

# Asia FIX



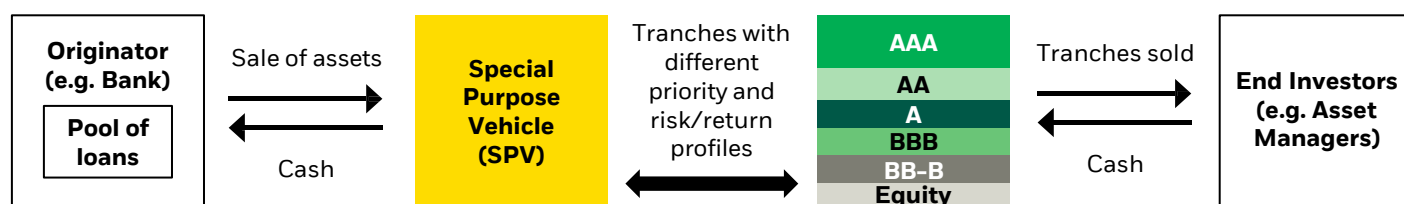
April 2026

Bond ETF themes, flows, and market update

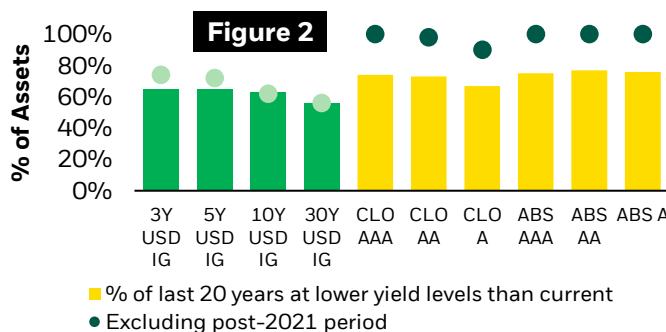
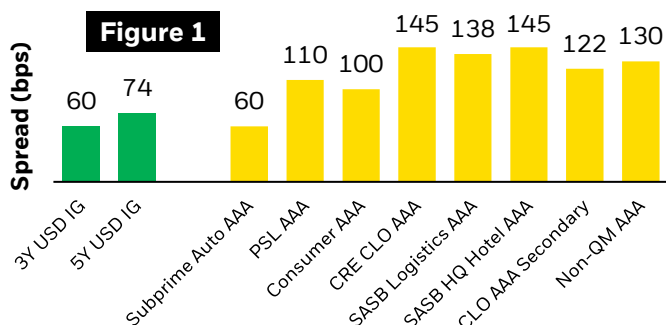
## A HALO over securitized assets

The AI mega force means that investors are considering the impact of AI on companies and their ability to repay debt if business models are to be disrupted. Amidst this environment, Heavy Assets, Low Obsolescence (HALO) assets tied to the real economy, such as housing, buildings and transport, are less exposed to AI-led disruption. In fixed income, **securitized assets stand out as debt backed by real assets and durable cash flows**.

Securitized assets are **backed by a pool of financial assets** e.g. mortgages with similar characteristics, rather than a single issuer's credit. The underlying assets are bundled and packaged into securities, and sold to investors who receive principal and interest payments over time. These securities are **split into tranches representing differing levels of risk and payment priority**, with cash flows distributed via a waterfall structure.



Anchored in no small part by HALO assets - real-economy exposures with unique drivers of risk offering diversification benefits - securitized assets present a **compelling income opportunity** within fixed income. Securitized assets offer **elevated spread premiums** relative to comparable corporate credit (Figure 1), while **current yield levels across the securitized range remain at attractive levels** relative to history (Figure 2).



Source: Bloomberg as of 9 January 2026, JP Morgan as 31 December 2025. Securitized process for illustrative purposes only.

## The securitized ETF toolkit

Today, the securitized ETF toolkit is broad and diverse, and goes far beyond traditional residential mortgage backed securities (MBS). Additionally, **active ETFs offer flexible solutions to tap into the income opportunity**, from actively managed MBS exposures, to a **one-ticker approach across securitized sectors**, spanning residential and commercial MBS, CLOs, as well as other asset backed securities.

