ETF distributions reflect taxable income from their holdings

iShares ETFs are registered under the Investment Company Act of 1940 (‘40 Act ETFs) and as Regulated Investment Companies (RICs) they are subject to certain distribution requirements to maintain RIC status. ETF distributions will be reflective of income from their underlying holdings plus impact from the additional factors listed below. RICs must:

1. Distribute at least 90% of investment company taxable income (ICTI) and net tax-exempt income for the taxable year to maintain RIC status.

2. Pay at least 98% of ordinary income in calendar year and 98.2% of net capital gains earned in 12 months prior to 10/31 to avoid a 4% excise tax on undistributed income.

Blackrock’s distribution policies

- BlackRock only provides estimates for ETFs paying capital gains and does not provide any estimates for regular distributions. Historically, capital gain estimates tend to be released around mid-November.
- BlackRock reserves an additional distribution date in late December for a potential excise distribution if actual income is materially different from estimates.
- To help reduce potential for overdistribution and maintain an appropriate distribution yield, ETF fund admin seeks to pay approximately earned income.
- Fixed income ETFs pay out earned income which is based on the yields at which bonds entered the portfolio. Thus it takes turnover either from inflows or monthly rebalances for distributions to adjust in dynamically changing rate environments.
- December distributions can be inconsistent with standard distributions as the determination of calendar year income prior to completion of the calendar year is difficult to estimate due to the several factors listed below.

Factors that may affect a fund’s distribution rate

While income from underlying holdings are typically the largest driver of an ETFs distribution, there are several factors that can impact a fund’s net dividend income and thus distributions paid to shareholders.

**Equity**
- Change in the net income, calculated daily. (Net income includes securities lending income and fund expenses)
- Actual net income that remains undistributed in the fund
- Large fund share changes
- Corporate actions resulting in a taxable event
- Currency transactions
- Adjustments from Passive Foreign Investment Companies (PFICs)
- Adjustments for Real Estate Investment Trust (REIT) return of capital estimates

**Fixed income**
- Change in the net income, calculated daily. (Net income includes securities lending income and fund expenses)
- Actual net income that remains undistributed in the fund
- Large fund share changes
- Impact from amortization & accretion of premium & discount bonds
- Gain/Loss from paydowns or payups for MBS/ABS
- Income (loss) from inflation adjustments as a result of holding inflationary linked securities
- Bifurcation and currency transactions
Formulas for distributions:

- **Fixed income earned income** = accrued coupon interest – premium amortization + discount accretion – net expenses
  +/− Inflation Adjustment (TIPS ETFs only) +/− FX gains/losses (ETFs with foreign currency only)
- **Equity earned income** = Dividends from equities + taxable corporate actions – net expenses – REIT adjustments +/− PFIC adjustments +/− FX gains/losses (ETFs with foreign currency only)

Dividends are derived from underlying equity holdings that have gone ex-dividend before the ex-dividend date of the ETF.

Since equity REITs don’t report their tax information until after year end, please be advised effective for the June 2023 distribution, certain iShares funds holding REIT securities may apply an estimated Return of Capital (ROC) percentage to withhold dividend income throughout the fund’s fiscal year. This is being done in an effort to avoid an overdistribution to fund shareholders occurring due to return of capital adjustments from the underlying REIT holdings.

**iShares Funds with 20% ROC adjustment**: ICF, IYR, REET, REM, REZ, & USRT
**iShares Funds with 10% ROC adjustment**: IJH, IJK, IJR, IJS, IMCB, ISCB, ISCG, ISCV, IWC, IWM, IWN, IWS, IYF, WOOD, & XJH

As of 11/30/2022, subject to change

**In order to maintain RIC qualification, ’40 Act ETFs are required to:**

1. Meet quarterly asset diversification requirements
2. Meet a qualifying income test
3. Distribute at least 90% of investment company taxable income (ICTI) and net tax-exempt income for the taxable year

Any undistributed income is taxed at regular corporate rates. Additional considerations:

- Taxable ordinary income includes net investment income and short-term capital gains
- A dividend’s paid deduction is allowed up to the amount of taxable ordinary income distributed
- Any undistributed income is taxed at regular corporate rates
- Net long-term gains are not required to be distributed, however, undistributed amounts are subject to tax at the regular corporate rates
- RICs can elect to distribute undistributed income by the end of the next taxable year to avoid tax implications.

**WANT TO KNOW MORE?**

iShares.com

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.

iShares Funds are obliged to distribute portfolio gains to shareholders by year-end. These gains may be generated due to index rebalancing or to meet diversification requirements. Trading shares of the iShares Funds will also generate tax consequences and transaction expenses. There is no guarantee that any fund will pay dividends.

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