

March 2018
Update

iBonds® ETFs: Fund Maturities Case Study

iBonds ETFs Bring Together Two Great Investment Ideas: Bond Ladders and Funds

In January 2010, iShares launched a series of iBonds ETFs, the first term-maturity fixed income ETFs. These funds offer investors a new way to think about bond investing: ETFs that are designed to mature at a specific date, like a bond; trade similar to a stock; and offer diversification like a fund. The iBonds ETFs allow investors a similar experience to owning a bond ladder, using ETFs that may offer more liquidity and diversification than individual bonds.

Designed to:

MATURE, like a Bond
TRADE, like a Stock
DIVERSIFY, like a Fund

Case Study: Municipal and Corporate iBonds

Since launching in January 2010, six municipal and six corporate iBonds ETFs have successfully liquidated. All twelve iBonds ETFs provided a total return experience that closely approximated holding a portfolio of individual bonds.

The total return for iBonds ETFs that have matured was within 3 to 21 bps from the initial yield less fund expenses at inception.

The monthly income distributions and final NAV payment will vary as bonds are entering the portfolios at different yield levels. Portfolio rebalancing, sampling, cash reinvestment and transaction costs can contribute to the variability in realized total returns.

Summary of iBonds ETF Performance	Municipal iBonds						Corporate iBonds					
	MUAA (2012)	MUAB (2013)	MUAC (2014)	IBMD (2015)	IBME (2016)	IBMF (2017)	IBCB (Ex-Fin Mar 2016)	IBDA (Mar 2016)	IBDF (Mar 2017)	IBDJ (Dec 2017)	IBCC (Ex-Fin Mar 2018)	IBDB (Mar 2018)
Inception Date	1/7/2010	1/7/2010	1/7/2010	1/7/2010	1/7/2010	1/7/2010	4/17/2013	7/9/2013	5/27/2014	3/10/2015	4/17/2013	7/9/2013
Termination Date	8/15/2012	8/15/2013	8/15/2014	9/1/2015	9/1/2016	9/1/2017	3/31/2016	3/31/2016	12/15/2016	12/15/2017	3/15/2018	3/26/2018
Initial YTM at Inception	0.96%	1.35%	1.68%	2.20%	2.60%	2.97%	0.73%	1.23%	0.80%	1.41%	1.26%	2.33%
Less Fund Expenses ¹	-0.30%	-0.30%	-0.30%	-0.27%	-0.26%	-0.25%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Net YTM	0.66%	1.05%	1.38%	1.93%	2.34%	2.72%	0.63%	1.13%	0.70%	1.31%	1.16%	2.23%
NAV Total Return (Since Inception)	0.69%	1.09%	1.41%	1.83%	2.23%	2.51%	0.59%	1.02%	0.66%	1.28%	1.11%	2.06%
Performance Difference	0.03%	0.04%	0.03%	-0.10%	-0.11%	-0.21%	-0.04%	-0.11%	-0.04%	-0.03%	-0.05%	-0.17%
Initial NAV	\$50.38	\$50.06	\$50.03	\$50.49	\$24.83	\$25.07	\$99.50	\$99.95	\$25.00	\$24.75	\$24.88	\$24.99
Final NAV	\$50.62	\$50.50	\$51.18	\$52.57	\$26.46	\$27.22	\$99.50	\$100.82	\$25.03	\$24.84	\$24.64	\$25.60
Difference in NAV	\$0.24	\$0.44	\$1.15	\$2.08	\$1.63	\$2.16	\$0.00	\$0.87	\$0.03	\$0.09	(\$0.24)	\$0.61
Income per Share	\$0.67	\$1.54	\$2.11	\$3.26	\$2.19	\$2.87	\$1.72	\$1.91	\$0.39	\$0.78	\$1.57	\$1.85

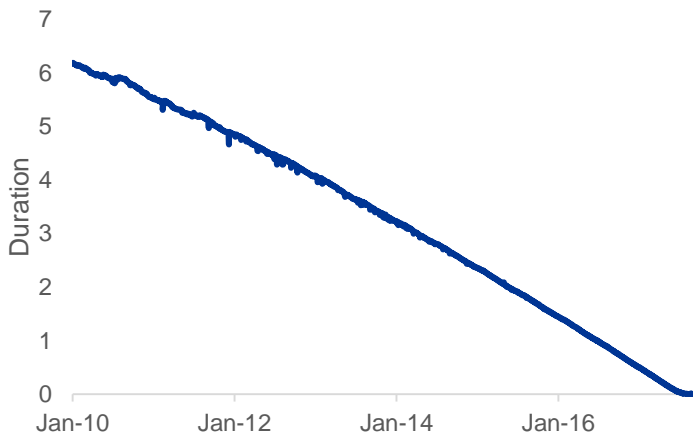
Fund performance and yields are shown for illustrative purposes only. There is no guarantee that other iBonds funds will experience the same investment results.

