Asia FIX

iShares by BlackRock

June 2026

Bond ETF themes, flows, and market update

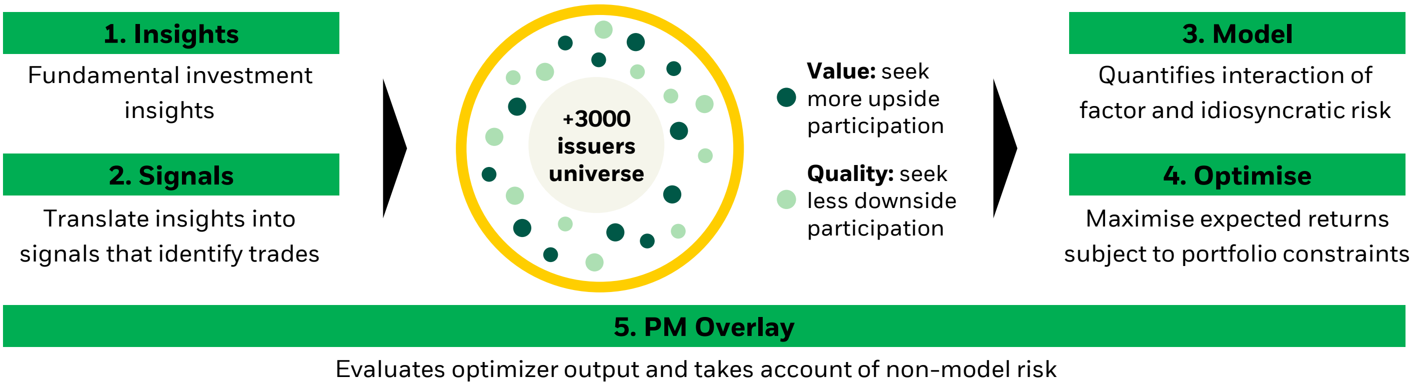
Power up your portfolios with systematic ETFs

Systematic bond ETFs combine the transparency and liquidity of an ETF with the benefits of a systematic approach seeking to enhance portfolios with consistent, repeatable alpha. This month, we unpack what goes under the hood of a systematic bond ETF, and how investors can incorporate them in their portfolios.

Unpacking the systematic approach

Systematic strategies adopt a **rules-based, quantitative approach**, blending human ingenuity with the power of 'big' data and AI to interpret and act on real-time data, selecting bonds based on signals with the aim of outperforming their benchmarks. Targeting **consistent, repeatable alpha with low tracking error**, an enhanced methodology efficiently retain the value of active selection while taking a controlled approach to risk and cost.

Multi-dimensional credit selection process for alpha generation



Source: BlackRock. For illustrative purposes only.

Enhancing your core allocations

Today, systematic strategies available in the ETF wrapper offer low-cost, asset allocation building blocks in a convenient and transparent vehicle, backed by a BlackRock Systematic team with more than 20 years of experience in systematic fixed income. Systematic bond ETFs across investment grade and high yield exposures allow investors to **differentiate the core** of their portfolios by adding a distinctive source of alpha, or take a more **diversified approach to investment styles** that may prove invaluable during turbulent markets.

By re-allocating portions of an index portfolio into systematic exposures, investors can unlock **relatively higher returns – without meaningfully increasing volatility or overall risk.**

