

iSHARES BOND ETF DICTIONARY

Fixed income fundamentals

Metric	Definition	Implication
Weighted average maturity (WAM)	The weighted averaged time remaining until maturity or expected call date for bonds in the fund.	Gives investors an idea of approximately how long bonds will continue to remain outstanding.
Weighted average coupon (WAC)	Measures the weighted average of the coupon rate of the bonds in the fund.	Gives investors an idea on the approximate coupon rate that the bonds in the fund pay out.
Effective duration	Measures the average price sensitivity of the fund to a parallel change in interest rates. This measure takes into account the impact that small changes in interest rates will have on the cash flows on the bonds.	A bond or fund with a high effective duration is expected to be more sensitive to a change in interest rates than a bond or fund with a low effective duration.
Option adjusted spread (OAS)	Measures the credit spread or additional yield potential over a similar maturity US Treasury bond in basis points. OAS includes the likelihood that the bond will be called or prepaid before the schedule maturity date.	Provides investors with the estimate of additional yield for investing in bonds with credit risk.
Standard deviation	The annualized volatility of the fund's monthly net asset value (NAV) total returns over a specific time period, typically 3 years.	In general, the higher the standard deviation, the riskier the investment.

Yield measurements

Metric	Definition	Implication
30-day SEC yield	A standard calculation developed by the SEC to provide directly comparable values among bond funds. It reflects interest earned by the average investor during the most recent 30-day period, after deducting expenses. Because every fund company must follow the same formula for SEC yield, investors can use it to compare funds.	Backward looking — tells investors what the fund earned in interest over the past 30 days.
Average yield	The discount rate that equates the present value of a bond's cash flows with its market price (including accrued interest). The average yield is the weighted average of the fund's individual bond holding yields based on NAV. This yield does not include fees and expenses. For callable bonds, this yield is the yield-to-worst.	Snapshot in time — tells investors the average yield the fund's bonds are currently earning.
Distribution yield	The most recent distribution, annualized, then divided by the most recent NAV.	Backward looking — tells investors the yield based on the fund's most recent distribution. This typically indicates what the fund is currently distributing.
12-month trailing yield	The sum of income distributions in the past 12 months divided by the sum of the most recent NAV and any capital gain distributions made over the past 12 months.	Backward looking — tells investors what a fund distributed in the past year.

Distributions

Metric	Definition	Implication
Monthly income distribution	<p>The earned income of a fixed income ETF's portfolio which is paid out on a monthly basis. The distribution is equal to:</p> <p>Accrued Coupon Interest - Premium amortization + Discount accretion - Net expenses +/- Inflation adjustment (for TIPS ETFs only) +/- FX gains/losses (for ETFs with bonds in foreign currencies only)</p> <hr/> <p>=ETF earned income</p>	Snapshot in time – tells investors the dollar amount that was received per ETF share each month.

Municipal bond metrics

Metric	Definition	Implication
Tax equivalent yield	For municipals, the 30-day SEC yield or distribution yield divided by (1-tax rate) using the highest marginal federal tax rate or state tax rate for state specific funds.	Backward looking – it allows investors to compare a muni bond yield to a taxable bond yield.

Treasury inflation protected securities (TIPS) metrics

Metric	Definition	Implication
Real yield	For TIPS, the weighted average yield to maturity of the fund adjusted to remove the effects of inflation. This yield does not include fees and expenses.	Snapshot in time – tells investors the average yield of the fund's bonds without the impact of the inflation adjustment.
Weighted average yield to maturity (YTM)	For TIPS, the average yield of the fund, including assumptions about the future level of inflation. This yield does not include fees and expenses.	Snapshot in time – tells investors the average yield the fund's bonds are currently earning with the market's assessment of inflation over the underlying bonds lives.

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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.

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GELM-427500-JUN22-A-US