



Go Long on the Short End: Exploring Opportunities in Today's Market

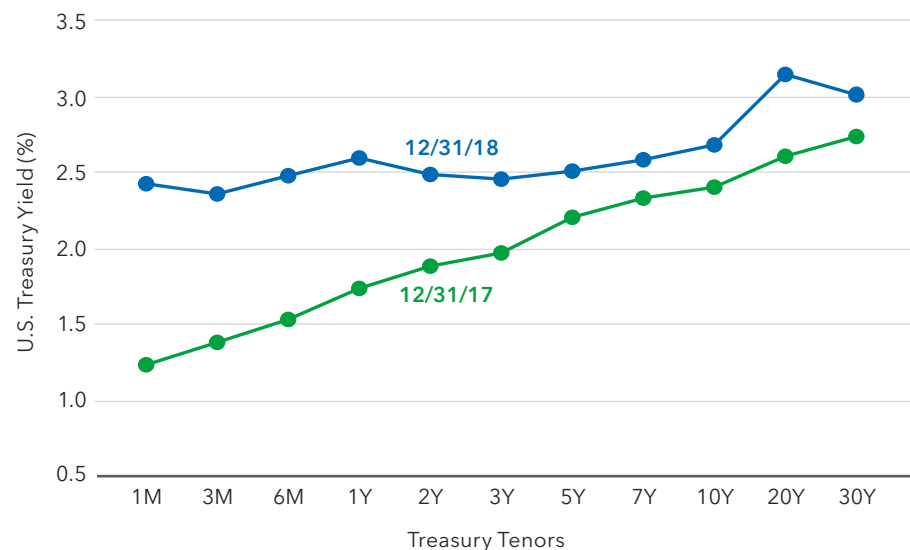
In brief

- Emerging from an 8-year rate drought, we see opportunities surfacing in the short end of the market as a result of multiple crosscurrents
- We believe effective segmentation strategies can be applied for individual and institutional investors alike to maximize the returns on cash holdings
- BlackRock offers a wide array of investment solutions that seek to meet the unique liquidity and return needs of our clients

Market Update

The U.S. Treasury curve has experienced significant flattening pressure over the last year amid a rapid rise in short term yields and investor expectations for higher rates. This marks a major shift away from the post-crisis era of near-zero yields on such instruments.

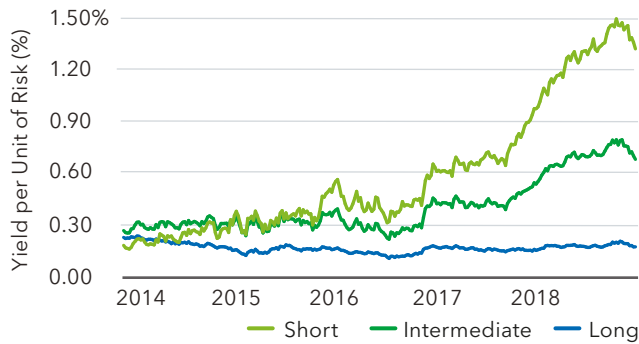
Figure 1. 12M Changes to U.S. Yield Curve



Source: Bloomberg, BlackRock, as of 12/31/2018.

The rise in short-term U.S. rates reflects multiple market crosscurrents. The U.S. Treasury market is catching up with the Federal Reserve (the Fed)'s own projection for interest rate hikes in 2018. We believe this reassessment is largely driven by stronger growth expectations tied to fiscal stimulus. Fed Chair Jerome Powell's upbeat appraisal of the economy has reinforced expectations for three to four rate hikes this year. In an era of U.S. quantitative tightening, front-end assets could look attractive relative to longer maturity instruments in order to avoid duration risks further out the curve. The rise in front-end U.S. rates provides a thicker yield cushion against any adverse rate movements that could wipe out a year of income (see Fig 2.). We believe the short end currently offers relatively compelling income combined with a healthy buffer against the prospects of further increases in yields.

