



SENDING A CLEAR SIGNAL

Fixed income ETFs show where bond markets are trading in real time

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Overview

Worries about the economic impact of the coronavirus pandemic in recent weeks have led to a rapid deterioration in liquidity across fixed income markets - from U.S Treasuries, to corporate bonds. Amid the turmoil, investors have increasingly turned to fixed income exchange traded funds (ETFs) for clarity and colour on what is happening in the bond markets during the coronavirus shock.

Fixed income ETFs can accurately reflect the conditions of the markets while improving price transparency, providing access to liquidity and offering immediacy of trading that is not available in individual bonds during this unprecedented period of market stress.

As bond markets get more volatile, investors turn to fixed income ETFs

As volatility in fixed income has increased over the past four weeks, iShares UCITS fixed income ETFs traded an average of US\$17.5B (21 February – 20 March), more than twice the 2019 weekly average of \$7.8B (Source: Bloomberg as at 20 March 2020).

Investors have traded fixed income ETFs more in times of uncertainty, we believe this is because they make it convenient to rebalance holdings, hedge portfolios and manage risk.

The largest trading days since the market volatility began saw record days of turnover in several flagship ETFs such as iShares Core € Corp Bond UCITS ETF (IEAC), reaching \$1.2B on 6 March (6.6x 12 month Average Daily Volume (ADV)), turnover of \$590M in iShares € High Yield Corp Bond UCITS ETF (IHYG) on 13 March (5x ADV) and record turnover of \$851M in iShares J.P. Morgan EM Local Govt Bond UCITS ETF (IEML) on 19 March (5.6x ADV). (Source: Bloomberg as at 20 March 2020).

As Europe is still lagging in terms of bond level trading data without a consolidated tape, we believe UCITS fixed income ETFs are offering a unique post trade view, capturing **real time shifts in investors sentiment**.

ETF primary market flow and turnover since 21 February 2020

iShares asset class/ticker	2020 NNB (\$m) (01/01 - 21/02)	NNB (\$m, 24/02-20/03)	NNB 1 week (\$m, 16/03-20/03)	AUM (\$m, as of 24/03)	Secondary trading volumes (\$m, 24/02-24/03)
\$ EM*	1,256	(2,448)	(1,023)	11,315	7,990
Local EM (IEML)	(47)	(2,266)	(1,068)	6,185	4,927
€ HY Corp (IHYG)	68	(2,114)	(156)	5,093	6,912
\$ HY Corp (IHYU)	133	(1,867)	(483)	3,111	3,509
€ IG Corp (IEAC)	1,051	(3,708)	(240)	11,170	11,713
\$ IG Corp (LQDE)	389	144	(612)	6,119	4,229
Ultrashort (\$,€, £)	(90)	(766)	(328)	4,675	2,091
€ Govt**	(391)	516	(112)	10,811	3,061
US Treasuries**	1,059	228	(950)	22,301	6,168

Notes: * includes IEMB, EMBC, EMBE and EMES, ** across maturity buckets/tickers.

Source: BlackRock, Bloomberg. Exact dates given in column headers. Uses Bloomberg Spot Prices. "NNB" = net new business

ETF trading grows as a proportion of the overall bond market

US-domiciled 40 Act ETFs provide the blueprint, UCITS follow

On-exchange trading of a flagship US-domiciled USD investment grade (IG) corporate bond ETF accounted for an average of 14.4% of daily trading of U.S. IG bonds during the week of 9 March, versus its 2019 average of 5.3% of total trading.

In high yield, this activity is even more pronounced, with a flagship US-domiciled USD high yield (HY) corporate bond ETF trading on average 30.6% of the total HY bond market during the week of 9 March, versus a 2019 average of 14.6%.

In Europe, we estimate secondary trading volumes in € IG and HY UCITS fixed income ETFs reached almost \$150B in 2019, equivalent to 6.7% of underlying cash bond volumes, up from 3.9% in 2018 - we expect ETF trading volumes to continue growing, offering an additional source of liquidity to the underlying cash bond market.

