

iShares Launches Seven Sector ETFs Powered by Machine Learning

- *Data and technology help BlackRock redraw the boundaries of the U.S. economy by classifying companies in a dynamic way*

NEW YORK, March 23, 2018 – BlackRock (NYSE: BLK) launched seven iShares Evolved U.S. Sector ETFs based on a new sector classification system that aims to capture the characteristics of evolving industries and companies in a dynamic way. Using data science techniques, the new ETFs take into account that companies adapt over time. This approach allows single companies to span more than one sector.

The new ETF suite is a reflection of iShares' commitment to investor progress. As [outlined in our Investor Letter](#) earlier this year, iShares innovative solutions are part of an ETF movement that began more than 20 years ago and continues to challenge the status quo today with better technology and access to data.

Seven iShares Evolved U.S. Sector ETFs list for trading on Cboe BZX Exchange, Inc. today:

- iShares Evolved U.S. Technology ETF (IETC)
- iShares Evolved U.S. Consumer Staples ETF (IECS)
- iShares Evolved U.S. Discretionary Spending ETF (IEDI)
- iShares Evolved U.S. Financials ETF (IEFN)
- iShares Evolved U.S. Healthcare Staples ETF (IEHS)
- iShares Evolved U.S. Innovative Healthcare (IEIH)
- iShares Evolved U.S. Media and Entertainment (IEME)

“The worst orthodoxies are the ones no one even bothers questioning, and late 1990s sector classifications are among the worst offenders. That is why iShares is leading the ETF movement of progress, modernizing the ways people invest,” said Martin Small, Head of U.S. iShares at BlackRock. “BlackRock’s evolved sector approach uses data science and borrows from systematic active management to offer investors an updated way to invest in America’s changing economy.”

A Partnership with Systematic Active Equity

These seven ETFs will be the first to combine the iShares ETF structure with expert managers from BlackRock’s Systematic Active Equity (SAE) group, which began in 1985 and, today, is backed by more than 80 portfolio managers, researchers and strategists. SAE’s research-driven investment culture fuels constant evolution of insights and capabilities, which are brought to life in these latest iShares ETFs.

Each of the seven ETFs has an expense ratio of 0.18%. The seven new funds add to iShares’ existing line-up of 57 sector-focused ETFs with more than \$57 billion in assets.

A New Sector Classification System for the Modern Economy

Technological advancement is constantly changing the ways companies create and provide products and services. But traditional sector classifications tend to cluster companies together that have shared similar characteristics in the past. Without a forward-looking methodology, a company’s evolving business strategies may not be captured in current sector exposures. To create more fully representative corporate sectors within the U.S. economy, BlackRock developed a methodology that uses forward-looking inputs and allows companies to be classified in more than one sector. Evolved sector constituents will change more frequently than traditional classifications.

“Outdated and backward looking sector classifications are one area where we see incredible opportunity to re-imagine what is possible for investors,” said Jeff Shen, Co-Head of Investments for SAE at BlackRock. “Our goal with this approach is to bring a nuanced, forward-looking view of each company’s business model and strategic direction, which strengthens investors sector investing options.

Bringing together the ETF structure and the data science expertise of BlackRock’s SAE managers will create a robust line-up of opportunities to invest in sectors.

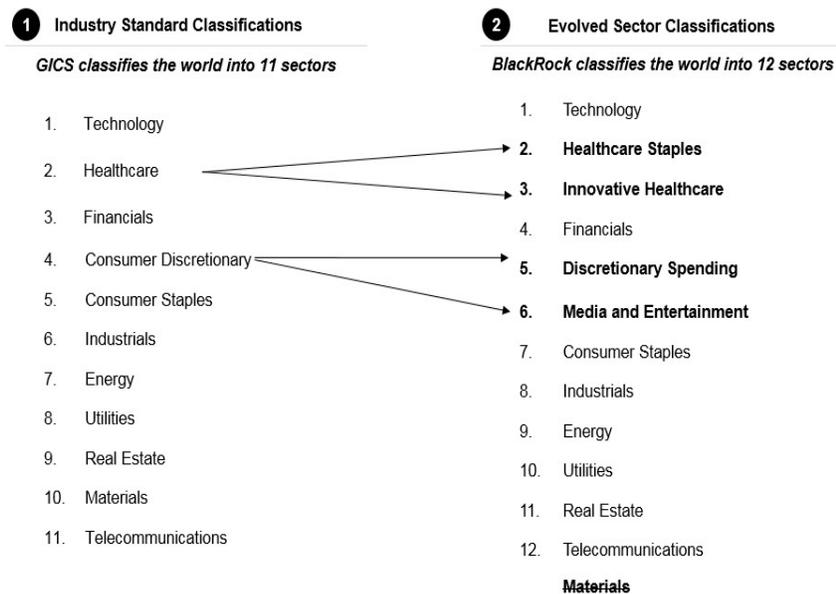
Amazon as an Evolved Sector Case Study

The diversified businesses of Amazon demonstrates how a new sector classification how dynamic sector classification can be useful for investors.

Amazon started as an online retailer focusing on printed books, yet over time it has grown into a company with significant technology exposure through Amazon Web Services (AWS), it acquired Whole Foods grocery stores, and recently announced plans to tackle the high cost of healthcare. Despite its evolution, Amazon is considered only a consumer discretionary company under existing classification frameworks.

“The ‘traditional way’ of doing things meant using backward-looking inputs and required each company to sit within a single sector and that raises complicated questions for investors,” Shen said. “An investor who wants to gain technology exposure can do so by investing in a traditional technology sector fund, but it may have zero exposure to Amazon -- that seems hard to believe, which is why a new methodology may help investors better classify today’s businesses.”

BlackRock’s Evolved U.S. Sector classification system has 12 sectors that incorporate sector evolution driven by changing businesses, while maintaining some similarities to traditional taxonomies (e.g., GICS).



Bolded sectors indicate differentiation from the GICS broad sector classification

For illustrative purposes only

In the Evolved U.S. Sector classification system, a company’s total market capitalization is assigned to one or more sectors based on the words and/or phrases used to describe its own businesses in the company’s public filings. A company’s weighting in a particular sector is a function of those words and/or phrases. As a company evolves over time, its sector classification(s) and weightings will change. Sector constituents are rebalanced quarterly. For a complete list of fund holdings please visit www.ishares.com.

About BlackRock

BlackRock helps investors build better financial futures. As a fiduciary to our clients, we provide the investment and technology solutions they need when planning for their most important goals. As of December 31, 2017, the firm managed approximately \$6.288 trillion in assets on behalf of investors

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About iShares

iShares® is a global leader in exchange-traded funds (ETFs), with more than a decade of expertise and commitment to individual and institutional investors of all sizes. With over 800 funds globally across multiple asset classes and strategies and more than \$1.5 trillion in assets under management as of December 31, 2017, iShares helps clients around the world build the core of their portfolios, meet specific investment goals and implement market views. iShares funds are powered by the expert portfolio and risk management of BlackRock, trusted to manage more money than any other investment firm¹.

¹ Based on \$6.288 trillion in AUM as of 12/31/17

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.

Buying and selling shares of ETFs will result in brokerage commissions. 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 than the general securities market. Technology companies may be subject to severe competition and product obsolescence.

There is no guarantee that the classification system used to determine the Evolved Sectors will achieve its intended results or maintain a level of risk similar to that of a portfolio of companies in a traditionally defined sector by any other classification system.

Actively managed funds do not seek to replicate the performance of a specified index. Actively managed funds may have higher portfolio turnover than index funds.

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