Figure 2. U.S. Treasury Yield Cushion by Maturity, 2014 - 2018



Sources: BlackRock Investment Institute, Bloomberg, as of 12/31/2018. Notes: The yield cushion is defined as the percentage point rise in yield that would cause a price decline large enough to wipe out one year's worth of income across various Treasury maturities. Short-, intermediate-, and long-maturity Treasuries are represented by the Bloomberg Barclays 1-3 year, Intermediate and Long U.S. Treasury indices. **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.**

Two important aspects are influencing rates at the short end of the curve. First, the tax overhaul and budget agreement are spurring a sharp uptick in U.S. Treasury issuance, particularly in one-month to one-year bills. Second, we believe U.S. companies

repatriating cash following the passage of the Tax Cuts and Jobs Act are causing some ripples in the front end.

In our view these factors are technical and we view the rise in yields as an opportunity for investors to add exposure to shorter term duration exposures. To us, short-dated debt now provides an attractive real return as yields now stand firmly above realized and target levels of inflation.

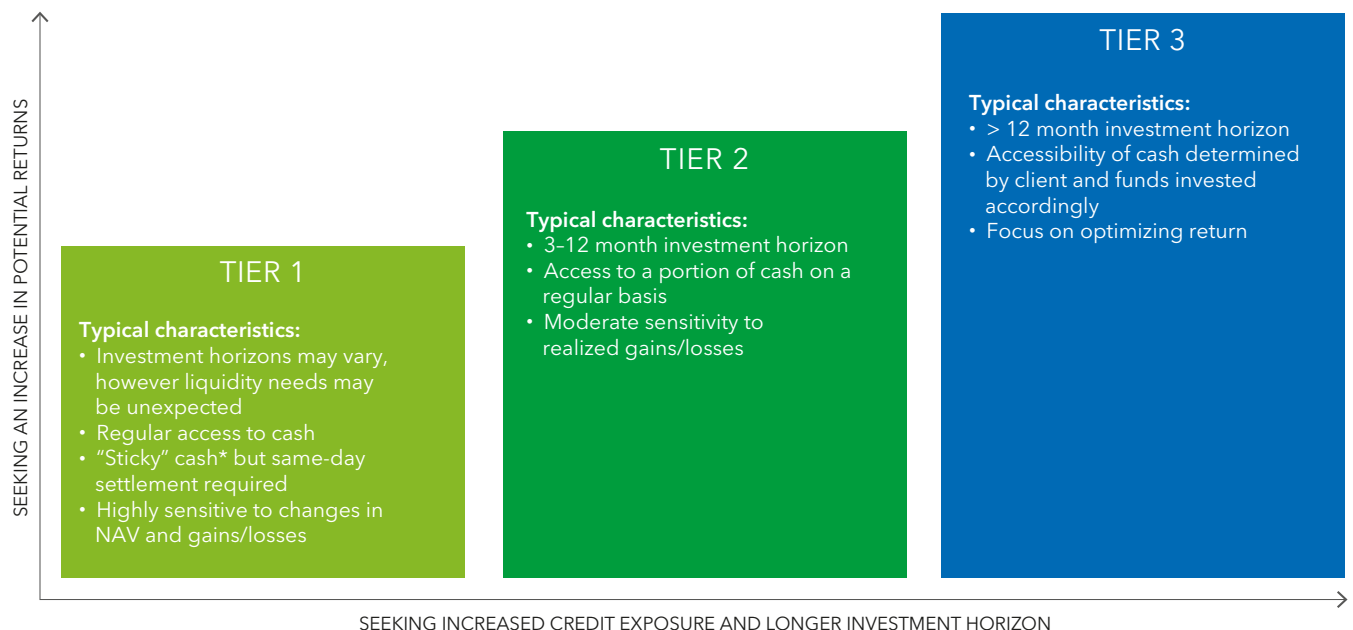
Begin with a view of cash management needs

With excess cash on hand, and attractive market conditions in the short end, it may be a prime opportunity to engage on the full spectrum of resources BlackRock has to offer.

Those conversations typically start with a segmentation discussion. We break that down here.