For IBMD, IBME, and IBMF, a contractual fee waiver of 12 bps was in effect for a net expense ratio of 18 bps, effective 5/23/2014. IBCB and IBDA had contractual fee waivers for any acquired fund fees and expenses for a net expense ratio of 10 bps, effective through termination date of the fund. Fees for IBMD, IBME, and IBMF were prorated. IBMD changed its ticker from MUAD, IBME changed its ticker from MUAE, and IBMF changed its ticker from MUAF on 7/7/2014. All the S&P AMT-Free Municipal Series indices extended their maturity from August 15th to September 1st of each calendar year effective 8/1/2014.

The Investor Experience: A Closer Look at Municipal iBonds - IBMF (2017)

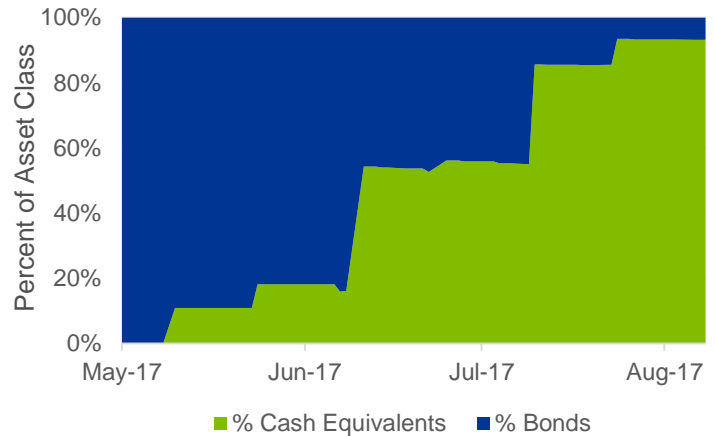
At inception, IBMF had about 7.7 years until its target end date (January 2010 to September 2017) and a duration of 6.2. IBMF's duration declined as its holdings approached maturity and the fund approached its end date. When bonds matured between June and September of 2017, the proceeds were invested in short-term tax-exempt money market instruments (cash equivalents).

Chart 1: IBMF's Duration



Source: BlackRock as of 9/1/2017

Chart 2: Portfolio Shifted to Cash as Bonds Matured



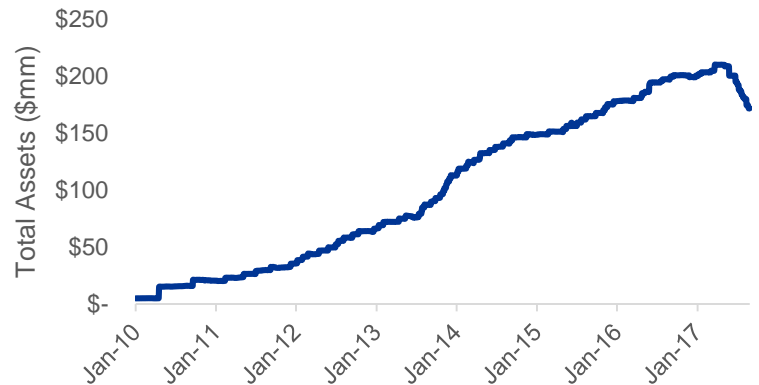
Source: BlackRock as of 9/1/2017

iBonds ETFs Experienced a Total Return Similar to Bond Yields of Similar Quality and Maturity

IBMF held national investment grade rated muni bonds. The fund included general obligation, revenue and pre-refunded (escrowed) bonds. Using data as of May 31, 2017, 26.2% of the fund was AAA-rated, 62.5% was AA-rated, 9.6% was A-rated and 1.4% was BBB-rated using the middle of three ratings from Moody's, S&P and Fitch.¹