Exposure	US Residential MBS	US Residential MBS (GNMA-guaranteed)	US Commercial MBS	AAA-rated USD CLOs	BBB-B Rated USD CLOs
Index	Bloomberg US MBS Index	Bloomberg US GNMA Bond Index	Bloomberg US CMBS (ERISA only) Index	JPM CLOIE AAA Index	JPM CLOIE High Quality Mezzanine Index
Collateral	Agency-backed residential mortgages	GNMA-backed residential mortgages	Commercial mortgages	Corporate loans	Corporate loans
Coupon	Fixed	Fixed	Fixed	Floating	Floating
Yield	4.88	4.91	4.61	4.99	9.88
Duration	5.52	5.43	3.79	0.06	0.01

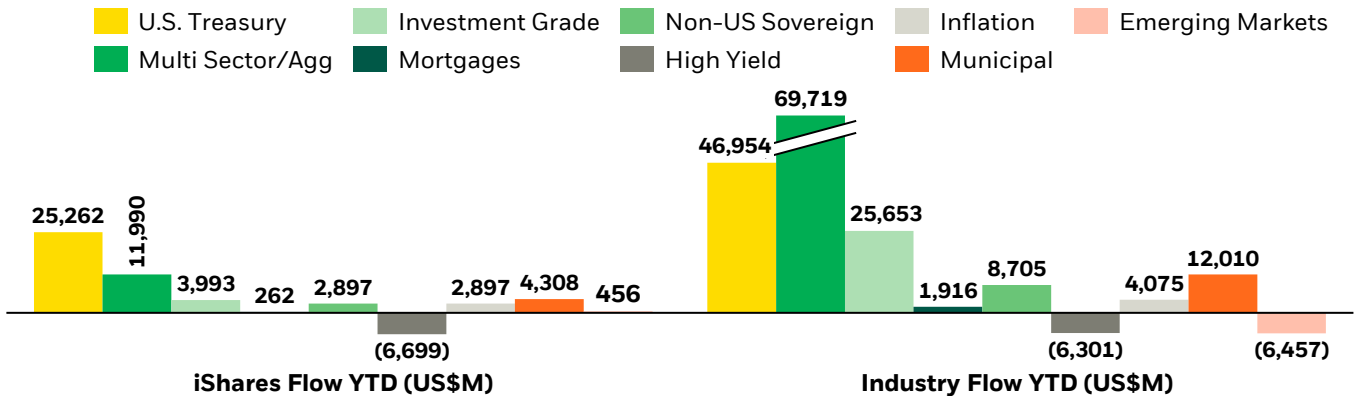
Source: BlackRock, as of 31 March 2026. Reference to LUMSTRUU, LGNMTRUU, LUCMTRUU, JCL0AAAT, JPEI9BTR Index.

To find out more about Securitized ETFs, contact your iShares representative.

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# iShares flow update

- 01** | **Flows moderated in March 2026 to +\$9B amid the ongoing conflict in the Middle East, though Q1 still closed on a strong footing with +\$47B in inflows (+40% vs. Q1'25).** Against an uncertain backdrop, demand was heavily skewed toward U.S. Treasuries (+\$16.9B), and inflation linkers (+\$1.4B), while outflows were concentrated in riskier sectors - HY (-\$5.6B), EM (-\$3.6B), and IG (-\$3.5B).
- 02** | **U.S. Treasuries recorded their strongest monthly inflows since March 2023, supported by renewed USD strength.** Demand remained skewed to short duration, with the flagship 0-3M exposure gathering +\$8.6B, while the broad and 7-10Y maturity exposures saw robust flows (+\$5.2B and +\$1.1B, respectively).
- 03** | **Persisting inflation concerns drove continued demand for inflation-linked products,** with flows concentrated in shorter-duration exposures. The 0-5Y USD TIPS segment attracted +\$1.0B, while EUR and Global inflation-linked exposures also saw elevated inflows (+\$288M and +\$181M, respectively).
- 04** | **De-risking was evident across credit and EM.** Credit outflows were broad-based across currencies but sharply skewed toward HY, while EM saw outflows across both hard and local currency exposures. That said, precision exposures remained resilient, with our Brazilian government bond exposure attracting +\$175M, while China added +\$50M.
- 05** | **iBonds continued to see steady demand (+\$887M) amidst elevated yields, led by IG (+\$532M) and government bond strategies (+\$259M).** Active flows moderated overall, **albeit CLO exposures, particularly AAA, saw strong interest,** attracting over +\$400M, the highest on record.



