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**BlackRock**

# No time to yield

A case for putting cash to work with bond ETFs



# Key points

1

Yields are higher today than they were 10 years ago. If inflation indicators continue to fall, the time of elevated cash rates may be drawing to a close.

2

Investors are choosing bonds in record numbers, with 2023 global bond ETF inflows at \$333 billion.

3

But investors are still significantly underweight to fixed income, with a 25% average allocation, based on EMEA industry assets under management.

4

We believe investors may still want to consider moving back into fixed income because, historically, the market has tended to price in rate actions before they occur.

5

ETFs can be a powerful tool for investors as they recalibrate their fixed income allocations.



# Introduction

Interest rates are now at the highest levels they have been in the last decade, helping to make bonds more attractive to investors who had been sitting on the sidelines the past couple of years as bonds endured significant volatility.<sup>1</sup> In 2023, global bond ETF inflows rose 25%, hitting a record \$333 billion.<sup>2</sup> In the fourth quarter alone, global inflows were up 42% over the third quarter.<sup>3</sup>

Even with ongoing volatility in economic data and bond markets, we believe that investors may still want to consider moving back into fixed income. Why? The signs of market change may be coming into focus: despite the uneven and halting descent in inflation around the world, global central banks may still be nearing the end of a tightening cycle designed to quell the most significant surge in inflation in decades — a cycle that made cash attractive.<sup>4</sup> A pivot to rate cuts from central banks later in 2024 — and already underway in emerging economies such as Brazil — is still being debated, but current yield levels may portend an opportunity in fixed income.<sup>5</sup>

We continue to believe central banks will ultimately shift their posture and markets will return to an era of less restrictive monetary policy. In our view, policy tightening is still not a question of “if” but “when,” and investors, accordingly, may want to consider moving back to fixed income. History tells us that investors can miss out on locking in higher yields if they wait for a clear, definitive answer on rate cuts.<sup>6</sup> Instead of trying to time the markets (which is near impossible), investors may consider beginning to move ahead of announced changes in central bank policy rates, increasing fixed income exposure by putting cash to work with bonds.

**1** Source: Bloomberg, as of 31 March 2024. EURIBOR 1 month at 3.9%, compared with previous peak at 5.2% as of 30 Sept. 2008. **2** Source: BlackRock Global Business Intelligence, as of 31 Dec. 2023. Flows for fixed income ETFs globally totaled \$265 billion in 2022, compared with \$333 billion in 2023. Previous annual record was in 2021 with \$282 billion. **3** Source: BlackRock Global Business Intelligence, as of 31 Dec. 2023. Flows for fixed income ETFs globally in the third quarter of 2023 totaled \$69 billion vs. \$99 billion in the fourth quarter. **4** Source: US Bureau of Labor Statistics, as of 31 Dec. 2023. US annual CPI rose from 0.1% as of 31 May 2020 to a peak of 9.1% as of 30 June 2022. Current rate as of 31 Dec. 2023 is 3.4%. European Central Bank, based on HICP Overall Index, as of 31 Dec. 2023. Euro area inflation rose from -0.3% as of 31 Dec. 2020 to a peak of 10.6% as of 31 Oct. 2022. Current rate as of 31 Dec. 2023 is 2.9%. **5** Source: Bloomberg, Banco Central do Brasil, as of 31 March 2024. First rate cut since June 2020 occurred in August 2023. Subsequent rate cuts have followed with Selic interest rates at 10.75%, as of 31 March 2024 vs. 13.75% in August 2023. **6** Source: Bloomberg, based on comparing the 5-year US Treasury Index (GT5 Govt) with Fed funds rate (FDTR Index) from 1 Jan. 2000 to 29 Feb. 2024. **Past performance does not guarantee future results.**

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We expect investors to take a more dynamic approach to asset allocation in this new market regime and leverage all the tools available. We believe bond ETFs are among the most powerful tools within the investor tool kit because they can offer the efficiency and precision needed to navigate this market environment.

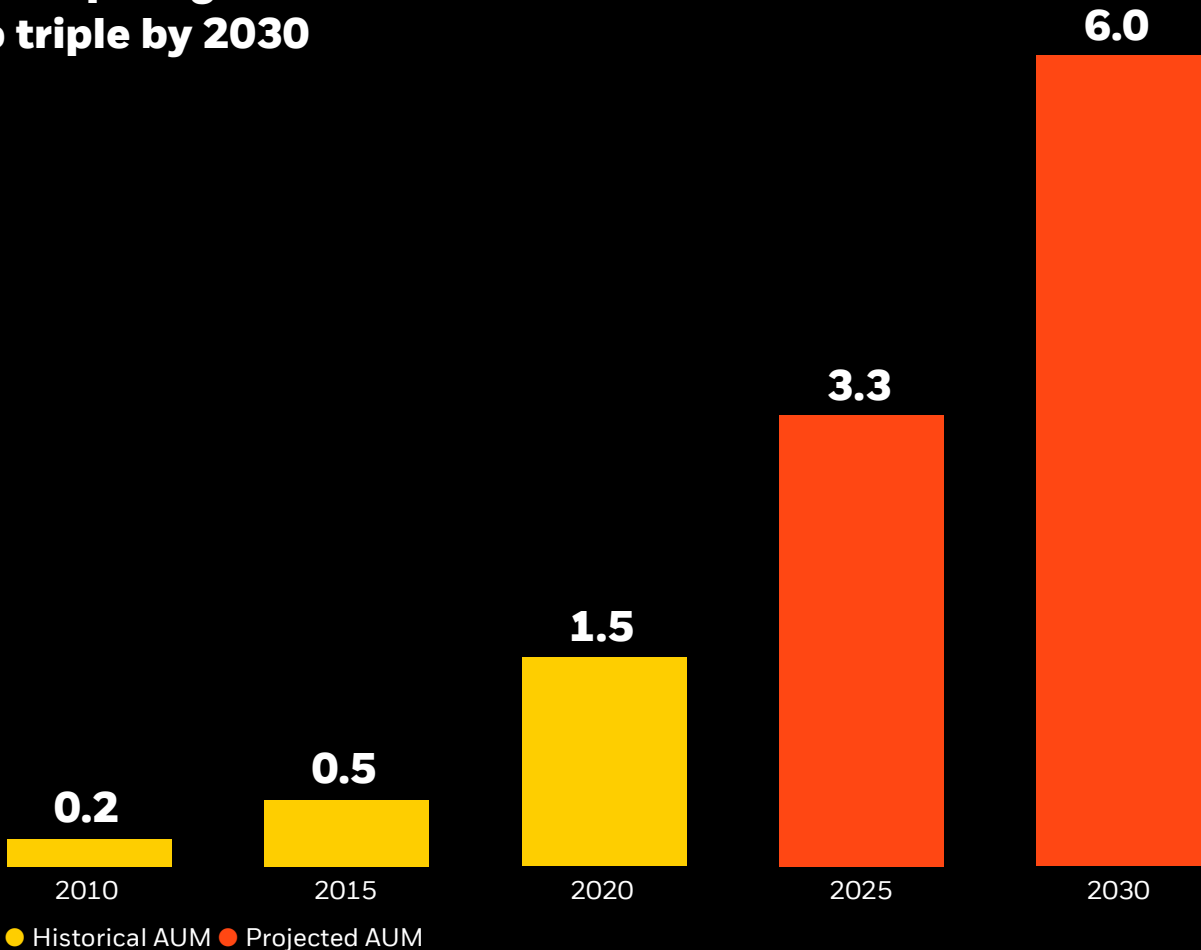
Bond ETFs are increasingly resonating with investors — reaching \$2 trillion in assets in July 2023. We believe this market will triple to \$6 trillion by 2030 as more investors view ETFs as a powerful way to access the bond market (Figure 1).