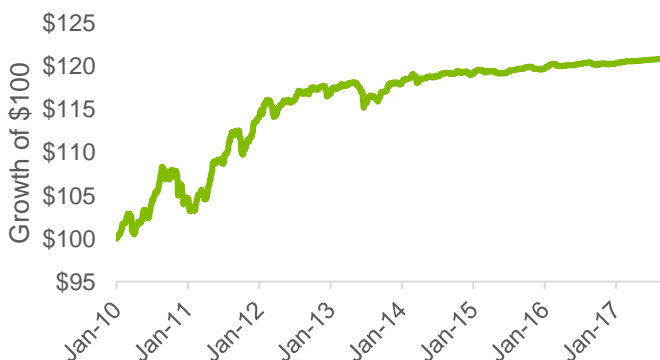
The bonds in IBMF's portfolio had a weighted average yield to maturity of 2.72% after fund expenses at inception. The fund earned a total NAV return of 2.51% - within 21 bps of the initial YTM less fund expenses. The 21 bps difference was driven by credit losses and the impact of reinvesting coupons at lower yields during a falling rate environment. This return can be compared to data on 7-year muni bond yields on the fund's inception date (see chart 3). IBMF's total return was in line with prevailing municipal bonds yields of similar quality and maturity.

Chart 3: IBMF Assets Under Management (Since Inception)



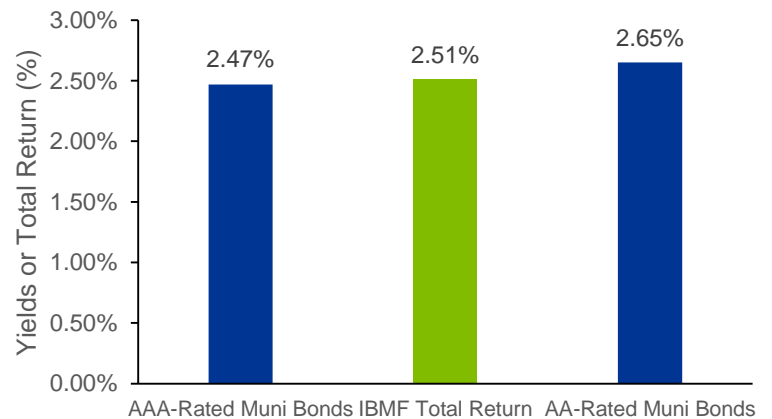
Source: BlackRock and Bloomberg as of 9/1/2017.

Chart 5: IBMF Growth of \$100 (Since Inception)



Source: BlackRock as of 9/1/2017. **Past performance does not guarantee future results.**

Chart 4: IBMF's Total Return vs. Muni Market Yields (At Fund Inception)



Source: BlackRock and Bloomberg as of 9/1/2017.

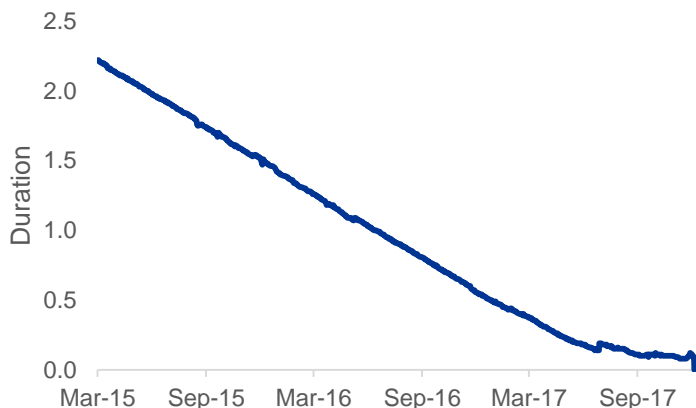
1. Source: As of 5/31/2017. Credit quality ratings on underlying securities of the fund are received from S&P, Moody's and Fitch and converted to the equivalent S&P major rating category. This breakdown is provided by BlackRock and takes the median rating of the three agencies when all three agencies rate a security the lower of the two ratings if only two agencies rate a security and one rating if that is all that is provided.

The Investor Experience: A Closer Look at Corporate iBonds – IBDJ (December 2017)

At inception, IBDJ had about 2.8 years until its target end date (March 2015 to December 2017) and a duration of 2.22. The iBonds' duration declined as the holdings approached maturity and the fund approached its end date.

When bonds matured between January 1, 2017 and December 15, 2017, the proceeds were invested into cash equivalents - primarily a money market fund.