We believe that cash typically falls into three distinct categories or tiers. Understanding liquidity needs can help investors segment their cash and identify opportunities to optimize. While an investor's unique needs may dictate their own definitions, generally we see some variation of the following classifications:

Investment Strategies to Balance Varying Objectives



For illustrative purposes only; this graph represents a sample segmentation of a client cash profile.

* "Sticky" cash is defined as cash that is not needed immediately but could be needed within a short timeframe.

What investment solution works best for you?

BlackRock offers a variety of investment solutions across investment products including fixed income exchange-traded funds (“ETFs”) and mutual funds within the three common categories depicted above. When considering these investment options, we believe investors should carefully consider their individual risk tolerance, liquidity needs, customization requirements, investment horizon, and accounting implications to determine the optimal investment options to meet their investment objectives. We share some of the features of each investment option below:

ETF

Pros:

- **Transparency:** Holdings typically disclosed daily, precision of risk exposure, and ease of use.
- **Liquidity:** Intraday exchange liquidity - actionable two way quotes during U.S. market hours.
- **Access:** ETFs are available on a variety of investor platforms.

Cons:

- **Lack of flexibility:** The majority of fixed income ETFs are passively managed and may not meet specific client guidelines. (Note that some of the ETFs shown in this piece are actively managed.)
- **Flat fees:** One share class structure, through an equity ETF wrapper.
- **Accounting:** Fixed income ETFs are classified as trading securities; investors must recognize unrealized gains/losses on income statements.

Mutual Fund

Pros:

- **Simplicity:** Mutual funds and their respective exposure to a single or multiple asset classes can be easily comprehended.
- **Access:** Investors can gain exposure to specific asset classes and markets which may not otherwise be available to them.
- **Diversity:** Many mutual funds are diversified, investing broadly in thousands of different investment securities.
- **Liquidity:** Redemptions are typically available with T+1 or T+2 settlement.
- **Cost efficiency:** Many mutual funds have lower minimum initial investment requirements.

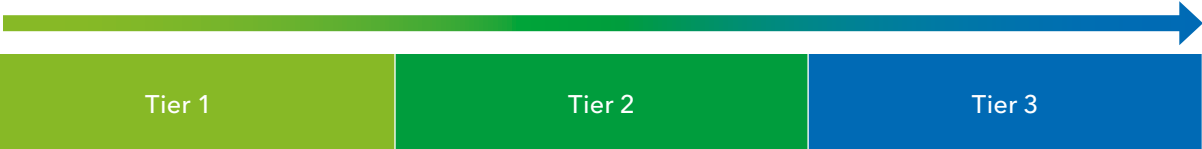
Cons:

- **No customization:** Client does not own the actual bonds and does not have the ability to customize the guidelines as needed.

See disclosures for an overview of the material differences between the products provided in this piece.

BlackRock Product Spectrum

Increasing volatility and potential return



	Tier 1	Tier 2	Tier 3
ETF	<ul style="list-style-type: none"> ■ iShares Treasury Floating Rate Bond ETF (TFLO) ■ iShares Ultra Short-Term Bond ETF (ICSH) (Active) ■ iShares Short Treasury Bond ETF (SHV) 	<ul style="list-style-type: none"> ■ iShares Floating Rate ETF (FLOT) ■ iShares Short Maturity Municipal Bond ETF (MEAR) (Active) ■ iShares 1-3 Year Treasury Bond ETF (SHY) ■ iShares Short Maturity ETF (NEAR) (Active) 	<ul style="list-style-type: none"> ■ iShares Short-Term National Muni Bond ETF (SUB) ■ iShares 0-5 Year Investment Grade Corp Bond ETF (SLQD) ■ iShares Core 1-5 Year USD Bond ETF (ISTB) ■ iShares Short-Term Corporate Bond ETF (IGSB)
Mutual Fund	<ul style="list-style-type: none"> ■ BlackRock Short Obligations Fund (I) (BISOX) ■ BlackRock Short Obligations Fund (A) (BASOX) 	<ul style="list-style-type: none"> ■ Short-Term Municipal Fund (I) (MALMX) ■ Short-Term Municipal Fund (A) (MELMX) 	<ul style="list-style-type: none"> ■ Low Duration Bond Fund (I) (BFMSX) ■ Low Duration Bond Fund (A) (BLDAX)

Product Legend

■ ETF ■ Mutual Fund

Why BlackRock for cash management and short duration?