In this paper, we will discuss the opportunity within bonds and why investors may want to consider moving now to capture these decades-high yields, get cash off the sidelines, and employ efficient, precise tools such as bond ETFs in this new market regime.

We expect bond  
ETFs to triple to  
**\$6T**  
by 2030

**Figure 1: Actual and projected growth of global bond ETF AUM (USD trillions)**

## We expect global bond ETF assets to triple by 2030



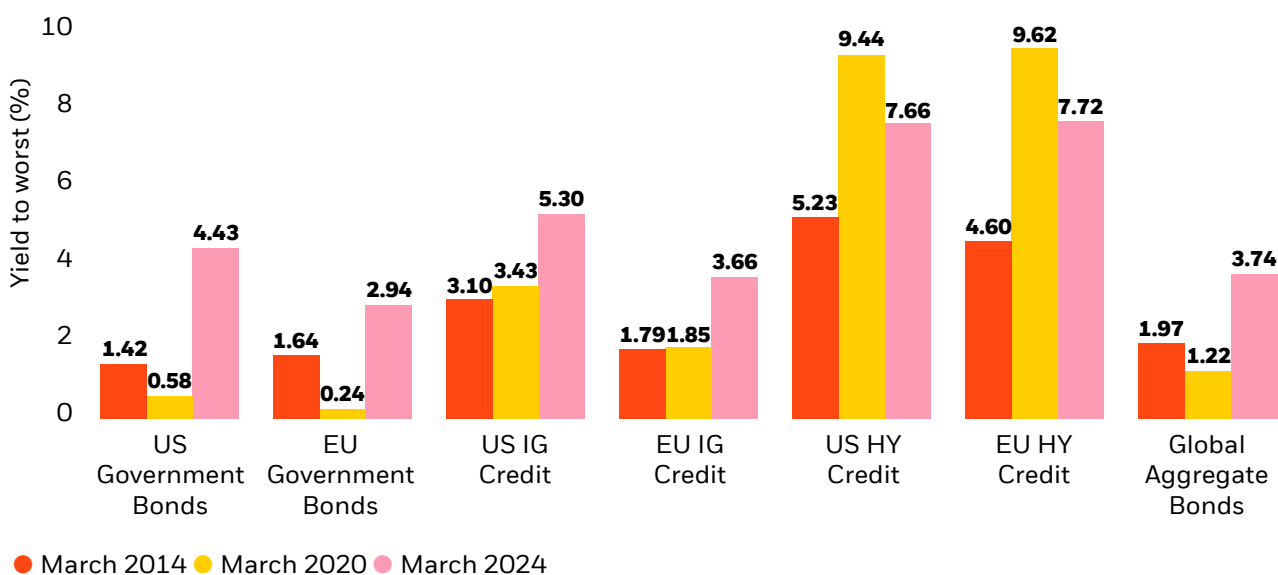
Source: From proprietary research. BlackRock projections as of 31 March 2024. Subject to change. The figures are for illustrative purposes only and there is no guarantee the projections will come to pass.

# Seek to capture higher rates

Promising trends are popping up for investors who are looking past the clouds of uncertainty on timing. **Bond yields are higher today than they were a decade ago (Figure 2).** Relative to both recent history and even 10 years ago, investors are still able to lock in highly attractive yield levels. Figure 2 shows yield levels on different indices at the end of March in 2014, 2020 (at the onset of the COVID-19 pandemic), and in 2024.

**Figure 2: Yield levels of global fixed income exposures (%), 2014-2024**

## Yields today are at decade-high levels



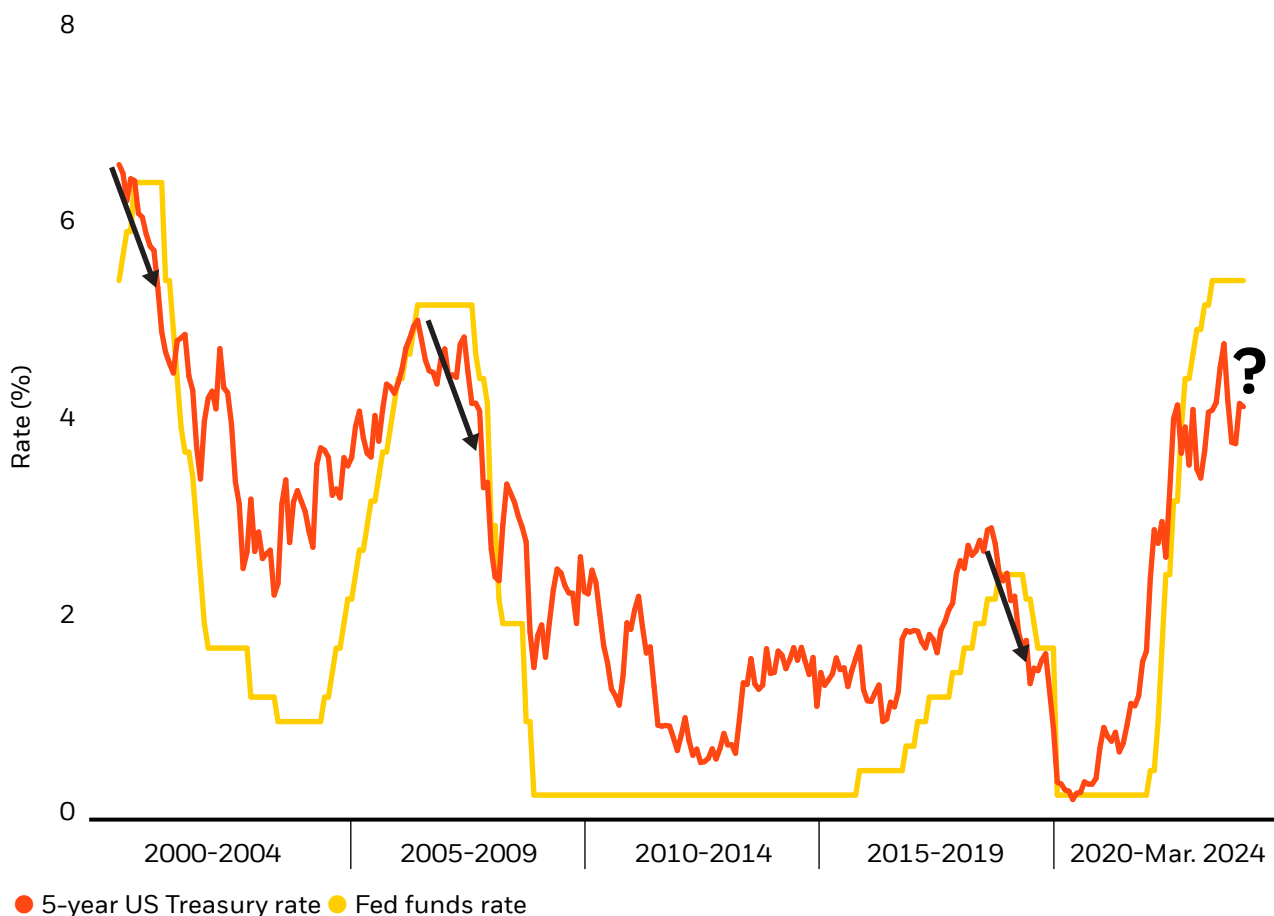
Source: Bloomberg, as of 31 March 2024. Yield to worst as of 31 March 2014, 29 March 2020, and 31 March 2024. Indices used: US Treasuries: ICE US Treasury Core Bond Index; EU Government Bonds: Bloomberg Barclays Euro Treasury Bond Index; US Corporates: Markit iBoxx USD Liquid Investment Grade Index; EU Corporates: Bloomberg Euro-Aggregate Corporate Index; US High Yield: Markit iBoxx USD Liquid High Yield Index; EU High Yield: Markit iBoxx Euro Liquid High Yield Index; Global Aggregate: Bloomberg Global Aggregate Bond Index. **Index performance is for illustrative purposes only. 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.**