## Top/bottom iShares bond ETF sector flows

Top 5 Exposures	MTD Flow (\$M)	% of AUM
U.S. Treasury - Short Dur	11,019	6%
U.S. Treasury - Broad	5,703	12%
U.S. Treasury - Inter Dur	1,673	2%
Municipal - Long Dur	1,366	99%
Multi Sector - Broad	1,042	0%
<b>Top 5 Exposures Total</b>	<b>20,803</b>	
Bottom 5 Exposures	MTD Flow (\$M)	% of AUM
High Yield - Broad	(5,093)	-7%
Investment Grade - Broad	(3,775)	-3%
Emerging Markets - Broad	(3,540)	-8%
U.S. Treasury - Long Dur	(1,853)	-3%
Covered Bond - Broad	(432)	-25%
<b>Bottom 5 Exposures Total</b>	<b>(14,693)</b>	

Top 5 Exposures	YTD (\$M)	% of AUM
U.S. Treasury - Short Dur	17,943	10%
Multi Sector - Broad	10,705	4%
U.S. Treasury - Broad	7,738	16%
U.S. Treasury - Inter Dur	4,807	5%
Investment Grade - Fixed Maturity	2,843	8%
<b>Top 5 Exposures Total</b>	<b>44,036</b>	
Bottom 5 Exposures	YTD (\$M)	% of AUM
High Yield - Broad	(6,247)	-8%
U.S. Treasury - Long Dur	(6,096)	-10%
Investment Grade - Broad	(775)	-1%
Emerging Markets - Broad	(456)	-1%
High Yield - Short Dur	(371)	-5%
<b>Bottom 5 Exposures Total</b>	<b>(294)</b>	

Source: BlackRock, as of March 31 2026. Reference to \$ refers to USD.

iShares and industry ETF flows encompass globally listed products. 'Broad' categories reference blended maturity products EM flows in the top tight chart are ex-China.

# Bond market update

## Market recap



### Rates

Global rates sold off sharply in March as oil prices surged following the outbreak of the Middle East conflict, fueling renewed inflation concerns that drove yields to multi-year highs across major economies. In the US, 2Y Treasury yields peaked at 4.0% before settling at 3.8% as the Fed held rates at 3.50%-3.75%, with several officials describing future rate decisions as “two-sided”. In Europe, the ECB and BOE both held rates steady, as Eurozone inflation jumped to 2.5% on energy shocks. Elsewhere in Asia, the RBA continued its hiking cycle by raising its cash rate to 4.10% while 10Y JGB yields climbed past 2.4% despite the BOJ maintaining its policy stance.



### Credit

The conflict in the Middle East dominated the macro backdrop in March, with escalation at end-February driving a sharp surge in oil prices - marking the largest quarterly jump in Brent since the Gulf War - and triggering a broad cross-asset selloff. Credit spreads widened in tandem, with underperformance concentrated in HY. In the US, HY spreads widened 26bps versus 5bps in IG. In Asia, HY spreads saw a similar pattern and widened by 47bps, while IG spreads remained flat.

## Asset class in review

	Index	Total Return			Yield level			Spread level (bps) (credit only)		
		YTD	QTD	MTD	Mar-end	ΔMTD	ΔYTD	Mar-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	-1.07%	-1.07%	-3.07%	3.78%	0.40%	0.26%			
	US Aggregate	-0.05%	-0.05%	-1.76%	4.57%	0.41%	0.25%			
	Japan FI, N-BPI	-1.67%	-1.67%	-1.83%	2.19%	0.22%	0.25%			
Treasury & Agency	US Treasury	-0.04%	-0.04%	-1.74%	4.14%	0.39%	0.25%			
	Agency MBS	0.40%	0.40%	-1.65%	4.83%	0.45%	0.20%			
	China(CGB+PB)	0.81%	0.81%	0.24%	1.63%	-0.04%	-0.10%			
Credit (IG & HY)	US IG Corporates	-0.54%	-0.54%	-1.98%	5.14%	0.41%	0.33%	89	5	11
	US HY Corporates	-0.50%	-0.50%	-1.18%	7.40%	0.69%	0.87%	317	26	51
	Asia IG, JACI IG	-0.51%	-0.51%	-1.57%	5.10%	0.39%	0.33%	111	0	9
	Asia HY, JACI HY	-0.13%	-0.13%	-3.07%	8.59%	1.08%	0.52%	433	47	21
Emerging Markets	EM HC, EMBI GD	-1.26%	-1.26%	-3.27%	7.31%	0.66%	0.51%	289	30	35
	EM LC, GBI-EM	-2.25%	-2.25%	-5.55%	6.37%	0.54%	0.50%	-	-	-

Source: Bloomberg, as of 31 March 2026. See notes at the bottom for indices used. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Indices are unmanaged and one cannot invest directly in an index.

## FX hedge cost monitor

FX Forward Premium or Cost is associated mainly with short-term interest rate differential between domestic and foreign currency (& currency basis). This impact can be positive or negative depending on the currency pair.