Scale: We believe it matters, particularly in cash or short duration management. Our ability to accommodate investors' flows—both large and small, across product types—and our access to the market is a direct result of our platform of scale.

Performance: We strive to deliver performance consistent with a fund or strategy's objective. Yield is important, but most clients tell us capital preservation is their primary objective; we recognize the importance of capital preservation in this asset class.

Client focus: The rising complexity of managing cash has compelled clients to ask more questions and seek better results. We believe we have the ability to respond more effectively through customized solutions and innovative strategies.

Tier 1: Key Characteristics

Product Legend	Description	AUM*	Duration*	Gross / Net Expense Ratio ¹	Objective/Investment Strategy
ETF	iShares Treasury Floating Rate Bond ETF (TFLO)	\$548mm	0.01	Gross / Net: 15 bps ²	The iShares Treasury Floating Rate Bond ETF seeks to track the investment results of an index composed of U.S. Treasury floating rate bonds.
ETF	iShares Ultra Short-Term Bond ETF (ICSH) (Active)	\$878mm	0.39	Gross / Net: 8 bps ²	The iShares Ultra Short-Term Bond ETF seeks to provide current income consistent with preservation of capital, and is actively managed.
ETF	iShares Short Treasury Bond ETF (SHV)	\$20.6bn	0.41	Gross / Net: 15 bps ²	The iShares Short Treasury Bond ETF seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one month and one year.
Mutual Fund	BlackRock Short Obligations Fund (I) (BISOX)	\$399.2mm	0.38	Gross: 60 bps ³ Net: 35 bps ³	The investment objective of the Fund is to seek current income consistent with preservation of capital. Under normal market conditions, the Fund will invest in U.S. dollar denominated investment grade and short-term fixed and floating rate debt securities, average life of maturing in 3 years or less (with certain exceptions) and will maintain a dollar-weighted average maturity of 180 days or less and a dollar-weighted 365 days or less.
Mutual Fund	BlackRock Short Obligations Fund (A) (BASOX)	\$399.2mm	0.38	Gross: 78 bps ⁴ Net: 60 bps ⁴	The investment objective of the Fund is to seek current income consistent with preservation of capital. Under normal market conditions, the Fund will invest in U.S. dollar denominated investment grade and short-term fixed and floating rate debt securities, average life of maturing in 3 years or less (with certain exceptions) and will maintain a dollar-weighted average maturity of 180 days or less and a dollar-weighted 365 days or less.

¹ Expenses are as of the most current prospectus. Investment dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses are included in the Net. BlackRock may contractually agree to waive or reimburse certain fees and expenses until a specified date. The investment advisor and/or other service providers may also voluntarily agree to waive certain fees and expenses which can be discontinued at any time without notice. When waivers or reimbursements are in place, the operating expenses are reduced and total returns to the shareholder in the fund increase. **With respect to BISOX and BASOX:** BlackRock Advisors, LLC ("BlackRock") has contractually agreed to waive the management fee with respect to any portion of the Fund's assets estimated to be attributable to investments in other equity and fixed-income mutual funds and exchange-traded funds managed by BlackRock or its affiliates that have a contractual management fee, through November 30, 2019. The contractual agreement may be terminated upon 90 days' notice by a majority of the non-interested trustees of the Trust or by a vote of a majority of the outstanding voting securities of the Fund. BlackRock has contractually agreed to waive and/or reimburse fees and/or expenses in order to limit Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements (excluding Dividend Expense, Interest Expense, Acquired Fund Fees and Expenses and certain other Fund expenses) to 0.35% of average daily net assets through November 30, 2019 for **BISOX** and to 0.60% of average daily net assets through November 30, 2019 for **BASOX**. The Fund may have to repay some of these waivers and/or reimbursements to BlackRock in the following two years. The contractual agreement may be terminated upon 90 days' notice by a majority of the non-interested trustees of the Trust or by a vote of a majority of the outstanding voting securities of the Fund. Please see the prospectus for additional information. ² iShares Funds do not impose any minimum investment for shares purchased on an exchange or otherwise in the secondary market. ³ Minimum investment is \$5 million. ⁴ Minimum investment is \$1,000. * As of 31 December 2018. AUM is shown at the fund level for products with multiple share classes. Duration is the effective duration, which measures the sensitivity of the price of a bond with or without embedded options to changes in interest rates, taking into account the likelihood of the bond being called, put and/or sunk prior to its final maturity date while incorporating after-tax impacts on the bond. The options-based duration model used by BlackRock employs certain assumptions and may differ from other fund complexes. Effective duration is measured at the individual bond level, aggregated to the portfolio level, and adjusted for leverage, hedging transactions and non-bond holdings, including derivatives if applicable. The above product list does not represent all cash or short-term products that BlackRock offers. These products were chosen to represent a suite of products available to retail investors on common platforms. Additional products can be found at www.blackrock.com, www.blackrock.com/cash, or www.ishares.com.