With inflation indicators generally still falling (albeit haltingly and unevenly, depending on the region), the time of elevated cash rates may ultimately be coming to an end. We believe this means investors may want to consider moving back to fixed income. The market will continue to debate the timing of rate cuts, but few would debate that cuts will eventually come if inflation continues to moderate and policy becomes ever more restrictive as a result.

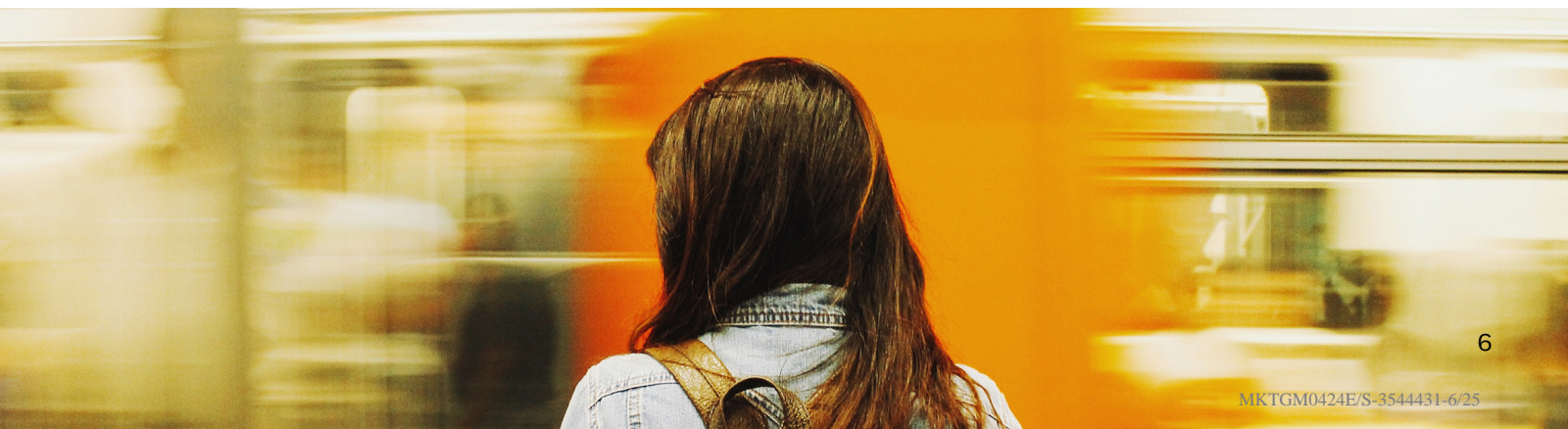
**Historically, longer term yields have moved ahead of policy shifts (Figure 3).** Investors who wait for a definitive answer may miss the opportunity to capture yields at these levels. And while history may not repeat, volatile data in inflation and economic activity have kept yields elevated even as central banks continue to signal that rate cuts are still under consideration, providing a potentially attractive entry point for investors.

**Figure 3: Five-year US Treasury rate compared to Fed funds rate (%), 2000-2024**

## Historically certain bond rates have tended to fall before the Fed starts to cut



Source: Bloomberg, from 1 Jan. 2000 to 31 March 2024. Price returns based on monthly data comparing the 5-year US Treasury Index (GT5 Govt) with Fed funds rate (FDTR Index).