Chart 1: IBDJ's Duration



Source: BlackRock as of 12/15/2017

iBonds ETFs Experienced a Total Return Similar to Corporate Bond Yields of Similar Quality and Maturity

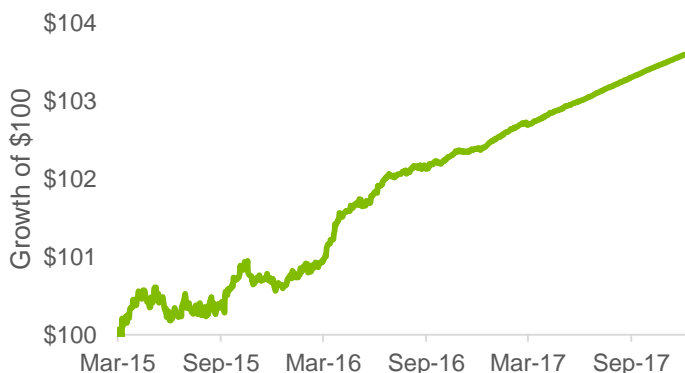
IBDJ held a portfolio of investment-grade corporate bonds maturing between January 1, 2017 and December 15, 2017.

IBDJ grew from \$10 mm to \$175 mm, then the fund had redemptions of \$46 mm in the last 6 months - with \$15 mm occurring the week before the maturity date (chart 5).

The bonds in IBDJ's portfolio had a weighted average yield to maturity of 1.31% after fees at inception. The fund earned a total NAV return of 1.28% - within 3 bps of the initial YTM less fund expenses.

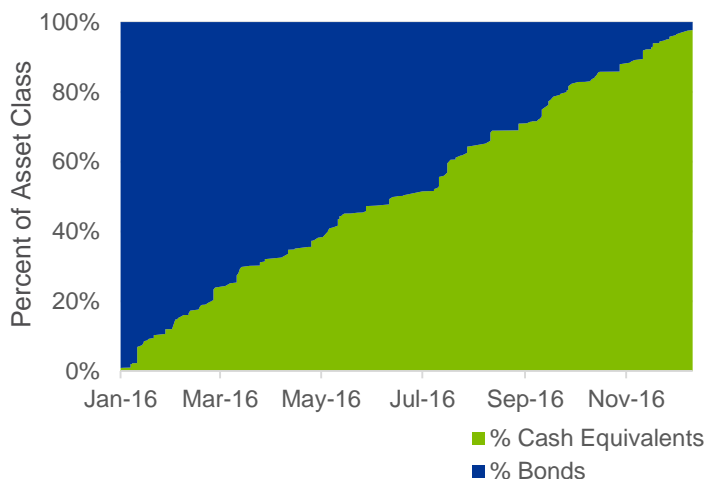
This return can be compared to index yield of 1.55% on the fund's inception date and an index total return of 1.28%. Both the index and the fund had the same total return at the time of its liquidation.

Chart 5: IBDJ Growth of \$100 (Since Inception)



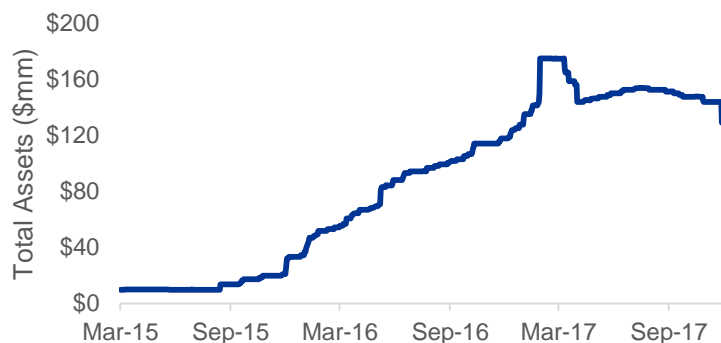
Source: BlackRock and Bloomberg as of 12/15/2017