Tier 2: Key Characteristics

Product Legend	Description	AUM*	Duration*	Gross / Net Expense Ratio ¹	Objective/Investment Strategy
ETF	iShares Floating Rate ETF (FLOT)	\$11.3bn	0.12	Gross / Net: 20 bps ²	The iShares Floating Rate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade floating rate bonds with remaining maturities between one month and five years.
ETF	iShares Short Maturity Municipal Bond ETF (MEAR) (Active)	\$165mm	0.59	Gross / Net: 25 bps ²	The iShares Short Maturity Municipal Bond ETF seeks to maximize tax-free current income, and is actively managed.
ETF	iShares 1-3 Year Treasury Bond ETF (SHY)	\$20.6bn	1.90	Gross / Net: 15 bps ²	The iShares 1-3 Year Treasury Bond ETF seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one and three years.
ETF	iShares Short Maturity Bond ETF (NEAR) (Active)	\$5.89bn	0.45	Gross / Net: 25 bps ²	The iShares Short Maturity Bond ETF seeks to maximize current income through diversified exposure to short-term bonds and is actively managed.
Mutual Fund	Short-Term Municipal Fund (I) (MALMX)	\$563mm	1.16	Gross: 49 bps ³ Net: 36 bps ³	Invests primarily in investment grade municipal bonds or notes, including variable rate demand obligations that have a maturity of less than four years, as it seeks a high level of income exempt from federal income taxes.
Mutual Fund	Short-Term Municipal Fund (A) (MELMX)	\$563mm	1.16	Gross: 68 bps ³ Net: 61 bps ³	Invests primarily in investment grade municipal bonds or notes, including variable rate demand obligations that have a maturity of less than four years, as it seeks a high level of income exempt from federal income taxes.