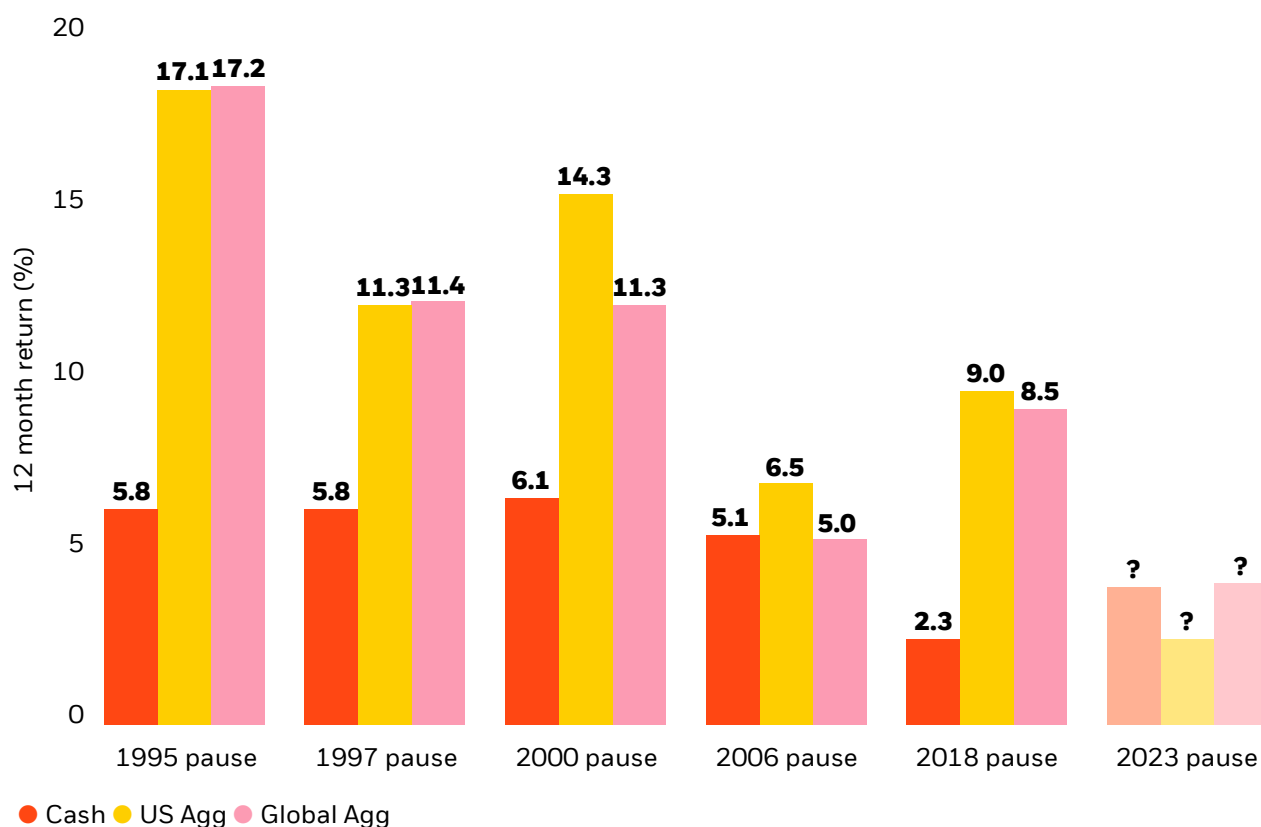




From history, we also know that when central banks implement pauses, bond markets have tended to do well as Figure 4 below illustrates. We believe investors could benefit from getting ahead of potential interest rate cuts.

**Figure 4: Bonds vs. cash 12-month returns (%) after last rate hike of each Fed hiking cycle**

## **Bonds have historically delivered stronger performance during hold periods**



Source: BlackRock, Bloomberg as of 31 March 2024. Reference to Bloomberg US Treasury Bill 1-3 Months Index (LD12TRUU) as a proxy for cash, Bloomberg US Aggregate Bond Index (LBUSTRUU), and Bloomberg Global Aggregate Bond Index (USD hedged) (LEGATRUH). The figures shown relate to past performance. 12-month performance shown from the last rate hike of a cycle: 1 Feb. 1995, 25 March 1997, 16 May 2000, 29 June 2006, 19 Dec. 2018, 27 July 2023. The 2023 pause period represents returns from 27 July 2023 to 31 March 2024 since it has not yet reached 12-months. **Past performance is not a reliable indicator of current or future results. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.**

# Time to get off the sidelines?

The volatile markets of the past few years caused many investors to, understandably, move money into a less volatile asset – cash. Rising interest rates on the back of the central banks' aggressive rate hikes in 2022 and 2023 rewarded investors for holding cash – with yields in US Treasury Bills now hovering near 5.25% and Euro Short-Term Rates at close to 4%.<sup>7</sup> Over \$1 trillion poured into money market funds globally in 2023, and the amount of cash held worldwide in money market funds sat at \$9.2 trillion through year-end, up 19% from 2022.<sup>8</sup>

**Bonds are called fixed income for a reason.** Historically bonds have served a significant role in portfolios: to generate income and provide portfolio diversification. While cash has provided income temporarily during this tightening cycle, cash has not provided the same level of potential ballast and portfolio diversification against riskier assets such as equities. In typical, upward-sloping yield curve environments, where short-term bonds yield less than longer-term bonds, longer-dated instruments can provide more income to a portfolio. Figure 5 shows that we have re-entered a period where excess cash could hurt portfolio returns as investors are missing out on returns elsewhere.

<sup>7</sup> Source: Bloomberg, based on Bloomberg Barclays US Treasury Bill Index and EURIBOR 1 month, as of 29 Feb. 2024. <sup>8</sup> Source: Simfund for US money market funds; Broadridge for non-US money market funds, both as of as of 31 Dec. 2023; Total funds for 2023 using all sources were \$9.283 trillion, while total funds for 2022 were \$7.747 trillion.

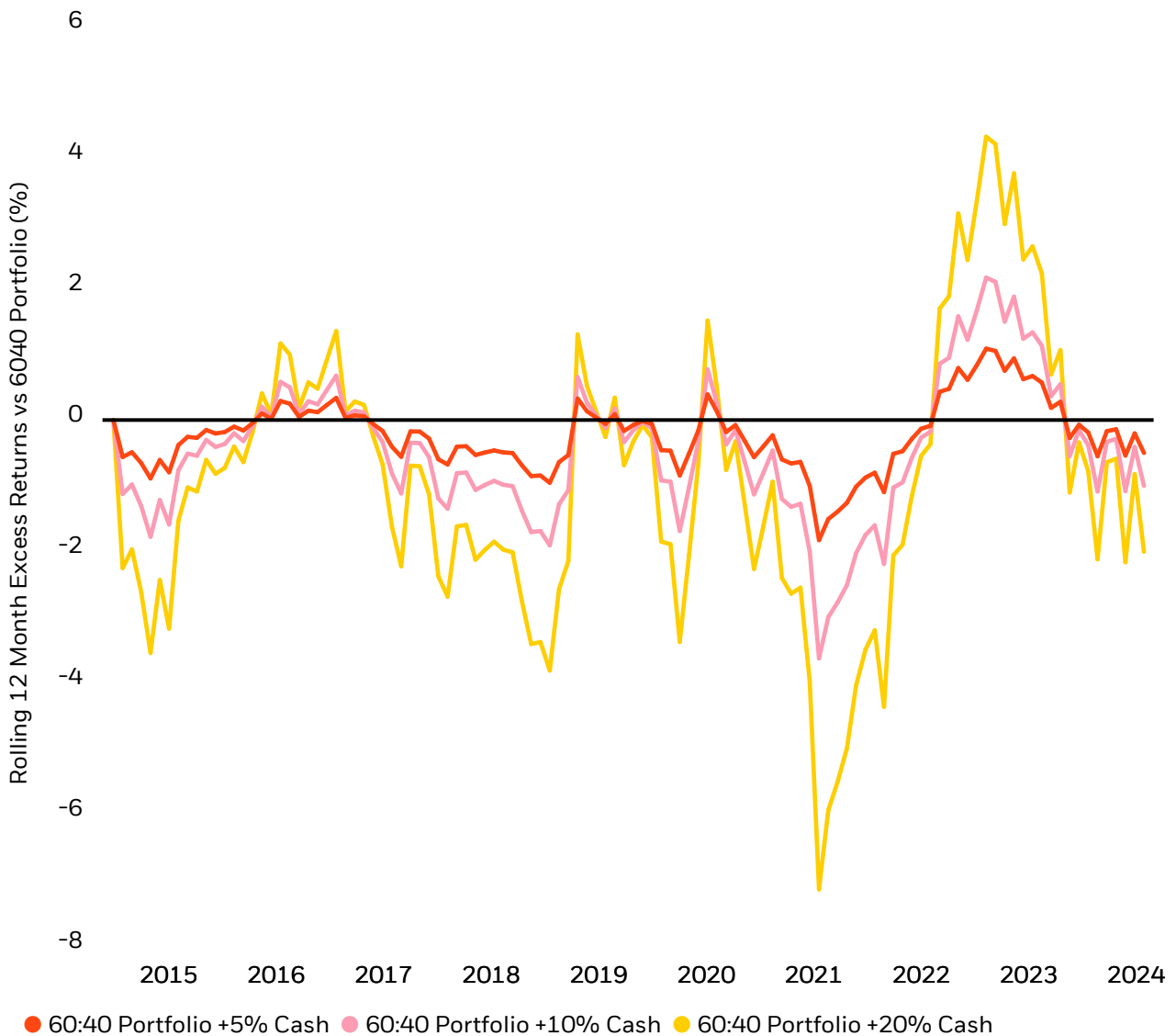
Over  
**\$1T**  
poured into money  
market funds  
globally in 2023





