

BlackRock Global Funds (BGF) Distributing (R) (Class 8) Shares explained

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- Investment involves risk, including the loss of principal. Past performance is not indicative of future results.
- BlackRock Emerging Markets Local Currency Bond Fund, BlackRock Euro Bond Fund, BlackRock Euro Short Duration Bond Fund, BlackRock Fixed Income Global Opportunities Fund, BlackRock Global Government Bond Fund, BlackRock Global Inflation Linked Bond Fund, BlackRock US Dollar Bond Fund, BlackRock US Government Mortgage Impact Fund, and BlackRock World Bond Fund may use derivatives for hedging and extensively for investment purposes. Risks associated with derivatives include counterparty/credit, liquidity, valuation, volatility and market risks. The Fund's volatility may increase or decrease from its derivative usage, and may suffer losses.
- BlackRock Euro Reserve Fund and BlackRock US Dollar Reserve Fund may use derivatives for hedging. The Fund may suffer losses from its derivative usage.
- BlackRock Systematic Asia Pacific Equity High Income Fund, BlackRock Systematic Global Equity High Income Fund and BlackRock Systematic Nasdaq Equity High Income Fund may use derivatives for hedging and for investment purposes. However, usage for investment purposes will not be extensive. The Fund may suffer losses from its derivatives usage. Investment in covered call options may limit potential gains on the underlying assets, which may adversely affect the Fund's value.
- Sub-funds of BlackRock Global Funds (except funds mentioned above) may use derivatives for hedging and for investment purposes. However, usage for investment purposes will not be extensive. The Fund may suffer losses from its derivatives usage.
- There is no guarantee that distributions on certain shares of the Fund will be stable or that these classes will pay a distribution at all.
- **Class 3(G), Class 4(G) and Class 5(G) Shares** pay dividends gross of expenses. **Class 6 Shares** and **Class 10 Shares** pay dividends gross of expenses and/or from capital at the Directors' discretion. Dividends may exceed the share class's realized total return and can be paid wholly or substantially out of capital, effectively returning part of the investor's original investment. **Class 8 Shares** pay dividends gross of expenses and/or from capital at the Directors' discretion and include interest rate differentials arising from share class currency hedging. Negative interest rate differentials may decrease the dividends paid. **Class 9 Shares** pay dividends gross of expenses and/or from capital at the Directors' discretion. Dividend payment on an annual basis must be at least equal to the Dividend Threshold Amount, and in the event of a shortfall, a material portion of any dividend payment may be made out of capital. The Dividend Threshold Amount may be reduced during the year and it is not an alternative to a savings account or fixed-interest paying investment. Paying dividends gross of expenses may result in more income being available for distribution; however these shares may effectively pay dividends from capital – may amount to a partial return or withdrawal of an investor's original investment or capital gains. All declared dividends result in an immediate reduction in the NAV price of the share class on the ex-dividend date.
- The value of the Fund can be volatile and can go down substantially within a short period of time. It is possible that a certain amount of your investment could be lost.
- Investors should not make investment decisions based on this document alone. Investors should refer to the Prospectus and Key Facts Statement for details including risk factors.

Distributing (R) Shares (the "Shares") are available on a selection of sub-funds within the BlackRock Global Funds (BGF) range (e.g. A8).

The Shares are available in a variety of currencies. The Shares may only be suitable for investors who seek to receive a consistent (stable) monthly dividend irrespective of the income generated by the fund in any single period, and are aware of and willing to accept the potential for reduced future capital growth. They are not suitable for investors seeking guaranteed dividends or who are primarily looking to maximise total returns.

Distributing (R) Shares (e.g. A8) aim to:

- Pay regular (monthly) dividends of a reasonably consistent nature compared to non-stable distributing shares (see table)
- Pay dividends based on income gross of expenses
- Pay dividends based on the net interest rate differential (IRD) arising from share ("share") class currency hedging

However Distributing (R) Shares (e.g. A8) do not:

- Guarantee dividends – whilst the Shares aim to reduce variability in monthly dividends per shares, there are no guarantee that they will be successful in doing so
- Protect capital – part of any dividend may come from invested assets due to the smoothing process. In extreme cases, the entire dividend for a particular month (or months) may be from capital

- Necessarily provide a high dividend payout – the Shares do not target a particular dividend distribution level and Directors retain full discretion to alter the dividend payout at any time

What are Distributing (R) Shares (e.g. A8)?

The Shares aim to provide investors with a relatively stable monthly dividend per share based on:

Gross Income generated by a Fund's
underlying assets over time

+

the **Net Interest Rate Differential (IRD)** arising
from the currency hedging process

What is an Interest Rate Differential (IRD)?

An IRD is the difference in interest rates between two similar interest-bearing securities.

- If the 1 month interest rate on USD is 0.50%, and 1% on AUD, then the implied IRD is 0.50%

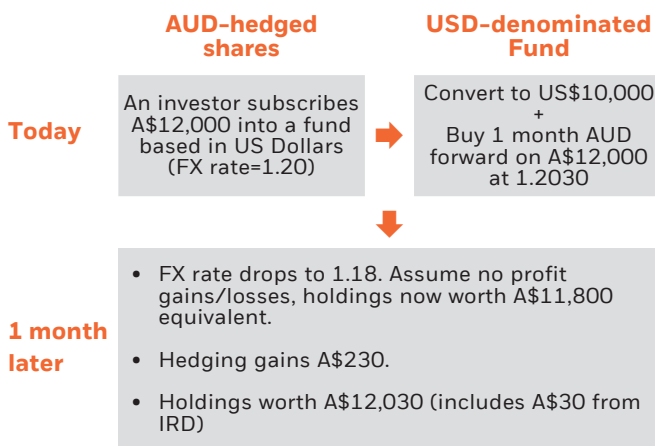
IRDs can be positive, nil, or negative.