Figure 1: Consistent alpha against relevant benchmark over time

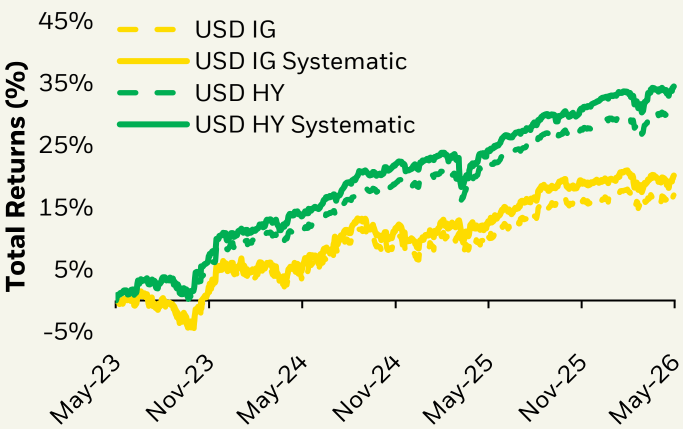
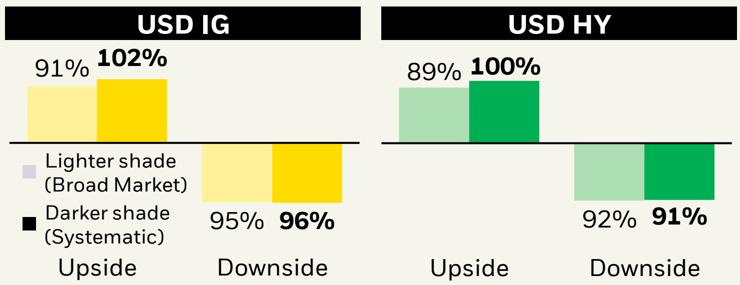


Figure 2: Participation in more market upside while mitigating downside



Annualised	USD IG	Systematic	USD HY	Systematic
3Y Return	5.36%	**6.29%**	9.29%	**10.37%**
3Y Vol	6.25%	**5.99%**	4.34%	**4.57%**

Source: BlackRock, as of 29 May 2026. Reference to RFSUSIGC, RFSUSHYC, LUACTRUU, HUC0 Index. Broad Market represented by the Morningstar EAA Fund USD Corporate Bond and Morningstar US High Yield Bond categories, as of 31 December 2025. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

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

iShares flow update

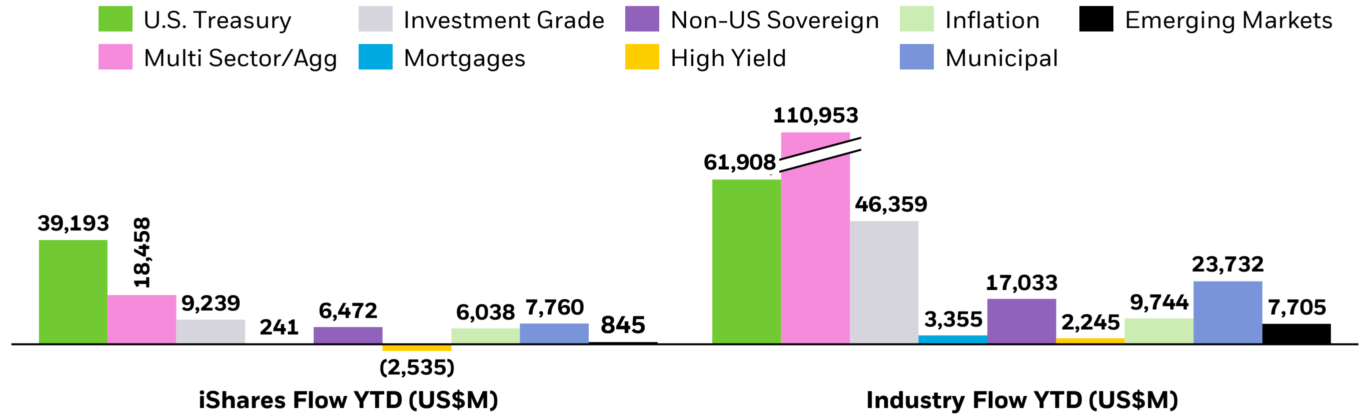
01 **iShares fixed income ETFs logged their strongest month on record for May (+$28.3B), surpassing the prior record set in May 2025 (+$28.1B), while industry flows also posted their strongest month on record (+$87B).** Notably, flows were positive across practically all sectors, albeit were largely led by U.S. Treasuries (+$8.8B), Multisector (+$7.2B), and Non-U.S. Sovereigns (+$3.0B)

02 **US Treasuries continued to drive bond ETF flows, though demand remained heavily skewed towards the short end, with the 0–3M bucket gathering (+$7.3B), signaling continued investor preference for cash allocations.** Interest in Non-U.S. Sovereigns also picked up meaningfully, led by Japan government bonds (+$331M) and our flagship EUR Govie exposure (+$307M).