Figure 5: Rolling 12-month excess return on a 60/40 portfolio (%), 2014-2024

## Portfolios with varying cash amounts shows excess cash weighs on excess returns over the long-run

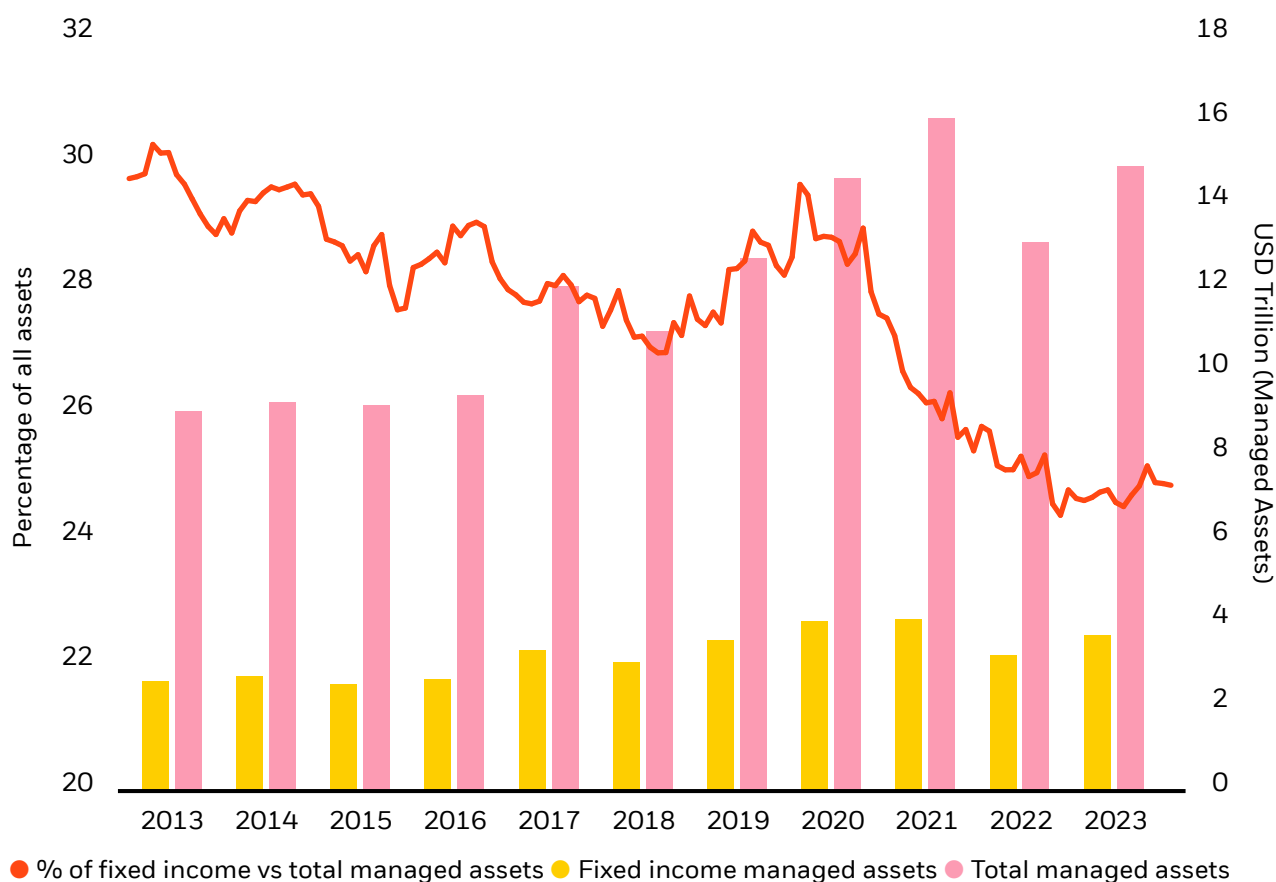


The figures shown relate to past performance. **Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.** Source: BlackRock, MPI, Morningstar. Time Period: 28 Feb. 2014 to 29 Feb. 2024. 60/40 Portfolio based on 60% MSCI ACWI Index, and 40% Bloomberg Barclays Global Aggregate Index. Cash is represented by Bloomberg US Treasury Bill 1-3 Month Index. Data Frequency: month. Currency: USD. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. This information demonstrates, in part, the firm's Risk/Return analysis. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

**Portfolios have room for bonds.** Many investors are still significantly underweight to fixed income, with a 25% average fixed income allocation, based on European industry assets under management (Figure 6). The allocation has fallen from 30% at the start of March 2020, as the COVID-19 pandemic began, and it is far below the “60/40” portfolio allocation often referenced in balanced portfolio discussions. Although the 60/40 allocation itself may not be right for every investor, we believe investors on average may want to consider holding more fixed income than they currently do depending on factors like the investors themselves, their goals, and their tolerance for risk.

**Figure 6: EUR domiciled fixed income assets as percentage of industry assets, 2013-2023 (%)**

### Bond fund assets reach lowest levels in the past decade



Source: Broadridge for Mutual Fund data, GBI iShares for ETFs, as of 31 Jan. 2024, and Hedge Fund Research (HFR) for Global Hedge Funds as of 31 Dec. 2023. Closed ended funds excluded.

# How to get back into bonds

## Harnessing the power of bond ETFs

For investors considering bonds again, how could they implement their fixed income allocation?

1

**Utilise a bond investing toolkit.** There are many ways to invest in fixed income including: individual bonds themselves, mutual funds, closed-end funds, separately managed accounts, and bond ETFs. An investor's specific circumstances, including investment objectives, holding period, tax position, and investing platform (e.g., brokerage account vs. retirement account), can help determine the ultimate choice of exposure.

2

**Adopt a portfolio mindset.** The new yield landscape means that there are now many opportunities in fixed income for investors to pursue. In an effort to build durable, resilient portfolios, investors are now able to use low-cost index exposures at the core, while employing active strategies to seek enhanced returns. For example, index bond ETFs are liquid, transparent, and efficient, making them good building blocks for the core of a portfolio. At the same time, active bond ETFs can augment this portfolio by providing the potential for enhanced return and diversification of opportunities.