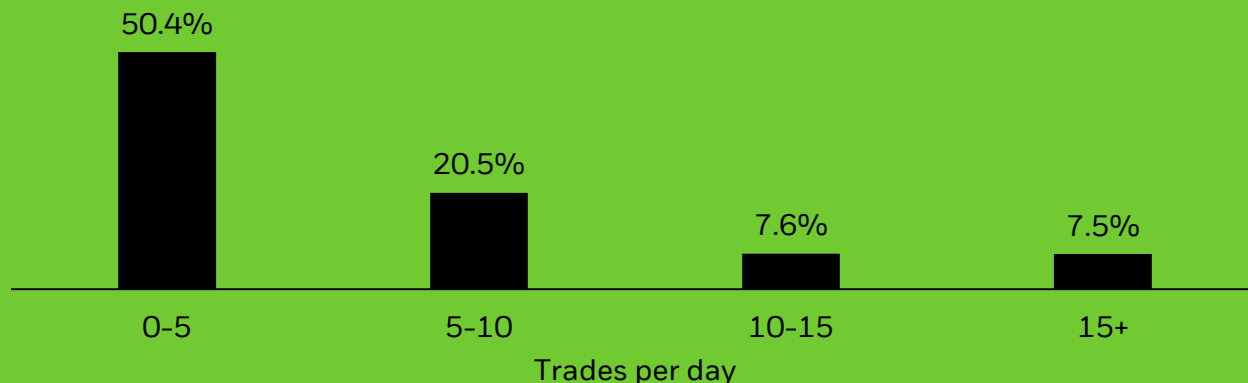
As more investors turn to fixed income ETFs, they are becoming real-time price indicators

Fixed income ETFs trade frequently, allowing ETF prices to incorporate more real-time information than even the most heavily traded portfolio bonds. This is especially true during volatile markets as ETF trading activity increases. Below we highlight two examples over the past few weeks when ETFs have shown to be a source of price discovery.

USD IG Corporates during high volatility day

On 12 March, one of the worst days for U.S. stock benchmarks in modern history, shares of iShares \$ Corp Bond UCITS ETF (LQDE) changed hands more than 1,000 times on exchange and OTC, while its top five underlying holdings traded an average of only 37 times each. (Source: Blackrock, TRACE as at 13 March 2020). **Throughout March, more than half of LQDE's bonds traded between zero and five times per day, on average, while the ETF traded regularly more frequently than the bonds in the underlying portfolio.** (Source: Blackrock, TRACE as at 24 March 2020).

Trading activity in LQDE universe, March 2020



Source: FINRA TRACE, BlackRock from 2 March 2020 to 20 March 2020.
Includes only end investor buys and sells – not dealer-to-dealer trades

Liquidity constraints in short term paper

Short term paper across asset classes has been experiencing liquidity constraints as investors are trying to raise cash either to fulfil redemptions, allocate to other asset classes or have dry powder for when sentiment turns again. As trading volumes have been relatively thin in underlying bond markets, the Net Asset Values (NAVs) of several short duration, ultra short and floating rate bond ETFs have been slow to re-price.

Meanwhile, ETFs have traded much more actively, providing insights into the clearing price for these markets. As a result, several ETF prices closed below end of day (EOD) NAV. This dynamic has been more pronounced in USD than in EUR and GBP markets. On 20 March, iShares \$ Ultrashort Bond UCITS ETF (ERNR) closed at NAV-5.69%, iShares \$ Floating Rate Bond UCITS ETF (FLOT) closed at NAV-9.01%, while iShares € Ultrashort Bond UCITS ETF (ERNE), being less dislocated, closed at NAV-1.15%.

Most notable drivers of ETF prices trading above or below their NAV are timing differences and dispersion of underlying bond prices, which is particularly pronounced in periods of market volatility. Other drivers include ETF supply and demand dynamics and the cost of creating or redeeming ETF shares.

Timing differences

The NAV of iShares UCITS fixed income ETFs is calculated at 16:15 GMT for EUR or GBP underlying exposures and at 15:00 EST if the underlying exposure is in USD. For multicurrency ETFs, bonds are valued at local market closure and the official NAV gets released on T-1. As ETF closing prices are based on the various EU exchange close timings, this often causes them to be unsynchronized with their NAV.

Dispersion of underlying bond prices

Inputs to NAV generally consist of pricing from multiple sources, which may include actual pricing data from bonds that traded on a given day or estimates based on where other comparable bonds have traded. The reality is that most bonds do not trade every day, hence, as many sources use estimated prices, without taking into consideration widening bid ask spreads, NAVs can lag real time ETF prices, particularly in volatile markets.

