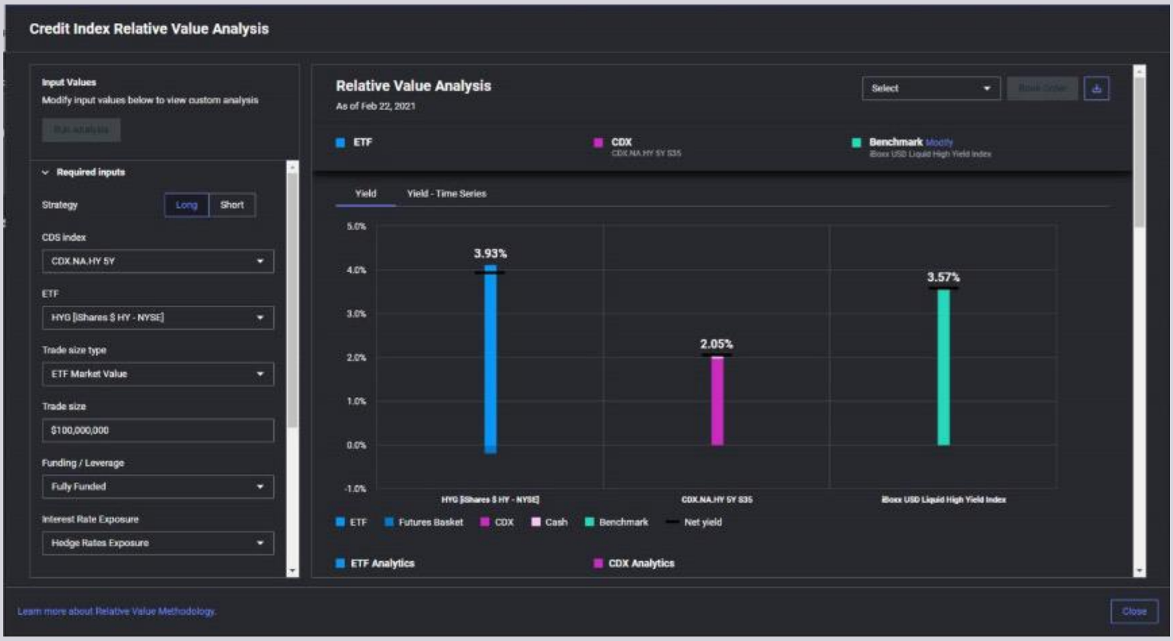
Source: Bloomberg, for illustrative purposes only.

APPENDIX 1

ETF vs. CDS indices

Aladdin's Credit Index Relative Value tool allows investors to perform relative value analysis between a selection of credit ETFs and a CDS index investment by normalising these products for funding, leverage and interest rate exposure differences in an attempt to arrive at a like-for-like comparison.

Aladdin CIRV



Source: Aladdin, for illustrative purposes only.

Bloomberg users can run the FICM ("fixed income credit monitor") function to compare intra-day credit spread moves for an ETF, CDS Index and cash bond index.

Bloomberg FICM

Source: Bloomberg, for illustrative purposes only.

APPENDIX 1

ETF vs. CDS indices vs. benchmark index

In addition to the FICM monitor, the Bloomberg IDRV (index derivative relative value) tool empowers market participants to perform deeper comparative relative value analysis, compared to the FICM monitor. This tool leverages the ACF methodology to enable a user to analyse time series comparisons and run regression analyses between a fixed income ETF, CDS index and cash credit benchmark index. Bloomberg has recently added sustainable ETFs and indices to this tool.

Bloomberg IDRV

Source: Bloomberg, for illustrative purposes only.

ETF options

Bloomberg has several screens to help calculate options, from the OMON page where users can see prices and vols across strike prices and maturities, to OVME to price specific options based on various inputs (vol, strike, etc.).

Bloomberg OMON

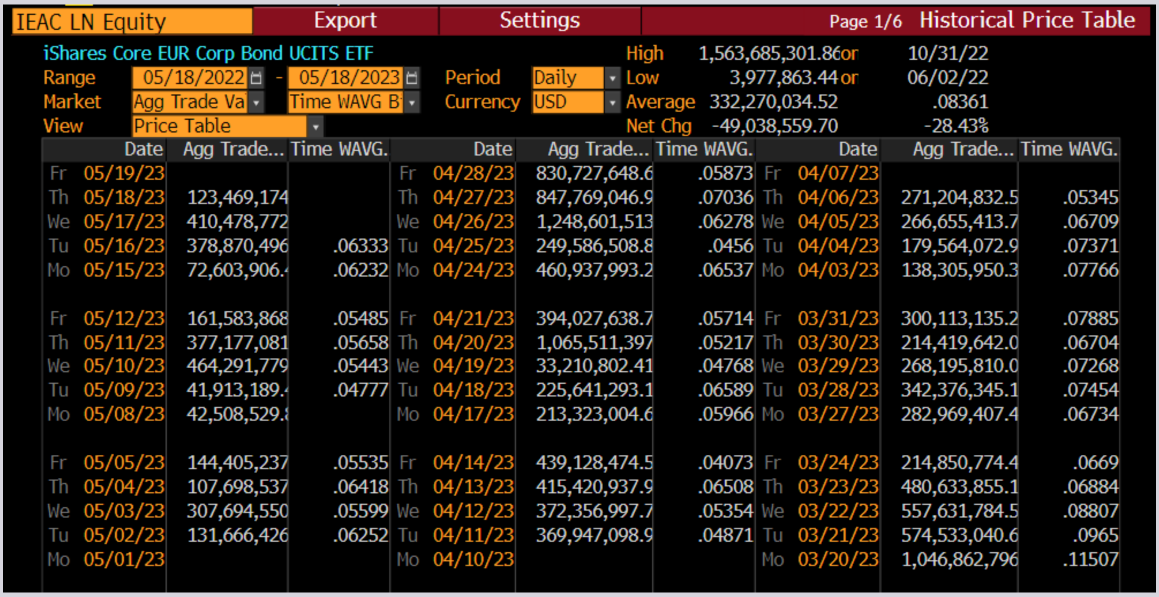
Source: Bloomberg, for illustrative purposes only.