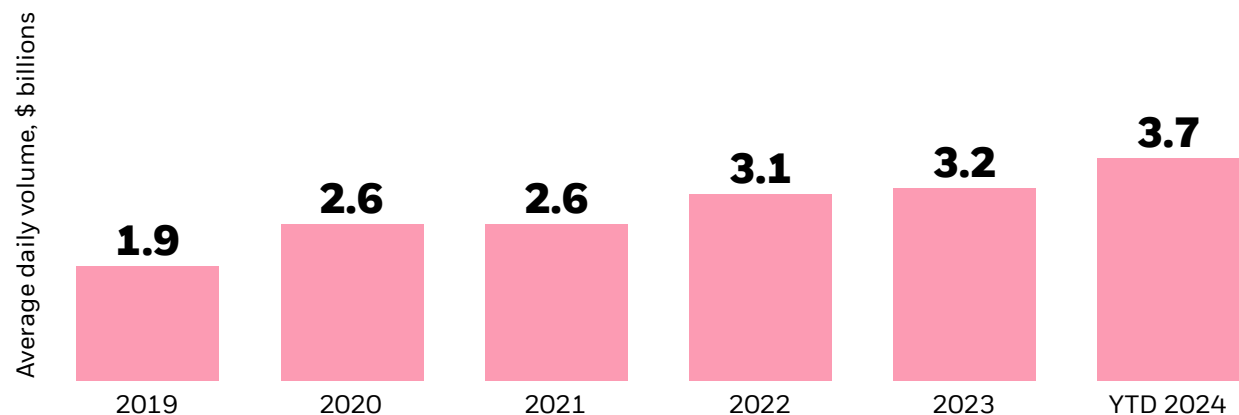


## Why bond ETFs can be a good fit for the new market regime

We believe bond ETFs will be a tool of choice for investors as they recalibrate their fixed income allocations and implement whole portfolio solutions using index and active strategies. As bond ETFs have grown in assets and liquidity (Figure 7), they have become increasingly integrated into the fixed income marketplace and have helped catalyse an evolution in bond market structure. Advances in electronic trading and algorithmic pricing of individual bonds have helped improve transparency and liquidity in underlying bond markets. Even more importantly, bond ETFs have revolutionised the way investors access fixed income exposure. Investors may now buy and sell portfolios of thousands of bonds through ETFs with a single click, often for just pennies in trading costs.<sup>9</sup> These exposures run the gamut of liquid sovereigns to emerging markets across duration, sector, and credit quality, helping provide investors with a robust and highly efficient toolkit for portfolio construction.

Figure 7: UCITS bond ETF average daily trading volume (USD billions), 2019-Q1 2024

### UCITS bond ETF trading has grown at a rate of 14% since 2019



Source: big xyt, from 1 Jan. 2019 to 31 Mar. 2024. Based on annual trading volumes of all UCITS bond ETFs. The compound annual growth rate from 2019-2023 was 14%.

<sup>9</sup> Source: Bloomberg. Average bid/ask spreads over the past 30 days (as of 29 Feb 2024) of the 25 largest global bond ETFs by assets under management were 0.01%.

**Investors can benefit from bond ETF innovation.** With over 2,300 bond ETFs globally, investors today have more choices and tools than ever.<sup>10</sup> Newer bond ETFs are slicing the fixed income marketplace into ever more granular exposures that can be blended into highly customisable portfolios. Many strategies featured in newer bond ETFs were previously available only to larger investors at high cost and great difficulty, if at all. The breadth of the fixed income ETF toolkit provides the flexibility to suit almost any investor income/return objective and risk profile.

- Investors may now build portfolios either broadly through aggregate bond ETFs, or in a more tailored manner across sectors, maturities, and credit ratings.
- Investors may choose from traditional perpetual funds or defined maturity funds (the global iShares® iBonds® suite). iBonds ETFs are the first fixed maturity ETFs launched globally. This innovative suite combines the best features of individual bonds and ETF investing offering investors an efficient tool that is designed to trade like a stock, diversify like a fund, and mature like a bond.
- The development of exposures such as interest rate and inflation-hedged, defined outcome products and actively managed funds allow for even more robust portfolio construction by introducing potential excess return, income, and hedging opportunities than with traditional index exposures alone.

Investors will decide for themselves how to best allocate their fixed income exposure based on investment objectives and risk profiles. We believe the ever-evolving bond ETF universe provides ample tools to create the right portfolio solution.

**10** Source: BlackRock Global Business Intelligence, total number of bond ETFs globally is 2,392, as of 31 March 2024.

iBonds ETFs  
are designed  
to trade like a  
stock, diversify  
like a fund,  
and mature  
like a bond

## Conclusion

After a profoundly challenging period in the bond market brought on by global inflation and resulting aggressive central bank tightening, we believe that there is a compelling case for moving off the sidelines and back into fixed income for the long-term. While yields may continue to oscillate with changing economic conditions, they remain at attractive levels not seen in decades and therefore now provide investors with a tremendous opportunity to retool, rebalance, and reduce risk in portfolios for the future.

The granularity, efficiency, and versatility of fixed income ETFs make them an effective tool for fortifying portfolios with fixed income exposure.

The Appendix shows ways that bond ETFs can be used by investors to deploy cash and address several scenarios. No matter what specific prescription investors choose, we believe the opportunity to fortify portfolios is here and it is compelling.

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# Appendix

Investors who are recalibrating their bond portfolios may be confronted with a range of macro environments going forward. Will central banks keep policy restrictive for too long and tip the economy into a hard landing and recession? Or will they actually “land the plane” in the idealistic soft-landing scenario?

No matter how investors expect near- and long-term markets to unfold, bonds have returned as a key ingredient in portfolios, and low-cost bond ETFs could be an effective transition vehicle from cash.

In this section, we explore three scenarios: (i) whether the global economy will pull off a “soft landing”; (ii) whether restrictive monetary policy results in the economy tipping into recession; or (iii) whether the economy slows while inflation persists resulting in further future rate hikes.

We believe that in each of these scenarios, at least some movement out of cash and into longer maturities is warranted. Depending on the scenario, investors may also increase or decrease credit risk.

We consider different ETFs that investors may wish to explore depending on their view on the markets and which portfolio outcome they are seeking.



## Potential ETFs for consideration

### Scenario 1: Central banks engineer a soft landing

In this ‘goldilocks’ scenario, we see falling inflation and central banks starting to gradually cut rates and re-steepen/normalise the yield curve to become upward-sloping once again.

In this scenario, investors could consider balancing the belly of the curve with high-quality, longer-duration bonds and higher income asset classes. We look to duration exposures in a range of 3-7 years, which may offer a good trade-off between current yield and potential upside valuation gains as rates fall. Additionally, for investors seeking higher income, high yield credit and risk assets in general could become much more attractive with lower refinancing risk and positive economic growth helping to contain default risk.

<b>AGGG</b>	iShares Core Global Aggregate Bond UCITS ETF
<b>IEAC</b>	iShares Core € Corp Bond UCITS ETF
<b>SUOE</b>	iShares € Corp Bond ESG UCITS ETF
<b>IHYG</b>	iShares EUR High Yield Corp Bond UCITS ETF
<b>IEMB</b>	iShares J.P. Morgan \$ EM Bond UCITS ETF

### Scenario 2: Central banks cut rates given fears of recession

In a hard landing/recessionary scenario, both growth and inflation may recede rapidly, which may lead to a sudden decrease in policy rates. Such a scenario could harm risk assets and historically has triggered a flight to quality in which the longest maturity instruments should benefit from falling yields.

Investors may not want to abandon ballast just because short-term rates are higher. Cash likely will not provide the same potential ballast as bonds, so investors believing that such a scenario is more likely could consider at a minimum “barbell” their current cash allocation with long duration instruments to help cushion risk assets and provide equity diversification. Investors may consider holding high quality assets like government bonds and higher quality credit exposures.

