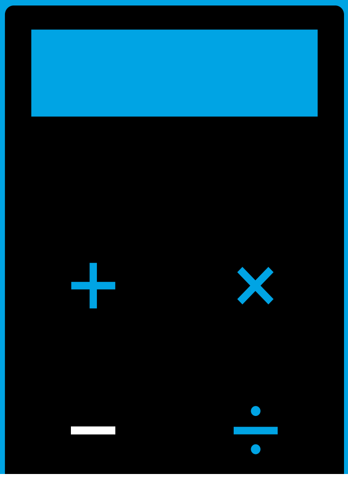
iShares
by BlackRock

KEEP MORE OF WHAT YOU EARN

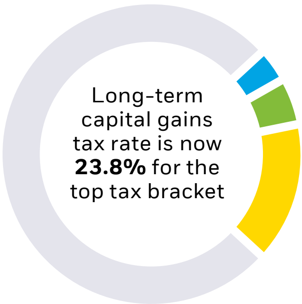
Control your tax costs with iShares ETFs at the core of your portfolio.



Improving the tax efficiency of your portfolio can help you reach your investment goals. Taking action before the end of the year can help you keep more of what you've earned.

Taxes are taking a bigger bite

Long-term capital gains taxes are up **over 50%** since 2013.[1]

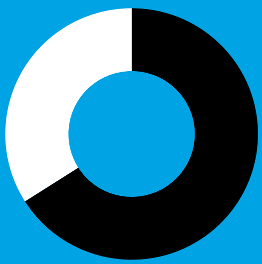


3.8%	ACA ("Obamacare") surcharge
5%	Additional long-term cap gains tax rate
15%	2013 long-term cap gains tax rate

How iShares can help

iShares ETFs can do more than you think. Over the past 5 years, 0% of iShares Core Equity ETFs paid out taxable capital gains, compared to 66% of US active equity mutual funds.[2]

66%



Active Equity Mutual Funds*

0%

iShares Core Equity ETFs

1 Source: IRS. In 2013, the long-term capital gains tax rate was increased from 15% to 20%, with an additional 3.8% for investors in the highest income bracket.

2 Source: BlackRock as of 12/31/2019; Morningstar, average of years 2015-2019 as of 12/31/19. Past distributions are not indicative of future distributions.

*Represented by the oldest share class of each Active Open-End Mutual Fund available in the United States incepted before 10/31 in each year and excludes funds that closed before 10/31 in each year as of 12/31/19.

Taxes can be more detrimental than fees

Many investors tend to prioritize low fees when selecting funds, but overlooking the potential effects of taxes can be more detrimental to portfolio returns than fees.

US Large Cap mutual funds[3]
Average annual costs, 2010 – 2019

Annual fund expense ratio **0.91%**

Annual fund tax cost **1.77%**

What does that mean for you?
Annual cost of $100K investment

$910
expense ratio cost

$1770
tax cost

The cost of taxes on average is almost **200%** as much as the expense ratio

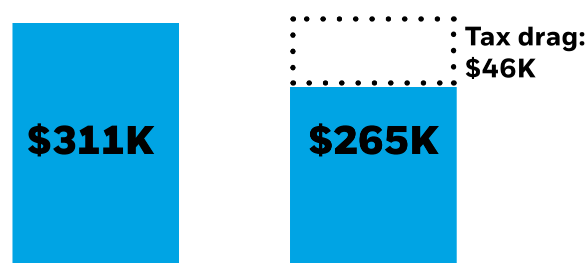
"Tax cost" is a measure of the impact of taxes on capital gains and income distributions on performance.

The big picture: tax drag hurts in the long run

10 year annual average tax cost for US Large Cap mutual funds[3]

1.77%

Hypothetical growth of $100,000 over 10 years at 12% return[4]



0% tax cost **1.77%** tax cost

3 Source: Morningstar (as of Dec. 31, 2019). Tax Cost measures how much a fund's annualized return is reduced by the taxes investors pay on distributions (Difference between total annualized pre and post-tax returns over 10 years.) Data calculated using the oldest share class of all Active US large cap Equity Open-End Mutual Funds available in the U.S. 1.77% figure is the difference between total annualized pre-tax and post-tax (pre-liquidation) returns over 10 years for all Active US large cap Equity Open End Mutual Funds available in the U.S.