03 **Multisector flows rebounded sharply, highlighting firm appetite for diversified core bond allocations.** The category gathered +$7.3B following last month's outflows (-$780M), with demand led by U.S.-based exposures - the Core Universal exposure drew +$4.4B, while Core U.S. Agg gathered +$1.8B.

04 **Inflation-linked ETFs stayed firmly in focus as inflation concerns persisted**. Demand was skewed toward shorter-duration exposures, with the 0–5Y TIPS bucket pulling in +$1.1B. **EM flows remained resilient, with investors continuing to favor hard currency and precision exposures.** Brazilian and China exposures added +$280M and +$86M, respectively, while EM USD Corp exposures drew +$188M.

05 **Outcome-oriented and active strategies continued to build momentum**. iBonds gathered +$1.3B, led by IG (~$1.0B), **while the active suite logged its strongest month on record (+$3.8B),** broadly driven by Govie exposures (~$2.0B).



Top/bottom iShares bond ETF sector flows

Top 5 Exposures	MTD Flow ($M)	% of AUM
U.S. Treasury - Short Dur	7,362	4%
Multi Sector - Broad	6,504	3%
Sovereign - Broad	3,114	8%
Municipal - Broad	1,849	3%
U.S. Treasury - Inter Dur	1,328	1%
Top 5 Exposures Total	**20,157**	

Bottom 5 Exposures	MTD Flow ($M)	% of AUM
U.S. Treasury - Long Dur	(963)	-2%
Sovereign - Long Dur	(92)	-2%
Sovereign - Short Dur	(35)	0%
Multi Sector - ESG	(33)	-2%
Investment Grade - Long Dur	(21)	-1%
Bottom 5 Exposures Total	**(1,143)**	

Top 5 Exposures	YTD ($M)	% of AUM
U.S. Treasury - Short Dur	27,742	15%
Multi Sector - Broad	16,149	7%
U.S. Treasury - Broad	9,018	18%
U.S. Treasury - Inter Dur	6,394	7%
Sovereign - Broad	5,688	15%
Top 5 Exposures Total	**64,992**	

Bottom 5 Exposures	YTD ($M)	% of AUM
U.S. Treasury - Long Dur	(5,139)	-8%
High Yield - Broad	(2,237)	-3%
High Yield - ESG	(335)	-125%
High Yield - Short Dur	(297)	-4%
Covered Bond - Broad	(295)	-16%
Bottom 5 Exposures Total	**(8303)**	

Source: BlackRock, as of May 29 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

Rates volatility in May was driven primarily by persistent concerns around inflation, with yields spiking mid-month before retracing as ceasefire talks progressed. In the US, Treasury yields broadly rose as amidst reaccelerating inflation data and resilient growth, with 30Y yields notably surging past 5% to the highest level since 2007. In Europe, tepid activity data pushed yields modestly lower while UK Gilts outperformed given softer than expected inflation and a weakening labor market. In Asia, the RBA raised rates by 25bps to 4.35%, marking its third consecutive hike of the year, while JGB yields continued breaching record highs as inflation risks intensified, with 10Y JGB yields climbing to 2.8%.

Credit

Middle East tensions continued to dominate headlines, but credit spreads continued to grind tighter as supportive technicals outweighed the geopolitical overhang. Elevated all-in yields continued to underpin demand, while a favorable net supply backdrop and healthy earnings results provided further support. New issuance was well absorbed, despite a relatively hectic issuance calendar at the latter half of the month with performance remaining firm. In the US, IG and HY ended the month 6bps and 9bps tighter respectively, while Asia followed suit, with IG and HY narrowing by 7bps and 20bps.

