



Preferred Stocks

Diversify your income portfolio

Looking to expand your income sources?

Consider preferred stocks with iShares:



iShares U.S. Preferred Stock ETF

What are Preferreds?

Preferred stocks have “hybrid” features, combining elements of both stocks and bonds to offer income and upside potential.

Like bonds:

- Generally pay fixed or floating dividends, similar to bond coupons.
- Precede common stock in a company’s capital structure.

Like stocks:

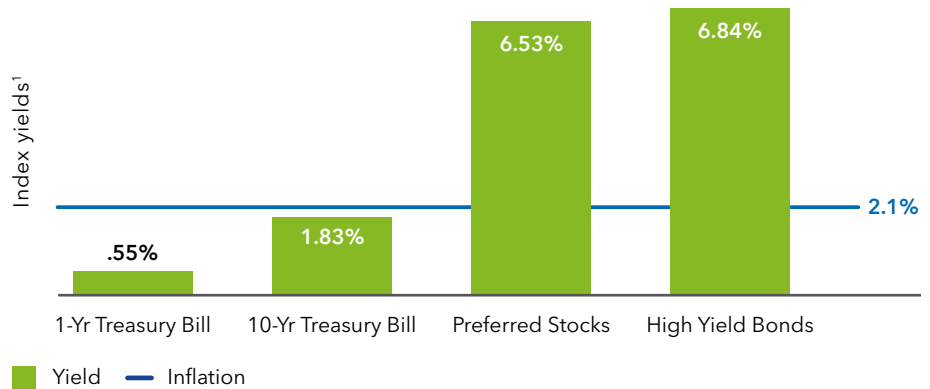
- Have the potential for capital appreciation.

In a world of record low yields, investors are being challenged to find new sources of income.

Now may be a good time to take a closer look at preferred stocks. First, they potentially offer long-term portfolio benefits – income, lower volatility than high yield and diversification alongside high yield. Secondly, current market conditions could make them especially attractive given their exposure to financials.

1 Preferred stocks offer potential yield and diversification benefits

Preferred stocks may offer competitive yield...



... and they can diversify an allocation to high yield bonds

	S&P Preferred Stock Index	iBoxx USD Liquid High Yield Index
Volatility ²	4.3%	6.2%
Correlation to high yield ³	0.61	

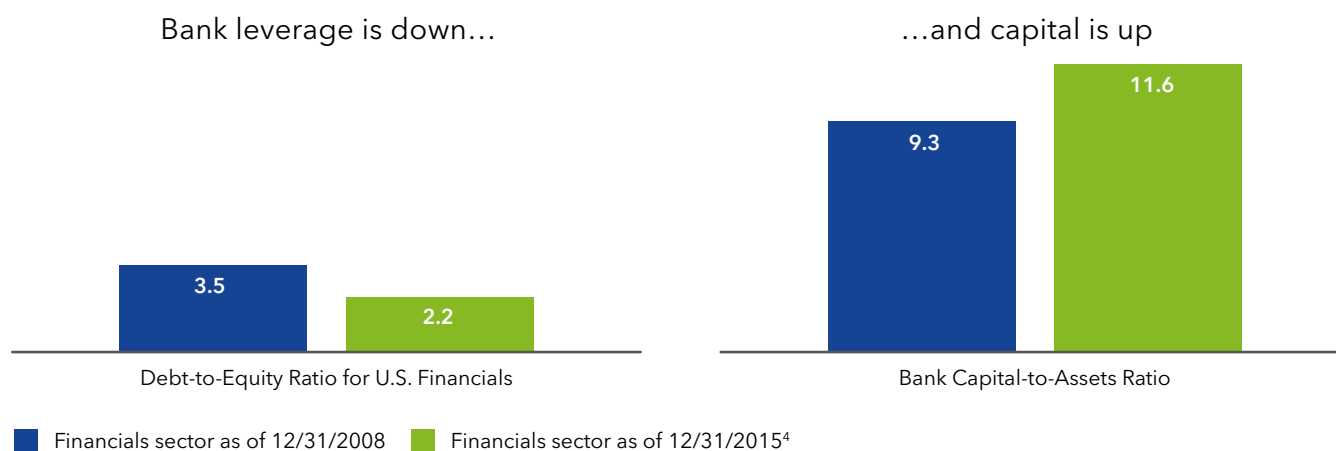
Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Index returns do not represent actual iShares Fund performance. See notes on back page.

2 Improving fundamentals in the financials sector may make preferred stocks attractive today

While preferred funds generally have a significant exposure to the financials sector, in the current rate environment financial services companies may be poised to do well. When rates rise, banks can capture a bigger spread between the rate they loan money out and the rate they pay depositors.

Preferreds can be sensitive to interest rate moves but it's possible that slow and clearly messaged rate hikes would be less impactful given the yields that they offer and the increased stability of the U.S. financial sector. This increased stability is a result of tightened industry regulations and increased capital requirements.

Increased capital requirements have helped U.S. financial sector stability



¹ Source: Bankrate.com, iBoxx, Barclays, Bloomberg, and BlackRock as of 4/30/16. Bond yields reflect Index Yield to Maturities. Preferred stocks reflected by the S&P U.S. Preferred Stock Index and reflects Dividend Yield; High Yield Bonds reflected by the Markit iBoxx USD Liquid High Yield Index. Inflation is defined as US CPI Urban Consumer Less Food & Energy YoY NSA as of August 2015. For actual fund performance, please visit www.iShares.com or www.blackrock.com. ² Source: Bloomberg as of 12/31/2015: Ex-post annualized standard deviation over the last 3 years and is a statistical estimate measuring how dispersed returns are around an average. ³ Source: Bloomberg as of 12/31/15. Measured over the last 3 years. ⁴ Source: BlackRock.

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.

The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Funds that concentrate investments in wspecific 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. Performance of companies in the financials sector may be adversely impacted by many factors, including, among others, government regulations, economic conditions, credit rating downgrades, changes in interest rates, and decreased liquidity in credit markets.

Preferred stocks are not necessarily correlated with securities markets generally. Rising interest rates may cause the value of the Fund's investments to decline significantly. Removal of stocks from the index due to maturity, redemption, call features or conversion may cause a decrease in the yield of the index and the Fund.

Transactions in shares of the iShares Funds will result in brokerage commissions and will generate tax consequences. iShares Funds are obliged to distribute portfolio gains to shareholders. Diversification and asset allocation may not protect against market risk or loss of principal.

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