4 Source: BlackRock. The chart is for illustrative purposes only and is not indicative of the performance of any actual fund or investment portfolio. Does not include commissions or sales charges or fees. 12% represents the average pre-tax return over the same 10 year period for large cap equity mutual funds (12.08%). The hypothetical growth of $100,000 over ten years at an 12% return is $310,584.81. The hypothetical growth over ten years at an 12% return with a 1.77% tax cost is $264,848.84, resulting in a tax cost of $45,735.98.

Where do tax costs come from?

	Capital gains Two types of capital gains		Income Two types of dividend costs	
	Investor activity	**Fund manager activity**	**Ordinary dividends**	**Qualified dividend income ("QDI")**
Hypothetical scenario	An investor sells a security at a gain	A fund sells a security at a gain	A fund distributes an ordinary dividend	A fund distributes QDI Redundant of "QDI"
Potential investor impact	An investor pays taxes on the proceeds – up to 40.8% for short-term gains and 23.8% for long-term gains[5]	Proceeds are distributed to all shareholders, irrespective of whether you gained or lost money on your investment in the mutual fund	An investor pays taxes at ordinary income rates (up to 40.8%)	An investor pays taxes at a lower rate (up to 23.8%)
How to manage	Minimize capital gains distributions for tax efficiency		Maximize the percentage of QDI for tax efficiency	

5 A long-term capital gain is a gain from a sale of a security owned longer than 12 months. A short-term gain is from the sale of a security owned for 12 months or less. 40.8% includes the impact of the highest marginal tax rate of 37% and the impact of a 3.8% ACA ("Obamacare") surcharge. BlackRock does not provide tax advice. Please consult with a qualified professional for this type of advice.

Why ETFs can offer tax efficiency

PART 1: THE STRATEGY
Indexing as a strategy

Index funds tend to be more tax-efficient than mutual funds due to typically lower portfolio turnover.

PART 2: THE STRUCTURE
ETF product structure

ETFs tend to be more tax-efficient than mutual funds because investors buy and sell ETFs on an exchange, insulating them from redemptions of other shareholders.

The power of iShares

iShares portfolio managers navigate various corporate actions, index rebalances and reconstitutions while seeking to balance gains and losses to minimize tax distributions.

ETFs can produce capital gain distributions. For example, capital gains distributions are produced during an underlying index reconstitution or corporate action (especially foreign). Trading shares of ETFs will also generate tax consequences and transaction expenses. Certain traditional mutual funds can be tax-efficient as well.

Know the differences

While mutual funds and ETFs each hold a basket of securities and are obliged to distribute gains to shareholders, some key differences do exist.

Criteria	Mutual funds	ETFs
Management	Active	Passive
Performance goal	Outperform a benchmark and/or deliver an outcome	Track a benchmark
Buying / selling shares	Once per day via fund company	Intraday on exchanges
Price to buy / sell	End-of-day NAV, less fees	Current market price, which may differ from NAV
Fees	Expense ratio + any sales loads / redemption fees	Expense ratio + transaction / brokerage costs
Tax impact[6] of buyers / sellers	Shareholders may be impacted by other shareholders' actions	Shareholders only impacted by their own actions
Holdings disclosure	Typically quarterly	Daily
Benefits	• Opportunity to outperform the index • Potential to limit the downside • Buy / sell decisions based on research	• Exposure to market index • Generally lower fees • Typically more tax-efficient
Trade-offs	• Potential to underperform index • Generally higher fees • Typically less tax-efficient	• Does not seek to outperform index • Participate in all of index downside • Buy / sell decisions based on index, not research

6 Both vehicles are obliged to distribute capital gains to all shareholders.

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.

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No proprietary technology or asset allocation model is a guarantee against loss of principal. There can be no assurance that an investment strategy based on the Tax Estimator Tool will be successful. Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. Certain mutual funds may also be tax efficient.

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