Asset class in review

		Total Return			Yield level			Spread level (bps) (credit only)		
	Index	YTD	QTD	MTD	May-end	ΔMTD	ΔYTD	May-end	ΔMTD	ΔYTD
Aggregate	Global Aggregate	0.50%	1.59%	0.34%	3.76%	-0.03%	0.24%			
	US Aggregate	0.38%	0.42%	0.31%	4.67%	0.06%	0.35%			
	Japan FI, N-BPI	-2.82%	-1.16%	-0.54%	2.32%	0.04%	0.38%			
Treasury & Agency	US Treasury	0.00%	0.04%	0.11%	4.29%	0.08%	0.40%			
	Agency MBS	0.77%	0.36%	0.30%	4.93%	0.04%	0.30%			
	China(CGB+PB)	1.77%	0.95%	0.48%	1.52%	-0.06%	-0.20%			
Credit (IG & HY)	US IG Corporates	0.67%	1.21%	0.76%	5.13%	-0.01%	0.32%	72	-6	-6
	US HY Corporates	1.68%	2.19%	0.49%	6.96%	-0.02%	0.43%	257	-11	-9
	Asia IG, JACI IG	0.49%	1.00%	0.38%	5.08%	0.01%	0.31%	94	-7	-8
	Asia HY, JACI HY	3.01%	3.15%	1.08%	7.74%	-0.21%	-0.33%	365	-20	-47
Emerging Markets	EM HC, EMBI GD	2.58%	3.89%	1.00%	6.91%	-0.05%	0.11%	237	-10	-16
	EM LC, GBI-EM	1.32%	3.65%	0.85%	6.19%	-0.07%	0.32%	-	-	-

Source: Bloomberg, as of 29 May 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.

	Currency to Hedge (Forward tenor - 3M)							
Investor Currency	CCY	USD	EUR	JPY	KRW	AUD	CNY	SGD
	USD	0.00%	1.54%	2.97%	1.00%	-0.75%	2.59%	2.58%
	EUR	-1.54%	0.00%	1.43%	-0.53%	-2.29%	1.05%	1.04%
	JPY	-2.97%	-1.43%	0.00%	-1.97%	-3.72%	-0.38%	-0.39%
	KRW	-1.00%	0.53%	1.97%	0.00%	-1.76%	1.59%	1.57%
	AUD	0.75%	2.29%	3.72%	1.76%	0.00%	3.34%	3.33%
	CNY	-2.59%	-1.05%	0.38%	-1.59%	-3.34%	0.00%	-0.01%
	SGD	-2.58%	-1.04%	0.39%	-1.57%	-3.33%	0.01%	0.00%

Source: Bloomberg, as of 29 May 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.

A durable foundation

How bond ETFs are powering a portfolio evolution and fixed income revolution

Last year, our whitepaper **"Innovation Meets Opportunity"** discussed how accelerating bond ETF innovation has equipped investors with a robust ETF toolkit to navigate both today's and tomorrow's market environments.

In our latest paper **"A Durable Foundation",** we highlight how bond ETFs have emerged as the central implementation mechanism for powering a bond market revolution — translating the modernization of fixed income markets into scalable, transparent and efficient portfolio tools.

In the modern allocation framework, fixed income ETFs are not simply a component of the portfolio — they serve as the foundation to supporting the evolution to come in portfolios and the assets within them.

DOWNLOAD THE PAPER >

Key takeaways

1

Today's yield environment offers investors a generational opportunity just as the portfolio demands on fixed income broaden.

With yields meaningfully higher across global fixed income markets, bonds are positioned to potentially deliver attractive income and total return. At the same time, portfolios increasingly rely on fixed income to help manage volatility and liquidity and support disciplined rebalancing, making this moment uniquely important for strategic allocation decisions.

2

Bond ETFs are no longer just beta building blocks.

They have become the essential infrastructure of modern portfolio construction, providing structural benefits that extends beyond what single securities can provide. As the bond market has become more digitized and indexable, ETFs have evolved into scalable, transparent and liquid tools that unify indexed, active, systematic and outcome-oriented strategies within a single ecosystem.

3

As portfolios expand into private markets, digital assets, and thematic exposures, fixed income allocations become even more important for today's portfolios.

This portfolio evolution introduces different liquidity and volatility characteristics, placing greater structural demands on the core of the portfolio. Fixed income is no longer just a diversifier; it is a liquidity engine, an income anchor and a stabilizing force that helps allow innovation elsewhere in the portfolio to function without compromising resilience.

Source: BlackRock, "A durable foundation", as of April 2026. There is no guarantee that any forecasts made will come to pass. All $ in USD unless otherwise stated.

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