<b>IBTM</b>	iShares \$ Treasury Bond 7-10 Year UCITS ETF
<b>IDTL</b>	iShares \$ Treasury Bond 20+ year UCITS ETF
<b>SEGA</b>	iShares Core € Govt Bond UCITS ETF
<b>IBGL</b>	iShares € Govt Bond 15-30 year UCITS ETF
<b>IB28</b>	iShares iBonds Dec 2028 Term € Corp UCITS ETF

### Scenario 3: Central banks hike again

For those investors who believe that inflation will persist and that central banks will maintain or even enhance restrictive monetary policy – even at the cost of deteriorating economic growth, it may make sense to continue owning shorter maturity instruments (both nominal and inflation protected) which may help insulate investors from further increases in policy rates and stickier inflation.

With current inverted yield curves, where short-term interest rates are higher than long-term interest rates, we believe shorter-duration maturities could offer attractive yields versus cash and could support those seeking capital preservation. Like the prior scenario, investors may want to consider holding high quality assets like US treasuries and higher quality credit exposures.

<b>ERNE</b>	iShares € Ultrashort Bond UCITS ETF
<b>FLOT</b>	iShares \$ Floating Rate Bond UCITS ETF
<b>TIP5</b>	iShares \$ TIPS 0-5 UCITS ETF
<b>IE15</b>	iShares € Corp Bond 1-5 year UCITS ETF
<b>IB26</b>	iShares iBonds Dec 2026 Term € Corp UCITS ETF

*Top ETF per classification based on AUM, as of 31 March 2024*

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#### **iShares \$ Floating Rate Bond UCITS ETF USD (Dist)**

Concentration Risk, Counterparty Risk, Credit Bail in Risk, Liquidity Risk

#### **iShares \$ High Yield Corp Bond ESG UCITS ETF USD (Dist)**

Concentration Risk, Counterparty Risk, Credit Risk, ESG Screening Risk (ETF), Liquidity Risk, Combined Credit and Non-investment Grade Risk

#### **iShares \$ TIPS 0-5 UCITS ETF**

Counterparty Risk, Credit Risk, Liquidity Risk

#### **iShares \$ Treasury Bond 20+yr UCITS ETF USD (Dist)**

Concentration Risk, Counterparty Risk, Credit Risk, Liquidity Risk

#### **iShares \$ Treasury Bond 7-10yr UCITS ETF USD (Dist)**

Concentration Risk, Counterparty Risk, Credit Risk, Liquidity Risk

#### **iShares € Corp Bond 1-5yr UCITS ETF EUR (Dist)**

Counterparty Risk, Credit Bail in Risk, Liquidity Risk

#### **iShares € Corp Bond ESG UCITS ETF EUR (Dist)**

Counterparty Risk, Credit Risk, ESG Screening Risk (ETF), Liquidity Risk

#### **iShares € Govt Bond 15-30yr UCITS ETF EUR (Dist)**

Counterparty Risk, Credit Risk, Liquidity Risk

#### **iShares € Ultrashort Bond UCITS ETF EUR (Dist)**

Counterparty Risk, Credit Bail in Risk, Liquidity Risk

#### **iShares Core € Corp Bond UCITS ETF EUR (Dist)**

Counterparty Risk, Credit Bail in Risk, Liquidity Risk

#### **iShares Core € Govt Bond UCITS ETF EUR (Dist)**

Counterparty Risk, Credit Bail in Risk, Liquidity Risk

#### **iShares Core Global Aggregate Bond UCITS ETF USD (Dist)**

Counterparty Risk, Credit Risk, Currency Risk

#### **iShares iBonds Dec 2026 Term \$ Corp UCITS ETF USD (Dist)**

Counterparty Risk, Credit Risk, Defined Term Fund Risk, ESG Screening Risk (ETF), Liquidity Risk



**iShares iBonds Dec 2028 Term € Corp UCITS ETF EUR (Dist)**

Counterparty Risk, Credit Risk, Defined Term Fund Risk, ESG Screening Risk (ETF), Liquidity Risk

**iShares J.P. Morgan \$ EM Bond UCITS ETF USD (Dist)**

Counterparty Risk, Credit Risk, Currency Risk, Emerging Markets Risk, Liquidity Risk

**Description of product risks****Concentration risk**

Investment risk is concentrated in specific sectors, countries, currencies or companies. This means the Fund is more sensitive to any localised economic, market, political or regulatory events.

**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.

**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.

**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.

**Credit risk**

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

**ESG screening risk (ETF)**

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

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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.

**Currency risk**

The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of the investment.

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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](http://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.

**In Italy:** For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in Italian.

#### **For investors in Austria**

The funds mentioned in this document are registered for public offer in Austria. The Sales Prospectuses for the Companies, Key Investor Information Document and other documents as well as the annual and semi-annual reports have been published in Austria and are available free of charge from UniCredit Bank AG Vienna Branch, Julius Tandler Platz 3, 1090 Vienna, Austria, the Austrian paying and information agent and are also available on the website [www.blackrock.com/at](http://www.blackrock.com/at) and are available in German and English. Any decision to invest must be based solely on the information contained in the Company's Prospectus, Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. The Companies intend to fulfil the requirements for treatment of all of their sub-funds as reporting funds. Therefore, the Companies have an Austrian tax representative who calculates the Austrian Deemed Distributed Income figures once a year and files an electronic tax return with the Austrian Control Bank. However, it cannot be guaranteed that the requirements will be met in the future. The Companies reserve the right to give up the reporting fund status and to not undertake such tax filings. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in German.

#### **For investors in Denmark**

This document is directed at Professional Investors in Denmark only and the Funds are authorised by Finanstilsynet, the Danish Financial Supervisory Authority. Any decision to invest must be based solely on the information contained in the Company's Prospectus, the Packaged Retail and Insurance-based

Investment Products Key Information Document (PRIIPs KID) and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts and the Danish country supplements. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. Copies of all documentation can be obtained free of charge from offices of the paying agent at BlackRock (Netherlands) BV, Copenhagen Branch, Harbour House, Sundkrogsgade 21, 2100 København Ø, Denmark and is also available on the website at [www.blackrock.com/dk](http://www.blackrock.com/dk) available in English and Danish. This document is strictly confidential and may not be distributed without authorisation from BlackRock. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in English.

#### **For investors in Finland**

The funds mentioned are registered for public distribution in Finland and are authorised by the Finanssivalvonta (Fiva), the Financial Supervisory Authority (FIN-FSA), in Finland. Any decision to invest must be based solely on the information contained in the Company's Prospectus, Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts which can be found at [www.blackrock.com/fi](http://www.blackrock.com/fi) and are available in English and Finnish. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. This document is strictly confidential and may not be distributed without authorisation from BlackRock. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in English.