How do IRDs relate to BGF?

IRDs are one component of the returns from the share class currency hedging process:



A theoretical example of AUD-hedged shares on a USD-denominated Fund:



The above is a hypothetical example and does not represent the return of any specific investment.

Actual IRDs arising from share class hedging are affected by factors including expenses, market movement, and ongoing hedge adjustments. These may reduce the amount of IRD available to be distributed.

How do the Shares operate?

- The monthly dividend will be determined by a dedicated Committee overseeing the process.
- In general, the Committee expects to set dividends on the basis of prior 12-month average gross income plus the net IRD attributable to the respective class
- Dividend levels are expected to be set on a quarterly basis (i.e. for the coming three months), however, they may be revised upward or downward at any time by the Committee if necessary
- Dividend levels are expected to be adjusted upwards when the combined income of the Fund and IRD rise above the current dividend level. Conversely, dividend levels are expected to be adjusted downward when the income of the Fund and IRD fall or when the Committee deems it necessary to minimise or reduce capital erosion

- A positive IRD is expected to increase the amount available to be distributed, whilst a negative IRD is expected to decrease the amount available to be distributed
- Dividends will be declared on the last business day of each month and paid within the following month

What affects the dividend level?

Amongst other things the dividend level factors in:

- Prior 12 months' gross income generated by the Fund
- Expectation of future income generation
- Amount of capital used (if any) in the stabilisation process over the past 12 months
- Size, direction and volatility of the IRD
- Last month's declared dividend amount of the Shares, and the number of months since the most recent dividend payout change
- Ability of the Fund to generate future gains to cover expenses plus any accumulated capital erosion

What should investors be aware of?

- In an effort to provide a more consistent dividend payout, the distributions on the Shares may be expected to include capital as monthly dividend can be more than a Fund's income, potentially for an extended period
- Dividends are based on income before expenses. All fees and expenses will be deducted from invested assets of the relevant Fund and may erode fund capital
- Partial or entire payment of dividend from capital will reduce capital and therefore reduce the potential for future growth of your investment and increase the risk of capital losses
- Whilst a positive IRD may allow for higher dividends, inclusion of IRDs will correspondingly reduce the potential for capital growth of the share class
- Hedging costs and other factors may reduce the amount of IRD available to be distributed
- In certain jurisdictions, distributions of IRD or income gross of expenses may be considered a distribution from capital gains or invested capital, in others it may be considered a distribution from income. Payments from capital may be treated unfavorably for tax purposes compared to payments from income. Shareholders should seek their own professional tax advice
- The Shares are also referred to with the suffix "8" (e.g. Class A8)
- Note: There is no intention for the offering of Shares to prompt a change in the way that a Fund is managed and in the existing currency hedging process for any particular share class

What are the impacts of investing in currency-hedged shares?

- Investing in shares denominated in a currency other than in which the majority of your assets and liabilities are based (your “home currency”) may subject you to additional risk from foreign exchange rate movements
- Currency-hedged shares lessen (but do not eliminate) the exposure to movements between the dealing currency and the base currency of the Fund throughout the life of the investment

- They typically deliver returns more closely correlated with those of the equivalent base currency share class, adjusted for the relevant interest rate differential
- Please refer to the “Hedged Share Class Explained” flyer for further details

Comparison of Shares

Shares available in the BlackRock Global Funds (BGF) range include non-distributing and various distributing shares. The key differences of the various types are set out below:

| Share type | e.g. | Paid | Calculated | Calculation basis | Gross/Net of expenses | Stable distributing |
|------------------|------|-----------|------------|---|-----------------------|---------------------|
| Distributing (D) | A1 | Monthly | Daily | Income for the current day | Net/Gross* | No |
| Accumulating | A2 | – | – | – | – | – |
| Distributing (M) | A3 | Monthly | Monthly | Income for the preceding 1 month | Net/Gross* | No |
| Distributing (A) | A4 | Annually | Annually | Income for the preceding 12 months | Net/Gross* | No |
| Distributing (Q) | A5 | Quarterly | Quarterly | Income for the preceding 3 months | Net/Gross* | No |
| Distributing (S) | A6 | Monthly | Monthly | Determined by Committee (primarily based on income for the preceding 12 months plus capital for smoothing as needed) | Gross | Yes |
| Distributing (R) | A8 | Monthly | Monthly | Determined by Committee (primarily based on income for the preceding 12 months plus the currency’s net interest rate differential plus capital for smoothing as needed) | Gross | Yes |
| Distributing (Y) | A9 | Quarterly | Quarterly | Determined by Committee (primarily based on expected gross income subject to a prescribed minimum yield per year) | Gross | No |
| Distributing (T) | A10 | Monthly | Monthly | Determined by Committee (primarily based on the long-term expected gross total return of the Fund in the relevant share class currency) | Gross | Yes |
| Distributing (C) | A11 | Monthly | Monthly | Determined by Committee (may consist of income, capital gains and/or capital, and may be not linked to income or total return) | Gross | Yes |

*Share classes distributing gross of expenses are referred as class 1(G), 3(G), 4(G) and 5(G) shares

For more information

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