Market makers may also calculate their own intra-day NAV (“iNAV”) based on estimates of the underlying cash market and adjust this for positioning of their book. As a result, iNAVs can be quite volatile depending on the trades market makers have seen in the market that day. Official iNAVs are also published by STOXX on Bloomberg. Often, market makers will quote a price relative to where they see iNAV.

ETF closing price versus NAV of iShares UCITS flagship funds

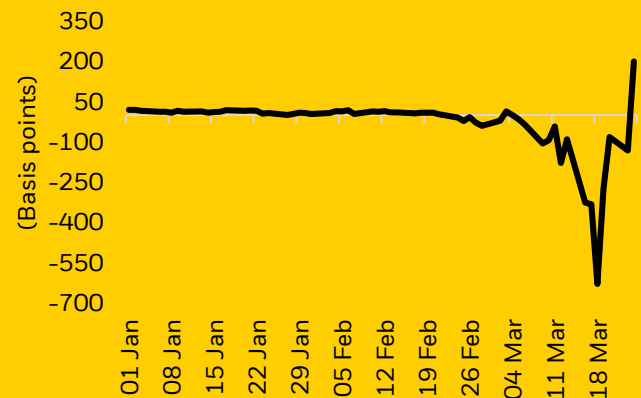
	IEAC	LQDE	IEMB	IEML	IHYG	IHYU
Market exposure	€ IG Corp	\$ IG Corp	\$ EM Sov	Local EM Sov	€ HY Corp	\$ HY Corp
Average 'premium/discount' YTD to 21/02/20	+0.12%	+0.10%	+0.22%	-0.02% (mid-based)	+0.36%	+0.12%
Average 'discount' since 21/02/20	-1.16%	-1.2%	-1.38%	-0.95% (mid-based)	-1.76%	-0.66%
Largest observed 'discount' since 21/02/20	-6.50% (18/03/20)	-7.50% (12/03/20)	-5.90% (12/03/20)	-3.70% (12/03/20)	-7.60% (18/03/20)	-3.80% (12/03/20)

Source: Bloomberg as at 23 March 2020

Spotlight: iShares Core € Corp Bond UCITS ETF (IEAC)

- IEAC is a bid-valued NAV fund. This means during normal market conditions, IEAC typically trades in the range of -5bp to +30bp spread over NAV and a bid ask spread of around 30bp on underlying IG cash bonds
- While IEAC hasn't seen any meaningful discounts since Q4 '18 (c. -20bp) and May 19 (c. -10bp), over the past three weeks it has been leading in terms of price discovery compared to its NAV which is based on almost 3,000 bond prices that have been slower to react
- The deepest price differential has been in the range of c. 4-6.5% below NAV during 17-19 March, while IEAC's price saw a sharp recovery on the back of the Fed's Quantitative Easing announcement on 23 March 2020.

IEAC ETF end of day price to NAV



Source: Bloomberg as at 24 March 2020.

Lastly, this dynamic of ETF prices being a more indicative source of real-time pricing for the underlying cash bonds is similar to the way other index-based derivatives and futures shed light on true market prices.

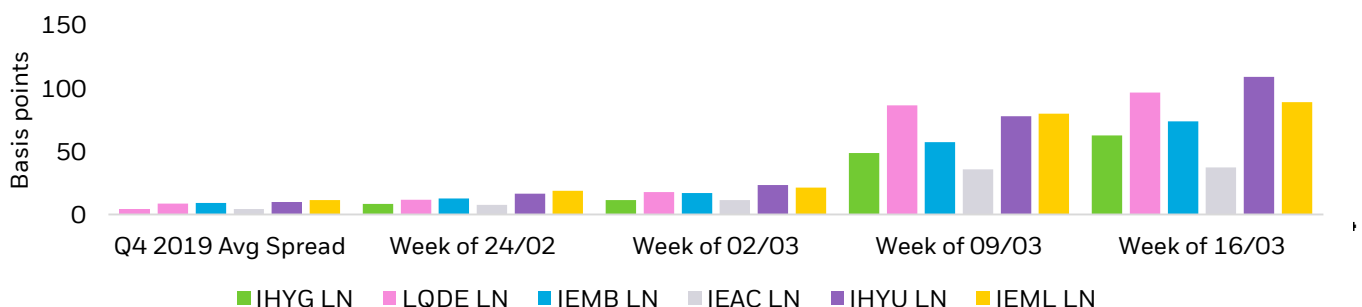
For example, in the corporate bond space since the volatility started in February 2020, the basis* between cash based ETFs and CDS indices has widened to 127.9 in IG (IEAC vs iTraxx Main) and to 303.4 in HY (IHYG vs iTraxx Crossover). This compares to a six-month average prior to the sell-off of 35bp in IG and 127bp in HY. (Source: Bloomberg as at 20 March 2020)