¹ Expenses are as of the most current prospectus. Investment dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses are included in the Net. BlackRock may contractually agree to waive or reimburse certain fees and expenses until a specified date. The investment advisor and/or other service providers may also voluntarily agree to waive certain fees and expenses which can be discontinued at any time without notice. When waivers or reimbursements are in place, the operating expenses are reduced and total returns to the shareholder in the fund increase. **With respect to MALMX and MELMX:** BlackRock has contractually agreed to waive the management fee with respect to any portion of the Fund's assets estimated to be attributable to investments in other equity and fixed-income mutual funds and exchange-traded funds managed by BlackRock or its affiliates that have a contractual management fee, through October 31, 2019. The contractual agreement may be terminated upon 90 days' notice by a majority of the non-interested directors of BlackRock Municipal Bond Fund, Inc. (the "Corporation") or by a vote of a majority of the outstanding voting securities of the Fund. BlackRock has contractually agreed to waive and/or reimburse fees or expenses in order to limit Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements (excluding Dividend Expense, Interest Expense, Acquired Fund Fees and Expenses and certain other Fund expenses) to 0.68% for Investor A Shares (MELMX) and 0.43% for Institutional Shares (MALMX) of average daily net assets through October 31, 2019. The contractual agreement may be terminated upon 90 days' notice by a majority of the non-interested directors of the Corporation or by a vote of a majority of the outstanding voting securities of the Fund. Please see the prospectus for additional information. ² iShares Funds do not impose any minimum investment for shares purchased on an exchange or otherwise in the secondary market. ³ There is no minimum investment for Employee sponsored retirement plans, or Investors of Financial Intermediaries. \$2 million for individuals and institutional investors. * As of 31 December 2018. AUM is shown at the fund level for products with multiple share classes. Duration is the effective duration, which measures the sensitivity of the price of a bond with or without embedded options to changes in interest rates, taking into account the likelihood of the bond being called, put and/or sunk prior to its final maturity date while incorporating after-tax impacts on the bond. The options-based duration model used by BlackRock employs certain assumptions and may differ from other fund complexes. Effective duration is measured at the individual bond level, aggregated to the portfolio level, and adjusted for leverage, hedging transactions and non-bond holdings, including derivatives if applicable. The above product list does not represent all cash or short-term products that BlackRock offers. Additional products can be found at www.blackrock.com, www.blackrock.com/cash, or www.ishares.com.

Tier 3: Key Characteristics

Product Legend	Description	AUM*	Duration*	Gross / Net Expense Ratio ¹	Objective/Investment Strategy
ETF	iShares Short-Term National Muni Bond ETF (SUB)	\$2.03bn	2.03	Gross / Net: 7 bps ²	The iShares Short-Term National Muni Bond ETF seeks to track the investment results of an index composed of investment-grade U.S. municipal bonds with remaining maturities between one month and five years.
ETF	iShares 0-5 Year Investment Grade Corp Bond ETF (SLQD)	\$1.45bn	2.24	Gross / Net: 6 bps ²	The iShares 0-5 Year Investment Grade Corporate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade corporate bonds with remaining maturities of less than five years.
ETF	iShares Short-Term Corporate Bond ETF (IGSB)	\$10.2bn	2.58	Gross / Net: 6 bps ²	The iShares Short-Term Corporate Bond ETF seeks to track the investment results of a subset of ICE BofAML U.S. Corporate Index including all securities with a remaining term to final maturity less than 5 years.
ETF	iShares Core 1-5 Year USD Bond ETF (ISTB)	\$2.35bn	2.64	Gross / Net: 6 bps ²	The iShares Core 1-5 Year USD Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated bonds that are rated either investment grade or high yield with remaining maturities between one and five years.
Mutual Fund	Low Duration Bond Fund (I) (BFMSX)	\$6.06bn	1.63	Gross: 42 bps ³ Net: 40 bps ³	Invests at least 80% of its assets in investment grade bonds and maintains an average portfolio duration that is between 0-3 years. The Fund may invest up to 20% of its assets in non-investment grade bonds. The Fund may also invest up to 25% of its assets in foreign issuers, of which 10% may be invested in emerging markets issuers. Up to 10% of the Fund's assets may be exposed to non-U.S. currency risk.
Mutual Fund	Low Duration Bond Fund (A) (BLDAX)	\$6.06bn	1.63	Gross: 78 bps ³ Net: 65 bps ³	Invests at least 80% of its assets in investment grade bonds and maintains an average portfolio duration that is between 0-3 years. The Fund may invest up to 20% of its assets in non-investment grade bonds. The Fund may also invest up to 25% of its assets in foreign issuers, of which 10% may be invested in emerging markets issuers. Up to 10% of the Fund's assets may be exposed to non-U.S. currency risk.