Chart 2: Portfolio Shifted to Cash as Bonds Matured



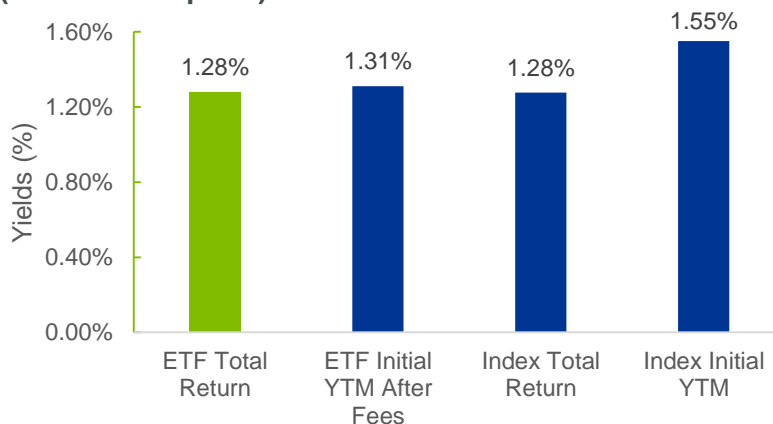
Source: BlackRock as of 12/15/2017

Chart 3: IBDJ Assets Under Management (Since Inception)



Source: BlackRock as of 12/15/2017

Chart 4: iBonds Total Returns vs. Yield Expectations (At Fund Inception)



Source: BlackRock and Bloomberg as of 12/15/2017. **Past performance does not guarantee future results.** IBDJ tracked the Bloomberg Barclays December 2017 Maturity Corporate Index

Trading Behavior of iBonds ETFs

It is important to note that shares of the iBonds ETFs may trade above or below NAV on any given day. The impact on yield would be similar to the impact that one observes in premium and discount bonds. Shares trading at a discount to NAV would result in a higher effective yield relative to the yield implied by NAV. Conversely, shares trading at a premium to NAV would result in a lower effective yield relative to the yield implied by NAV.

iShares Estimated Net Acquisition Yield Calculator on iShares.com

To help investors understand their approximate yield, iShares.com includes an Estimated Net Acquisition Yield Calculator. To use the calculator, go to the fund page of an iBonds ETF by entering the ticker in the search box. Enter a projected market purchase price and the calculator will provide an Estimated Net Acquisition Yield. This estimate reflects any price difference between market price and NAV and the deduction of the expense ratio.

Conclusion

The term maturity fixed income ETF structure pioneered by iShares allowed investors a similar experience to owning bonds, with monthly income payments and a final payment upon liquidation. iBonds ETFs allow investors to access diversified exposure provided by a conventional ETF structure while obtaining the targeted maturity exposure provided by individual bonds.

Frequently Asked Questions about iBonds ETF Maturities

1. When do the individual bonds within the iBonds ETFs start to mature?

For the municipal iBonds with “Sep” in the fund name, all the bonds will mature within a four-month period between June 1st and September 1st of each calendar year in the fund’s name. For municipal iBonds with “Dec” in the fund name, all the bonds will mature between January 1st and December 1st of the calendar year in the fund’s name

For corporate iBonds with “Mar” in the fund name, all the bonds mature within a 12-month period between April 1st of the prior calendar year and March 31st of the calendar year in the fund’s name. For example, the iShares iBonds Mar 2023 Corporate ETF (IBDD) held bonds that matured between April 1, 2023 and March 31, 2023.

For corporate iBonds with “Dec” in the name, all the bonds mature between January 1st and December 15th of the calendar year in the fund’s name. For example, the iShares iBonds Dec 2027 Corporate ETF (IBDS) holds bonds that mature between January 1, 2027 to December 15, 2017.

2. What happens to the principal value of bonds that mature prior to the fund end date?

In the last months of operation, as the bonds held by the fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, The municipal iBonds will purchase tax exempt instruments and the corporate ETFs will purchase taxable instruments. Please review each fund’s prospectus and SAI for more information.

3. Will the performance of the funds diverge from the index as bonds mature?

The underlying index for each iBond ETF will also transition from bonds to cash equivalents as the bonds mature. During this time, each fund will seek to track its underlying index. The municipal iBonds track S&P AMT-Free Municipal Series bond indices. The corporate iBonds track Bloomberg Barclays Maturity Corporate bond indices.

4. When will iBonds ETFs cease trading on the exchange?

The last day of trading occurs when the last of the bonds within the fund mature.

5. When will investors receive their proceeds from the matured funds?

Investors will receive the entire amount of their proceeds in cash approximately two business days after the fund ceases trading. Investors are encouraged to reach out to their specific brokerages to confirm timing.