On the rates side, liquidity in the 10 year US Treasury future ("TY"), the most liquid fixed income futures contract, reduced as much as 20% (12 March), while the basis between the contract and the "cheapest to deliver" bond in the underlying reference basket grew to an all-time high.

Widening ETF spreads in line with elevated costs to trade the underlying bonds

Since the start of the volatility on 21 February, market makers have widened their bid ask spreads on fixed income ETFs across the board. This is almost entirely driven by the elevated costs to trade and hedge themselves against the backdrop of exceptionally high intra-day volatility in rates and credit markets, coupled with the lack of liquidity in underlying cash bond markets.

The table below shows week-on-week spread widening since the volatility started across several flagship iShares fixed income ETFs



Source: Bloomberg as at 20 March 2020.

*Basis here is defined as ETF interpolated spread (I-spread) minus CDS spread (in bps).

Spreads widening between on and off the run U.S. Treasuries

In March 2020, the average bid ask spread for iShares \$ Treasury Bond 20+yr UCITS ETF (IDTL), which seeks to track an index of long-dated U.S. government bonds, was 98.6bps. By comparison, the spreads of “off-the-run” long-dated Treasury bonds – which are less frequently traded than the most recent U.S. government issues and account for the bulk IDTL’s portfolio – widened sharply, to as much as 180bps on 12 March. This compares with 12bps on average last year. In other words, the recent dislocations in the U.S. Treasury market caused the bid ask spreads of individual bonds to widen in line with what was available through a comparable ETF, even in some of the most heavily traded securities in the world.

Despite widening spreads across asset classes, iShares fixed income ETF spreads were tighter versus competitors, while also trading multiple times more. The table below highlights average spreads and ADVs for iShares Core € Corp Bond UCITS ETF (IEAC) versus other comparable ETFs. We observe similar patterns in other exposures such as € high yield corporates and \$ emerging market debt.

€ investment grade - IEAC versus industry

Issuer	ETF Ticker	Q4 2019			March 2020 MTD			Flows (\$m)
		AUM (\$B)	ADV (\$m)	Avg spread (bps)	AUM (\$B)	ADV (\$m)	Avg spread (bps)	
iShares	IEAC LN	15,802	214	8	11,007	512	67	-2,186
Xtrackers	XBLC GT	1,755	13	9	1,722	30	81	-390
Amundi	CC4 FP	1,117	13	8	854	30	134	-176
Lyxor	CRP FP	875	7	9	604	12	137	-89
Vanguard	VECP NA	481	5	16	538	3	108	2
SPDR	SYBC GT	495	6	15	460	4	111	18
Totals								
iShares			214	8		512	67	
Competition			44	11		80	114	

Source: Bloomberg as at 25 March 2020. “ADV” = Average Daily Volume

iShares fixed income ETFs performed as expected

Investors ultimately use index-tracking fixed income ETFs to seek index performance. Many of the flagship iShares fixed income ETFs have done this over the past month, even in the face of extreme volatility. And recent market volatility has not impacted longer-term index tracking. Performance and tracking information for every iShares ETF is available for all investors on a daily basis.

It is important to consider recent iShares fixed income ETF outflows in the context of the size of those ETFs and the broad-based benchmarks they track, which offer flexibility through our stratified sampling approach. Additionally, the unique ETF mechanism for creations/redemptions allows for ETF transaction costs to be externalised, hence minimising the impact on tracking.

Investors should also separate fund “performance” and ETF “price”. ETF performance is measured based on the funds ability to track the benchmark and therefore is based on NAV. The price of the shares at any point in time will reflect market movement and sentiment.

For example, IEAC has maintained tight performance to its index after fees since markets began to show signs of stress on 19 Feb 2020. Over the past year, IEAC’s outperformed its index by 10 bps after fees, driven by 2bps in securities lending revenue and 8bps due to savings on transaction costs from efficient portfolio management. IEAC has also closely tracked its benchmark over 3 and 5 year periods. The same holds true for other flagship iShares fixed income ETFs.

iShares fund performance

The following tables show tracking difference across several iShares flagship fixed income ETFs over the past 1, 3 and 5 years.