Investor Currency	Currency to Hedge (Forward tenor - 3M)							
	CCY	USD	EUR	JPY	KRW	AUD	CNY	SGD
USD		0.00%	1.66%	3.06%	1.13%	-0.56%	2.34%	2.50%
EUR		-1.66%	0.00%	1.40%	-0.53%	-2.22%	0.68%	0.84%
JPY		-3.06%	-1.40%	0.00%	-1.92%	-3.61%	-0.71%	-0.56%
KRW		-1.13%	0.53%	1.92%	0.00%	-1.69%	1.21%	1.37%
AUD		0.56%	2.22%	3.61%	1.69%	0.00%	2.90%	3.06%
CNY		-2.34%	-0.68%	0.71%	-1.21%	-2.90%	0.00%	0.16%
SGD		-2.50%	-0.84%	0.56%	-1.37%	-3.06%	-0.16%	0.00%

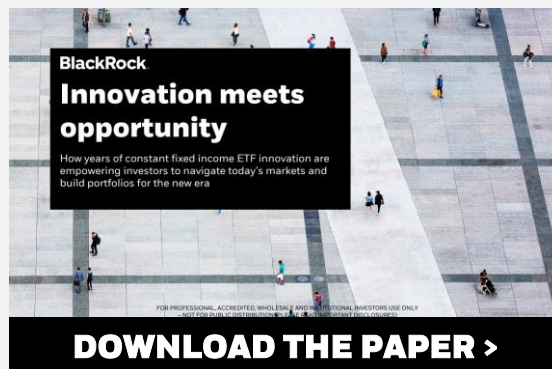
Source: Bloomberg, as of 31 March 2026. Indices used: BBG Global Aggregate Index (USD, unhedged), BBG US Aggregate Index (USD), NOMURA BPI (JPY), BBG US Treasury Index (USD), BBG Agency MBS Index (USD), BBG China Treasury & Policy Bank Index (CNY), BBG US IG Corporate Index (USD), BBG US HY Corporate Index (USD), JP Morgan Asia Credit IG Index (USD), JP Morgan Asia Credit HY Index (USD), JP Morgan EMBI Global Diversified Index (USD), JP Morgan GBI-EM Index (USD, unhedged). Reference to the company name mentioned in this communications is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies.

# Innovation Meets Opportunity

**How years of constant fixed income ETF innovation are empowering investors to navigate today's markets and build portfolios for the new era**

Last year, our whitepaper “**No Time to Yield**” discussed why investors may want to consider getting cash off the sidelines and employing bond ETFs in the new market regime.

In our latest paper “**Innovation Meets Opportunity**”, we highlight how accelerating bond ETF innovation has equipped investors with a robust ETF toolkit that simply did not exist the last time yields were at these levels, and how investors can use bond ETFs to navigate both today's and tomorrow's market environments.



## Did you know?

1

**Client demand for fixed income ETFs is driving significant asset growth with record flows in 2024 and on track to reach \$6 trillion in assets under management (AUM) by 2030, if not sooner.** Globally, bond ETFs experienced the highest organic asset growth (20%) of any other asset class or investment vehicle last year. And so far in 2025, client adoption continues to accelerate, with assets up 22% on an annualized basis.

2

**The flywheel of bond ETF innovation is powering this growth, helping more investors to access exposures and outcomes that were previously difficult to access.** Last year a record 420 bond ETFs were launched, enabling investors to tailor their fixed income investments in ways previously unthinkable.

3

**The ever-increasing toolkit allows investors to take advantage of a generational opportunity in fixed income.** Yields are higher than they have been in 20 years. Globally, some 80% of fixed income assets now yield over 4% and we believe they'll remain elevated for the foreseeable future.

4

**iShares has been spearheading innovation in bond ETFs for over two decades.** Our diverse and evolving product set supports clients globally to navigate across market environments, with more modern, precise ways to reach nearly every part of the fixed income market. As the experts in portfolio construction with a strong heritage in risk management, we understand the tools and exposures that investors require to thrive in a changing world.

Source: BlackRock, "Innovation meets opportunity", as of April 2025. There is no guarantee that any forecasts made will come to pass. All \$ in USD unless otherwise stated.

## Index Your Bonds with Asia Credit

Asia bond markets definitely have a part to play in the next leg of growth in index and ETF adoption. As investors continue to move beyond the “active versus passive” debate, constant product innovation will offer increasingly precise sources of potential returns, and help lead more investors to embrace bond index building blocks alongside high conviction active strategies in pursuit of optimal portfolio outcomes.

In this Asia-focused “**Index Your Bonds**” paper, we spotlight iShares Asia Credit exposures, provide insights on how they are managed in practice, and discuss how innovations such as ESG integration will make indexing an integral part of investing in Asia fixed income.



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