#### **For investors in France**

Any subscription for shares in a sub-fund of one of the companies will be carried out according to the conditions specified in the full Prospectus, the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID), the French Addendum and in the Supplements of Companies as the case may be. These documents can be obtained by contacting the paying agent of the Company: BNP Paribas Securities Services, 3 rue d'Antin, 75002 Paris, Tel: 00 33 1 42 98 10 00 or by visiting the website at [www.blackrock.com/fr](http://www.blackrock.com/fr) and are available in French and English. The companies are undertakings for collective investment in transferable securities (UCITS) governed by foreign laws and approved by the Financial Regulator in the home state as a UCITS complying with European regulations. The European Directive 2009/65/EC of 3 July 2009 on UCITS, as amended, establishes common rules in order to allow the cross-border marketing of UCITS which comply with it. This common foundation did not prohibit different methods of implementation. This is why a European UCITS may be marketed in France even though the activity of such scheme would not respect rules identical to those which govern the approval of this type of product in France. This sub fund has been authorized for marketing in France by the Autorité des Marchés Financiers. Please note that the distribution of shares of some sub funds of funds is not allowed in France. This document does not constitute an offer or a solicitation in relation to the shares of the funds. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in English.

#### **For investors in Germany**

The Sales Prospectus and Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID), as well as the annual and semi-annual reports are available free of charge from Commerzbank Kaiserplatz, 60311 Frankfurt am Main, Germany. The Companies intend to fulfil the prerequisites for treatment of their sub-funds as so-called "transparent funds" pursuant to §§ 2 and 4 of the German Investment Tax Act (Investmentsteuergesetz–InvStG). However, it cannot be guaranteed that

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The Fund and Fund Manager are not subject to the laws and regulations to which Israeli mutual funds are subject.

### **For investors in Italy**

Any application for shares in the funds is on the terms of the Prospectus for the Companies. The Shares of certain sub-funds in the Companies have been admitted to listing in Italy and are currently listed on the Mercato Telematico Fondi of Borsa Italiana S.p.A. The list of the sub-funds listed in Italy, the Prospectus, of the Companies, the Documento di quotazione of the iShares funds, the latest annual and semi annual report of the Companies are published (i) on the Companies' internet website at the address [www.ishares.com](http://www.ishares.com) and are available in Italian and English (ii) on Borsa Italiana S.p.A's website at the address [www.borsaitalia.it](http://www.borsaitalia.it). These documents are available for the public in Italian version with certification that such documents are a faithful translation of the original documents. Investors are entitled to receive free of charge, even at home, a copy of the above documents, upon written request forwarded to the Companies. For comprehensive information on the expenses charged to a fund and fees applicable to investors, see the Documento di quotazione and the Prospectus. Any decision to invest must be based solely on the information contained in the Company's Prospectus, the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. 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](http://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>. 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. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in Italian.

### **For investors in Luxembourg**

The Companies have been notified to the Commission de Surveillance du Secteur Financier in Luxembourg in order to market their shares for sale to the public in Luxembourg and the Companies are notified Undertaking in Collective Investment for Transferable Securities (UCITS). The Companies have not been listed on the Luxembourg Stock Exchange, investors should contact their broker for further information. Investment is subject to the Prospectus, the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and all documents (the main/umbrella Prospectus, the Supplement[s], the latest and any previous annual and semi-annual reports of the Companies and the Memorandum and Articles of Association of the Companies) will be available in the Luxembourg, free of charge, from the offices of the Local Agent, BNP Paribas Securities Services, Luxembourg Branch 33, rue de Gasperich Howald-Hesperange L-2085 Luxembourg or by visiting the website on [www.ishares.com](http://www.ishares.com) which are available in English. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes

sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in English.

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The funds mentioned are registered for public distribution in Norway and are authorised by Kredittilsynet, the Financial Supervisory Authority of Norway. Any application for shares in the funds is on the terms of the Prospectus, the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) for the Companies. Any decision to invest must be based solely on the information contained in the Company's Prospectus, the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus which can be found at [www.blackrock.com/no](http://www.blackrock.com/no) available in Norwegian and English. This document is strictly confidential and may not be distributed without authorisation from BlackRock. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in English.

#### **For investors in Portugal**

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#### **For investors in Spain**

The funds mentioned are registered for public distribution in Spain. The sales Prospectus has been registered with the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores ('CNMV')). The funds which are registered in the official registry of the Spanish Securities and Exchange Commission (CNMV) are iShares plc (registration number 801), iShares II plc (registration number 802) and iShares III plc (registration number 806), iShares IV plc (registration number 1402), iShares V plc (registration number 977), iShares VI plc (registration number 1091), iShares VII plc (registration number 886) and iShares (Lux) (registration number 905). The official registry, CNMV, must always be checked to see which sub funds of the funds mentioned are registered for public distribution in Spain. Any decision to invest must be based solely on the information contained in the Company's Prospectus, the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts, copies of which can be obtained free of charge at [www.ishares.es](http://www.ishares.es) available in Spanish and English. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. This document contains products or services of BlackRock, Inc. (or affiliates thereof) that might be offered directly or indirectly within the Andorran jurisdiction, and it should not be regarded as solicitation of business in any jurisdiction including the Principality of Andorra. BlackRock may terminate marketing at any time. Investors should understand all

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The Funds mentioned herein are registered for public distribution in Sweden and are authorised by Finansinspektionen, the Swedish Financial Supervisory Authority. Any application for shares in the funds is on the terms of the Prospectus, Key Investor Information Document, for the Companies. Important information relating to the Companies is contained in the relevant Prospectus, Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and other documents, copies of which can be obtained free of charge from offices of the paying agent BlackRock (Netherlands) BV, Stockholm branch Malmskillnadsgatan 32, SE-111 51 Stockholm, Sverige. Any decision to invest must be based solely on the information contained in the Company's Prospectus, Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts which can be found at [www.blackrock.com/se](http://www.blackrock.com/se) available in Swedish and English. Investors should read the fund specific risks in the Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> in available in English.

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#### **For investors in the Netherlands**

The Companies have been notified to the Authority Financial Markets in line with the registration process set out in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht; "FMSA"), regulations enacted pursuant thereto and the supervision thereunder of the Authority Financial Markets. Copies of all documents (the main/umbrella Prospectus, Packaged Retail and Insurance-based Investment Products Key Information Document (PRIIPs KID), the Supplement[s], the latest and any previous annual and semi-annual reports of the Companies and the Memorandum and Articles of Association of the Companies) will be available in the Netherlands, free of charge, from the offices of the representative in the Netherlands, BlackRock (Netherlands) BV, Rembrandt Toren, 17th floor, Amstelplein 1, 1096 HA Amsterdam, Netherlands or by calling the Dutch representative's information request line on 0800 0233 466 and the iShares website [www.ishares.nl](http://www.ishares.nl) in Dutch and English. Any decision to invest should be based on the information contained in the Prospectus and the key investor information Document and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. Investors should read the fund specific risks in the Packaged Retail and Insurance-based

Investment Products Key Information Document (PRIIPs KID) and the Company's Prospectus. The risk indicator shown on this document refers to the relevant share class of the Fund. Higher or lower risk may apply to the other share classes of the Fund. BlackRock may terminate marketing at any time. Investors should understand all characteristics of the funds objective before investing, if applicable this includes sustainable disclosures and sustainable related characteristics of the fund as found in the prospectus, which can be found [www.blackrock.com](http://www.blackrock.com) on the relevant product pages. For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in English and Dutch.

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