Performance - iShares Core € Corp Bond UCITS ETF (IEAC)

	MTD (as of 27/03/2020)	QTD (as of 27/03/2020)	1 year (as of 31/12/2019)	3 year (as of 31/12/2019)	5 year (as of 31/12/2019)
Total return	-7.56%	-6.90%	6.14%	2.29%	2.15%
Benchmark	-7.49%	-6.79%	6.24%	2.42%	2.27%
<i>Total return v. benchmark</i>	-0.07%	-0.11%	-0.10%	-0.13%	-0.12%
Current exp. ratio	0.20%	0.20%	0.20%	0.20%	0.20%

Source: Bloomberg, BlackRock, as of 27 March 2020. Returns are annualized except for periods of less than one year. "Benchmark" refers to Bloomberg Barclays Euro Corporate Bond Index

Performance - iShares € High Yield Corp Bond UCITS ETF (IHYG)

	MTD (as of 27/03/2020)	QTD (as of 27/03/2020)	1 year (as of 31/12/2019)	3 year (as of 31/12/2019)	5 year (as of 31/12/2019)
Total return	-14.84%	-16.57%	9.37%	10.56%	3.50%
Benchmark	-14.47%	-16.13%	9.55%	10.95%	3.66%
<i>Total return v. benchmark</i>	-0.37%	-0.44%	-0.18%	-0.39%	-0.16%
Current exp. ratio	0.50%	0.50%	0.50%	0.50%	0.50%

Source: Bloomberg, BlackRock, as of 27 March 2020. Returns are annualized except for periods of less than one year. "Benchmark" refers to Markit iBoxx Euro Liquid High Yield Index

Performance - iShares \$ Corp Bond UCITS ETF (LQDE)

	MTD (as of 27/03/2020)	QTD (as of 27/03/2020)	1 year (as of 31/12/2019)	3 year (as of 31/12/2019)	5 year (as of 31/12/2019)
Total return	-9.92%	-6.38%	17.06%	6.44%	4.96%
Benchmark	-9.92%	-6.34%	17.26%	6.62%	5.06%
<i>Total return v. benchmark</i>	0.00%	-0.04%	-0.20%	-0.17%	-0.09%
Current exp. ratio	0.20%	0.20%	0.20%	0.20%	0.20%

Source: Bloomberg, BlackRock, as of 27 March 2020. Returns are annualized except for periods of less than one year. "Benchmark" refers to Markit iBoxx USD Liquid Investment Grade Index

Performance - iShares \$ High Yield Corp Bond UCITS ETF (IHYU)

	MTD (as of 27/03/2020)	QTD (as of 27/03/2020)	1 year (as of 31/12/2019)	3 year (as of 31/12/2019)	5 year (as of 31/12/2019)
Total return	-12.91%	-14.75%	13.08%	6.54%	3.61%
Benchmark	-13.28%	-15.05%	13.58%	6.95%	4.03%
<i>Total return v. benchmark</i>	0.37%	0.30%	0.50%	-0.41%	-0.42%
Current exp. ratio	0.50%	0.50%	0.50%	0.50%	0.50%

Source: Bloomberg, BlackRock, as of 27 March 2020. Returns are annualized except for periods of less than one year. "Benchmark" refers to Markit iBoxx USD Liquid High Yield Capped Index

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Performance - iShares J.P. Morgan EM Local Govt Bond UCITS ETF (IEML)

	MTD (as of 27/03/2020)	QTD (as of 27/03/2020)	1 year (as of 31/12/2019)	3 year (as of 31/12/2019)	5 year (as of 31/12/2019)
Total return	-10.21%	-14.40%	11.56%	5.72%	1.77%
Benchmark	-10.20%	-14.45%	12.56%	6.72%	2.64%
<i>Total return v. benchmark</i>	-0.01%	0.05%	-1.00%	-1.00%	-0.87%
Current exp. ratio	0.50%	0.50%	0.50%	0.50%	0.50%

Source: Bloomberg, BlackRock, as of 27 March 2020. Returns are annualized except for periods of less than one year. "Benchmark" refers to J.P. Morgan GBI-EM Global Diversified 10% Cap 1% Floor Index