APPENDIX 1

Aggregated Traded Value and Time Weighted Average Bid Ask Spreads

Bloomberg has made several analytics available which help market participants to understand the liquidity of ETFs. Using the HP screen, market participants can view metrics such as Aggregated Traded Value (field: PY486) which aggregates all traded volume on and off exchange across all listings of a given ETF share class. Time Weighted Average Bid Ask Spreads (field: PY535) per listing are also available.

Bloomberg HP



Date	Agg Trade...	Time WAVG.	Date	Agg Trade...	Time WAVG.	Date	Agg Trade...	Time WAVG.
Fr 05/19/23			Fr 04/28/23	830,727,648.6	.05873	Fr 04/07/23		
Th 05/18/23	123,469,174		Th 04/27/23	847,769,046.9	.07036	Th 04/06/23	271,204,832.5	.05345
We 05/17/23	410,478,772		We 04/26/23	1,248,601,513	.06278	We 04/05/23	266,655,413.7	.06709
Tu 05/16/23	378,870,496	.06333	Tu 04/25/23	249,586,508.8	.0456	Tu 04/04/23	179,564,072.9	.07371
Mo 05/15/23	72,603,906.	.06232	Mo 04/24/23	460,937,993.2	.06537	Mo 04/03/23	138,305,950.3	.07766
Fr 05/12/23	161,583,868	.05485	Fr 04/21/23	394,027,638.7	.05714	Fr 03/31/23	300,113,135.2	.07885
Th 05/11/23	377,177,081	.05658	Th 04/20/23	1,065,511,397	.05217	Th 03/30/23	214,419,642.0	.06704
We 05/10/23	464,291,779	.05443	We 04/19/23	33,210,802.41	.04768	We 03/29/23	268,195,810.0	.07268
Tu 05/09/23	41,913,189.	.04777	Tu 04/18/23	225,641,293.1	.06589	Tu 03/28/23	342,376,345.1	.07454
Mo 05/08/23	42,508,529.		Mo 04/17/23	213,323,004.6	.05966	Mo 03/27/23	282,969,407.4	.06734
Fr 05/05/23	144,405,237	.05535	Fr 04/14/23	439,128,474.5	.04073	Fr 03/24/23	214,850,774.4	.0669
Th 05/04/23	107,698,537	.06418	Th 04/13/23	415,420,937.9	.06508	Th 03/23/23	480,633,855.1	.06884
We 05/03/23	307,694,550	.05599	We 04/12/23	372,356,997.7	.05354	We 03/22/23	557,631,784.5	.08807
Tu 05/02/23	131,666,426	.06252	Tu 04/11/23	369,947,098.9	.04871	Tu 03/21/23	574,533,040.6	.0965
Mo 05/01/23			Mo 04/10/23			Mo 03/20/23	1,046,862,796	.11507

Source: Bloomberg, for illustrative purposes only.

ETF search, filter & build a monitor

Bloomberg has several analytics which help to understand the ETF landscape and compare products on various metrics including flows, traded volumes, fees and other characteristics.

Bloomberg ETF

Source: Bloomberg, for illustrative purposes only.

Risk Warnings

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Product Risks

iShares $ High Yield Corp Bond UCITS ETF USD (Dist)

Counterparty Risk, Counterparty and Credit Risk, Liquidity Risk, Combined Credit and Non-investment Grade Risk

iShares € High Yield Corp Bond UCITS ETF

Combined Credit and Non-investment Grade Risk, Counterparty Risk, Counterparty and Credit Risk, Liquidity Risk

iShares Core € Corp Bond UCITS ETF EUR (Dist)

Counterparty Risk, Credit Bail in Risk, Liquidity Risk

Description of Product Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Share Class to financial loss.

Counterparty and Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Issuer. The insolvency of any institutions such as the custodian or sub-custodian providing services such as safekeeping of assets may expose the Issuer to financial loss.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

Risk Warnings

Description of Product Risks

Combined Credit and Non-investment Grade Risk

Changes to interest rates, credit risk and/or issuer defaults will have a significant impact on the performance of fixed income securities. Non-investment grade fixed income securities can be more sensitive to changes in these risks than higher rated fixed income securities. Potential or actual credit rating downgrades may increase the level of perceived risk.

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Credit Bail in Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due. If a financial institution is unable to meet its financial obligations, its financial assets may be subject to a write down in value or converted (i.e. “bail-in”) by relevant authorities to rescue the institution.

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Further information about the Fund and the Share Class, such as details of the key underlying investments of the Share Class and share prices, is available on the iShares website at www.ishares.com or by calling +44 (0)845 357 7000 or from your broker or financial adviser. The indicative intra-day net asset value of the Share Class is available at http://deutsche-boerse.com and/or http://www.reuters.com. A UCITS ETF’s units / shares that have been acquired on the secondary market cannot usually be sold directly back to the UCITS ETF itself. Investors who are not Authorised Participants must buy and sell shares on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees and additional taxes in doing so. In addition, as the market price at which the Shares are traded on the secondary market may differ from the Net Asset Value per Share, investors may pay more than the then current Net Asset Value per Share when buying shares and may receive less than the current Net Asset Value per Share when selling them.

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For investors in Austria

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For investors in France

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For investors in Germany

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For investors in Italy

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