¹ Expenses are as of the most current prospectus. Investment dividend expense, interest expense, acquired fund fees and expenses and certain other fund expenses are included in the Net. BlackRock may contractually agree to waive or reimburse certain fees and expenses until a specified date. The investment advisor and/or other service providers may also voluntarily agree to waive certain fees and expenses which can be discontinued at any time without notice. When waivers or reimbursements are in place, the operating expenses are reduced and total returns to the shareholder in the fund increase. **With respect to ISTB:** BlackRock Fund Advisors ("BFA"), the investment adviser to the Fund, has contractually agreed to waive a portion of its management fees in an amount equal to the Acquired Fund Fees and Expenses, if any, attributable to investments by the Fund in other registered investment companies advised by BFA, or its affiliates, through February 29, 2024. The contractual waiver may be terminated prior to February 29, 2024 only upon written agreement of the Trust and BFA. During the most recently completed fiscal year, the amount of such expenses incurred and fees waived rounded to 0.00%. **With respect to BFMSX and BLDAX:** BlackRock has contractually agreed to waive the management fee with respect to any portion of the Fund's assets estimated to be attributable to investments in other equity and fixed-income mutual funds and exchange-traded funds managed by BlackRock or its affiliates that have a contractual management fee, through January 31, 2020. The contractual agreement may be terminated upon 90 days' notice by a majority of the noninterested trustees of BlackRock Funds II (the "Trust") or by a vote of a majority of the outstanding voting securities of the Fund. BlackRock has contractually agreed to waive and/or reimburse fees or expenses in order to limit Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements (excluding Dividend Expense, Interest Expense, Acquired Fund Fees and Expenses and certain other Fund expenses) to 0.65% for Investor A Shares (BLDAX), and 0.40% for Institutional Shares (BFMSX) of average daily net assets through January 31, 2020. The Fund may have to repay some of these waivers and/or reimbursements to BlackRock in the two years following such waivers and/or reimbursements. The contractual agreement may be terminated upon 90 days' notice by a majority of the non-interested trustees of the Trust or by a vote of a majority of the outstanding voting securities of the Fund. Please see the prospectus for additional information. ² iShares Funds do not impose any minimum investment for shares purchased on an exchange or otherwise in the secondary market. ³ There is no minimum investment for Employee sponsored retirement plans, or Investors of Financial Intermediaries. \$2 million for individuals and institutional investors. * As of 31 December 2018. AUM is shown at the fund level for products with multiple share classes. Duration is the effective duration, which measures the sensitivity of the price of a bond with or without embedded options to changes in interest rates, taking into account the likelihood of the bond being called, put and/or sunk prior to its final maturity date while incorporating after-tax impacts on the bond. The options-based duration model used by BlackRock employs certain assumptions and may differ from other fund complexes. Effective duration is measured at the individual bond level, aggregated to the portfolio level, and adjusted for leverage, hedging transactions and non-bond holdings, including derivatives if applicable. The above product list does not represent all cash or short-term products that BlackRock offers. Additional products can be found at www.blackrock.com, www.blackrock.com/cash, or www.ishares.com.

You should consider the investment objectives, risks and expenses of the Funds carefully before investing. The Funds' prospectuses and, if available summary prospectuses, contain this and other information about the Funds and are available by calling our Client Service Center at 800-441-7450 or by visiting www.blackrock.com/cash for the BlackRock Short Obligations Fund, and by calling 800-882-0052 or visiting www.blackrock.com for the BlackRock Low Duration Bond Fund and the BlackRock Short-Term Municipal Fund. Please read the prospectus carefully before investing.

The Funds are actively managed, and their portfolio characteristics are subject to changes.

Neither BlackRock nor its affiliates provide tax advice. Please note that (i) any discussion of U.S. tax matters contained in this communication cannot be used by you for the purpose of avoiding tax penalties; (ii) this communication was written to support the promotion or marketing of the matters addressed herein; and (iii) you should seek advice based on your particular circumstances from an independent tax advisor.

Disclosures related to iShares Funds:

Carefully consider the iShares Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

The NAIC does not endorse or recommend any securities or products, including iShares ETFs. NAIC designations are issued for specific regulatory purposes and these designations are not equivalent to credit ratings issued by nationally recognized statistical rating organizations. NAIC designations are suitable only for NAIC members.