Performance - iShares J.P. Morgan \$ EM Bond UCITS ETF (IEMB)

	MTD (as of 27/03/2020)	QTD (as of 27/03/2020)	1 year (as of 31/12/2019)	3 year (as of 31/12/2019)	5 year (as of 31/12/2019)
Total return	-13.51%	-13.08%	15.73%	6.35%	5.78%
Benchmark	-13.35%	-12.89%	16.09%	6.74%	6.19%
<i>Total return v. benchmark</i>	-0.16%	-0.20%	-0.36%	-0.39%	-0.40%
Current exp. ratio	0.45%	0.45%	0.45%	0.45%	0.45%

Source: Bloomberg, BlackRock, as of 27 March 2020. Returns are annualized except for periods of less than one year. "Benchmark" refers to J.P. Morgan EMBI Global Core Index

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iShares \$ Corp Bond UCITS ETF USD (Dist)

Counterparty Risk, Liquidity Risk, Credit Bail in Risk

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

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

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

Counterparty Risk, Credit Risk, Liquidity Risk, Non-Investment Grade Risk

iShares \$ TIPS UCITS ETF

Concentration Risk, 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 \$ Ultrashort Bond UCITS ETF USD (Dist)

Counterparty Risk, Liquidity Risk, Credit Bail in Risk

iShares € High Yield Corp Bond UCITS ETF

Counterparty Risk, Liquidity Risk, Non-Investment Grade Risk, Credit Bail in Risk

iShares € Ultrashort Bond UCITS ETF EUR (Dist)

Counterparty Risk, Liquidity Risk, Credit Bail in Risk

iShares Core € Corp Bond UCITS ETF EUR (Dist)

Counterparty Risk, Liquidity Risk, Credit Bail in Risk

iShares Core € Govt Bond UCITS ETF EUR (Dist)

Counterparty Risk, Liquidity Risk, Credit Bail in Risk

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

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

iShares J.P. Morgan EM Local Govt Bond UCITS ETF USD (Dist)

Counterparty Risk, Credit Risk, Currency Risk, Emerging Market Government Fixed Income Securities Risk, Emerging Markets Risk, Liquidity Risk

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Lower liquidity means there are insufficient buyers or sellers to allow the Fund to sell or buy investments readily.

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.

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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, Key Investor Information Document, 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 French part of the site www.iShares.eu. 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 July 13, 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.

For investors in Germany

The Sales Prospectus and Key Investor Information Document, 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 the requirements will be met. The Companies reserve the right to give up the "transparent status" and to not undertake the necessary publications. Any decision to invest must be based solely on the information contained in the Company's Prospectus, 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 Key Investor Information Document and the Company's Prospectus. Please note that important information about iShares VII funds is available in the current prospectus and other documents that can be obtained free of charge from the paying agent, Deutsche Bank AG Taunusanlage 12, 60325 Frankfurt am Main, Federal Republic of Germany.

For investors in Ireland

This document is strictly confidential and may not be distributed without authorisation from BlackRock. With respect to funds that are registered for public offer in Ireland, important information on the Companies is contained in the relevant Prospectus, Key Investor Information Document, and the most recent financial reports, which are available on our website www.iShares.com. Investors should read the fund specific risks in the Key Investor Information Document and the Company's Prospectus.

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 (ii) on Borsa Italiana S.p.A's website at the address 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, 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 Key Investor Information Document 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 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.

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, Key Investor Information Document 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. Investors should read the fund specific risks in the Key Investor Information Document and the Company's Prospectus.

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, Key Investor Information Document 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. Investors should read the fund specific risks in the Key Investor Information Document 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.

For investors in Sweden

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, Key Investor Information Document and other documents, copies of which can be obtained free of charge from offices of the paying agent BlackRock (Netherlands) BV, Stockholm Filial Norrlandsgatan 16, 1 floor, SE-111 43 Stockholm, Sweden. Any decision to invest must be based solely on the information contained in the Company's Prospectus, 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 Key Investor Information Document and the Company's Prospectus.

For investors in Switzerland

This document is marketing material.

This document shall be exclusively made available to, and directed at, qualified investors as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended.

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For investors in the UK

Any decision to invest must be based solely on the information contained in the Company's Prospectus, 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 Key Investor Information Document and the Company's Prospectus.

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