

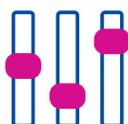
Bond ETFs – Ways to get started

Same potential benefits, different asset class

Exchange traded funds (“ETFs”) first appealed to equity investors, providing efficient access to the world’s stock markets. ETFs are now transforming bond markets, with assets quadrupling since 2008.¹ Investors increasingly recognize that the potential benefits of ETFs – competitive performance, low cost and tax efficiency – apply to bonds just as they do to equities.

Competitive performance

Various iShares bond ETFs have outperformed their peers¹



Low cost

On average, iShares bond ETFs cost 1/4 the price of active mutual funds²



Tax efficient

Only 5% of iShares bond ETFs paid out a capital gain in 2017³



% of peers that the ETF has outperformed, based on total return		
Ticker	Percentage	Morningstar Category (# of funds in category)
IUSB	66% (3yr)	Intermediate-Term Bond (887)
EMB	78% (5yr)	Emerging Markets Bond (173)
FLOT	65% (5yr)	Ultrashort Bond (117)

Cost comparison of ETF vs. its mutual fund peers	
Ticker	Cost
IUSB	1/10
EMB	1/2
FLOT	3/5

% of funds paying capital gains		
Year	ETFs	Mutual Funds
2017	5%	12%
2016	8%	32%
2015	5%	30%

What role do bonds play in a portfolio?

Diversify equities

AGG iShares Core U.S. Aggregate Bond ETF
Exp. Ratio: 0.05%*

IUSB iShares Core Total USD Bond Market ETF
Exp. Ratio: 0.06%*

LQD iShares iBoxx \$ Investment Grade Corporate Bond ETF
Exp. Ratio: 0.15%

Generate income

EMB iShares J.P. Morgan USD Emerging Markets Bond ETF
Exp. Ratio: 0.40%

PFF iShares U.S. Preferred Stock ETF
Exp. Ratio: 0.46%

HYG iShares iBoxx \$ High Yield Corporate Bond ETF
Exp. Ratio: 0.49%

Put cash to work

FLOT iShares Floating Rate Bond ETF
Exp. Ratio: 0.20%

NEAR iShares Short Maturity Bond ETF (Active)
Exp. Ratio: 0.25%

IGSB iShares Short-Term Corporate Bond ETF
Exp. Ratio: 0.06%

† Sources: BlackRock, Bloomberg as of 3/31/18.

* Net expense ratio for AGG and IUSB reflect contractual fee waivers in place until 6/30/26 and 2/29/2024, respectively. Gross expense ratio for AGG and IUSB are 0.06% and 0.07% respectively.

1 Morningstar as of 9/30/18. Comparison made between the total return of EMB, FLOT and IUSB and the respective ETFs and mutual funds within the same Morningstar categories at period end. Total return represents changes to the NAV and accounts for distributions from the funds (excluding any applicable sales charges). IUSB outperformed 55% of peers (1,023 funds) in the Intermediate-Term category for the 1 year period. EMB outperformed 58% and 50% of peers (302 and 56 funds) in the Emerging Markets Bond category for the 1 and 10 year periods, respectively. FLOT outperformed 90% of peers (183 funds) in the Ultrashort Bond category for the 1 year period. Performance may be different for other time periods. **Past performance is no guarantee of future results.**

2 Morningstar as of 12/31/17. Comparison is between the Prospectus Net Expense Ratio for the average Fixed Income iShares ETF (0.21%) and the average Fixed Income Open-End Mutual Fund (0.92%) available in the U.S. ex money market funds. EMB, IUSB and FLOT costs compare the ETF’s net expense ratio to the average net expense ratios of the Open-End Mutual Funds in their respective Morningstar categories. In the Morningstar Open-End Intermediate Term Category the average net expense ratio is 0.60% vs 0.06% net expense ratio for IUSB. In the Morningstar Open-End Emerging Markets Bond Category the average net expense ratio is 0.84% vs. 0.40% net expense ratio for EMB. In the Morningstar Ultra Short Term Bond Category the average net expense ratio is 0.38% vs 0.20% net expense ratio for FLOT.

3 Morningstar as of 12/31/17, Average number of fixed income mutual funds that paid a capital gain distribution each year within a universe of 10,761 funds. Universe includes all U.S. open ended mutual funds excluding money market funds, all share classes used. ETFs include all iShares Bond ETFs available each year. Past distributions are not indicative of future distributions.

Many investors are getting started with bond ETF blends

Combining AGG and LQD can help keep correlations low while potentially boosting return.

	AGG	Blended
S&P 500 Correlation	-0.08	0.12
Return	1.25%	1.96%
Risk	2.67%	3.19%



Combining HYG, EMB and PFF can help sustain yields, potentially increase return and lower risk.

	HYG	Blended
Yield	5.71%	5.59%
Return	6.85%	5.75%
Risk	4.55%	3.98%



Source: BlackRock as of 9/30/18. Risk and Return based on 3-year annualized return and standard deviation ending 9/30/18. Standard deviation measures how dispersed returns are around the average. A higher standard deviation indicates that returns are spread out over a larger range of values and thus, more volatile. Yield is represented by the weighted average of the 30-day SEC yield of the ETFs included in each portfolio as of 9/30/18. **This information should not be relied upon as research, investment advice or a recommendation regarding the Funds or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future holdings or portfolio of any BlackRock client.**

Standardized performance as of 9/30/18

Fund name	Fund inception date	Gross/net expense ratio (%)	30-Day SEC yield (with/without waiver)	Contractual fee waiver expiration (if applicable)	1-year returns		5-year returns		10-year returns		Since inception	
					NAV	Mkt price	NAV	Mkt price	NAV	Mkt price	NAV	Mkt price
iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD)	7/22/02	0.15%	4.13%	–	-1.94%	-2.00%	3.68%	3.68%	6.44%	6.84%	5.19%	5.18%
iShares J.P. Morgan USD Emerging Markets Bond ETF (EMB)	12/17/07	0.40%	5.57%	–	-2.99%	-3.21%	4.56%	4.48%	6.79%	6.66%	5.69%	5.68%
iShares Core U.S. Aggregate Bond ETF (AGG)	9/22/03	0.06%/0.05%	3.17%/3.17%	6/30/26	-1.29%	-1.35%	2.12%	2.11%	3.66%	3.67%	3.70%	3.70%
iShares iBoxx \$ High Yield Corporate Bond ETF (HYG)	4/4/07	0.49%	5.71%	–	2.55%	2.47%	4.29%	4.30%	7.34%	7.49%	5.46%	5.43%
iShares U.S. Preferred Stock ETF (PFF)	3/26/07	0.46%	5.45%	–	1.04%	1.12%	5.74%	5.71%	10.10%	9.93%	4.15%	4.13%
iShares Core Total USD Bond Market ETF (IUSB)	6/10/14	0.07%/0.06%	3.44%/3.43%	2/29/24	-1.12%	-1.09%	–	–	–	–	2.05%	2.09%

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting iShares.com or blackrock.com.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Performance shown may reflect fee waivers and/or expense reimbursements by the investment advisor to the fund for some or all of the periods shown. Performance would have been lower without such waivers.

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Lit. No. IS-FI-START-0918R 163907-1118

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