Actively managed funds do not seek to replicate the performance of a specified index. Actively managed funds may have higher portfolio turnover than index funds.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries.

An investment in the funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and its return and yield will fluctuate with market conditions.

Securities with floating or variable interest rates may decline in value if their coupon rates do not keep pace with comparable market interest rates. The Fund's income may decline when interest rates fall because most of the debt instruments held by the Fund will have floating or variable rates.

Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and than the general securities market.

The iShares Short Maturity Bond ETF (NEAR) will invest in privately issued securities that have not been registered under the Securities Act of 1933 and as a result are subject to legal restrictions on resale. Privately issued securities are not traded on established markets and may be illiquid, difficult to value and subject to wide fluctuations in value. Delay or difficulty in selling such securities may result in a loss to the iShares Short Maturity Bond ETF. The fund may invest in asset-backed ("ABS") and mortgage-backed securities ("MBS") which are subject to credit, prepayment and extension risk, and react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly reduce the value of certain ABS and MBS.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments.

There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable.

Securities with floating or variable interest rates may decline in value if their coupon rates do not keep pace with comparable market interest rates. The Fund's income may decline when interest rates fall because most of the debt instruments held by the Fund will have floating or variable rates.

MEAR, NEAR and ICSH (the "Funds") are actively managed Funds and do not seek to replicate the performance of a specified index. Actively managed funds may have higher portfolio turnover than index funds. **The Funds are not money market funds and are not subject to the strict rules that govern the quality, maturity, liquidity and other features of securities that money market funds may purchase.** Under normal circumstances, the Funds' investments may be more susceptible than a money market fund is to credit risk, interest rate risk, valuation risk and other risks

relevant to the Funds' investments. **The Funds do not seek to maintain a stable net asset value of \$1.00 per share.** The Funds will hold securities with floating or variable interest rates which may decline in value if their coupon rates do not reset as high, or as quickly, as comparable market interest rates. Although floating rate notes are less sensitive to interest rate risk than fixed rate securities, they are subject to credit and default risk, which could impair their value.

The iShares Funds are distributed by BlackRock Investments, LLC.

Principal risks of investing in the BlackRock Short Obligations Fund: Credit Risk, Extension Risk, Financial Services Industry Risk, Foreign Exposure Risk, Interest Rate Risk, Market and Selection Risk, Mortgage and Selection Risk, Mortgage and Asset Backed Securities Risk, Municipal Securities Risk, Prepayment Risk, Repurchase Agreement Risk, Treasury Obligations Risk, U.S. Government Obligations Risk, Variable and Floating Rate Instrument Risk, When-Issued and Delayed Settlement Transactions Risk, Borrowing Risk, Expense Risk, High Portfolio Turnover Risk, Investment in Other Investment Companies Risk, Liquidity Risk, Reverse Repurchase Agreements Risk, Securities Lending Risk, Sovereign Debt Risk, and Valuation Risk.

Principal risks of investing in the Short-Term Municipal Fund include: Interest Rate Risk, Credit Risk, Extension Risk, Prepayment Risk, Volatility Risk, Counterparty Risk, Market and Liquidity Risk, Valuation Risk, Hedging Risk, Tax Risk, Regulatory Risk, Risks Specific to Certain Derivatives (Swaps, Credit Default Swaps, Indexed and Inverse Securities, Futures, Options), Distressed Securities Risk, Junk Bonds Risk, Leverage Risk, Liquidity Risk, Market and Selection Risk, Municipal Securities Risk, Tender Option bond and Related Securities Risk, Variable Rate Demand Obligations Risk, Borrowing Risk, Expense Risk, Indexed and Inverse Securities Risk, Investment in Other Investment Companies Risk, Municipal Securities Concentration Risk, Securities Lending Risk, Taxability Risk, Valuation Risk, When-Issued and Delayed Delivery Securities and Forward Commitments Risk.

The inception date for the Low Duration Bond Fund is 7/17/1992. The inception date for the Short-Term Municipal Fund is 11/2/79 and the inception date for the Short Obligations Fund is 7/9/13.

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