MECHANICS OF FLOATING RATE NOTES

How can investors use floating rate notes (FRNs) in their portfolio?

Put cash to work
FRNs can be used to keep cash invested without taking on too much risk.

Lower duration
FRNs can be paired with other fixed income holdings to reduce overall portfolio duration.

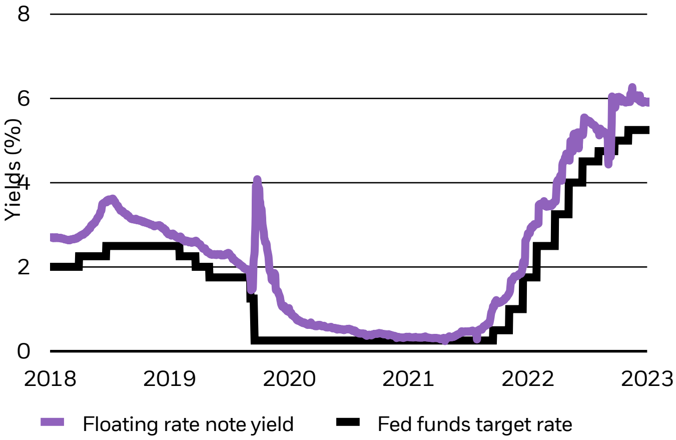
Hedge against changing interest rates
The coupon payments of FRNs adjust with changes in interest rates.

What are floating rate notes?

Floating rate notes are investment grade bonds with coupons that periodically reset using a short-term interest rate. FRNs are primarily issued by corporations. Most floating rate notes pay coupons quarterly, but a few pay monthly or semi-annually. The coupon reset dates are typically three months after the bond was issued.

Floating rate note yields change with short-term rates[1]

Past five years ending 12/31/2023



How do the coupon resets work?

Coupons are adjusted on periodic reset dates based on the following formula:

Coupon = Reference index rate + fixed spread

The reference index is a short-term interest rate, typically the 1-month or 3-month London Interbank Offer Rate (LIBOR) or Secured Overnight Funding Rate (SOFR). LIBOR is the rate an international bank would charge another bank for a short-term loan. SOFR is a measure of the cost of borrowing overnight collateralized by US Treasury securities.

The "Fixed Spread" is determined at the time of issuance based on the market's perception of the issuer's credit risk. The Fixed Spread does not change over the life of the bond.

Illustration of quarterly coupon reset

Time period		3-month LIBOR		Fixed Spread		Coupon
Coupon at Issuance	=	1.50%	+	0.50%	=	**2.00%**
Coupon at 1st Reset	=	1.75%	+	0.50%	=	**2.25%**
Coupon at 2nd Reset	=	2.00%	+	0.50%	=	**2.50%**

For illustrative purposes only.

1 Source: Bloomberg and BlackRock as of 12/31/2023. Floating rate note yield is the yield to worst on the Bloomberg Floating Rate Note <5 Years 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. Index performance does not represent actual iShares Fund performance. For actual fund performance, please visit www.iShares.com or www.blackrock.com.**

iShares.com/FLOT

Are floating rate notes the same as bank loans?

Floating rate notes are often confused with bank loans. While they both offer floating interest rates, the instruments have key differences in terms of credit quality and liquidity.

Comparison of floating rate notes and bank loans

	Floating rate notes	Bank loans
Credit quality	Primarily investment grade	Primarily below investment grade
Secured	Typically unsecured	Typically secured by issuer
Issuance	Bonds issued in the capital markets	Loans typically arranged by syndicates of commercial or investment banks
Settlement	Settle on trade day + 2 days	Settlement times vary (range from 5-40+ days)

What's happening with the LIBOR transition?

The Financial Conduct Authority (FCA) announced their intent to retire the LIBOR (London interbank offer rate) benchmark by June 2023. SOFR (secured overnight financing rate) is the new benchmark interest rate and will ultimately replace LIBOR.

The iShares Floating Rate Bond ETF (FLOT) seeks to track the Bloomberg US Floating Rate Note <5 Years Index. The index has previously only held floating rate bonds that were linked to LIBOR. Effective April 1, 2021 the index began holding floating rate bonds that are also linked to the SOFR benchmark interest rate.

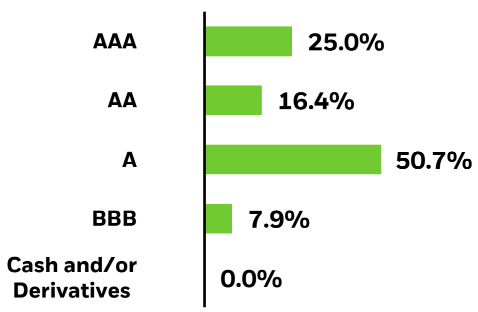
An efficient way to access floating rate notes: FLOT

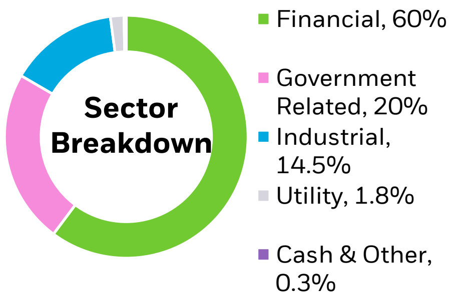
FLOT

iShares Floating Rate Bond ETF
Expense Ratio: 0.15%

FRN bond ETFs are an efficient way to access hundreds of FRNs through one fund. Consider the iShares Floating Rate Bond ETF (FLOT), which provides exposure to 300+ floating rate bonds at an expense ratio of 0.15%.

Credit quality breakdown





Rating and sector breakdown sourced from BlackRock Solutions, as of 12/31/2023. Subject to change. Credit quality ratings on underlying securities of the fund are received from S&P, Moody's and Fitch and converted to the equivalent S&P major rating category. This breakdown is provided by BlackRock and takes the median rating of the three agencies when all three agencies rate a security, the lower of the two ratings if only two agencies rate a security, and one rating if that is all that is provided. Unrated securities do not necessarily indicate low quality. Below investment-grade is represented by a rating of BB and below. Ratings and portfolio credit quality may change over time.

Carefully consider the 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.

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. 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. This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This material is strictly for illustrative, educational, or informational purposes and is subject to change.
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