6. When will an estimated payment be announced, and what will it be?

Shareholders will receive proceeds based on the net asset value (NAV) of the fund, which will be available after the close of on the last day of trading on iShares.com and other financial websites. It is not possible to provide an estimated payment amount prior to the fund’s maturity.

Enter Price \$

Average Yield to Maturity i	1.32%
+ Price Adjustment i	-0.04%
= Price Adjusted Yield	1.28%
- Expense ratio (18 basis points)	-0.18%
Estimated Net Acquisition Yield i	1.10%
Tax Equivalent Estimated Net Acquisition Yield i	1.95%

Please note that the results generated by the Estimated Net Acquisition Yield Calculator are for illustrative purposes only and are not representative of any specific investment outcome.

7. What are the options available to shareholders prior to fund maturity?

Investors can trade their position through normal course by placing transaction orders with their brokerage through the fund maturity date. Clients who wish to sell prior to maturity should be mindful of any potential premium or discount that the fund may trade at compared to the NAV (net asset value) of the fund. Shareholders that remain invested in iBonds ETFs through the maturity date will receive the entire amount of their proceeds approximately three business days later, subject to their brokerage processes.

8. Will the liquidation be treated as a dividend/distribution or a trade?

The final iBonds distributions will occur within a few days of the bonds maturing in the portfolio. The corporate iBonds ETFs will terminate on or about March 31 or December 15 of the year of the fund name. The municipal iBonds ETFs will terminate around September 1 or December 1 of the year of the fund name. Investors will not have to pay a commission on this final distribution since this payment is not considered a trade.

9. How will the distribution be treated from a tax perspective?

The distribution, as reflected on Form 1099s to be received by shareholders, may have the following classifications:

- ▶ Liquidation Distribution – one form of a return of capital that is not taxable to the investor, but each investor needs to determine their cost basis to verify if they had a capital gain or loss.
- ▶ Exempt-Interest Dividend – not subject to income tax as long as the ETF had more than 50% assets invested in muni investments. This is the type of distribution the Municipal iBonds have paid since inception.
- ▶ Taxable Interest Dividend – subject to income tax. This is the type of distribution the Corporate iBonds have paid since inception.

10. What are my tax implications when an iBonds ETF closes?

We recommend that you consult with your tax advisor. The final NAV is treated like a liquidation distribution and the difference in purchase price and the final distribution will be subject to capital gains.

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 and 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.

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. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable.

Funds that concentrate investments in specific 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.

The iShares® iBonds® will terminate in March, September or December of the year in each Fund's name. An investment in the iShares® iBonds® ETFs ("Funds") is not guaranteed, and an investor may experience losses, including near or at the termination date. Unlike a direct investment in a bond that has a level coupon payment and a fixed payment at maturity, the Fund(s) will make distributions of income that vary over time. In the final months of each Fund's operation, as the bonds it holds mature, its portfolio will transition to cash and cash-like instruments. As a result, its yield will tend to move toward prevailing money market rates (or, in the case of the municipal iBonds, tax-exempt money market rates) and may be lower than the yields of the bonds previously held by the Fund and lower than prevailing yields in the bond market.

Following the Fund's termination date, the Fund will distribute substantially all of its net assets, after deduction of any liabilities, to then-current investors without further notice and will no longer be listed or traded. The Funds' distributions and liquidation proceeds are not predictable at the time of investment and the Funds do not seek to return any predetermined amount.

The rate of Fund distribution payments may adversely affect the tax characterization of an investor's returns from an investment in the Fund relative to a direct investment in bonds. If the amount an investor receives as liquidation proceeds upon the Fund's termination is higher or lower than the investor's cost basis, the investor may experience a gain or loss for tax purposes.

Investment in the iShares® iBonds® Corporate ETFs is subject to the risks of the other funds and ETFs (underlying funds) in which it invests. The iShares® iBonds® Corporate ETFs will incur acquired fund fees and expenses associated with its investments the underlying funds and additional fees associated with turnover in the underlying funds that are not included in the acquired fund fees and expenses.

Diversification may not protect against market risk. There can be no assurance that an active trading market for shares of an ETF will develop or be maintained. 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.

The iShares Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

The iShares Funds are not sponsored, endorsed, issued, sold or promoted by Barclays, Bloomberg Finance L.P. or S&P Dow Jones Indices LLC. None of these companies make any representation regarding the advisability of investing in the Funds. BlackRock is not affiliated with the companies listed above.

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