

FALLEN ANGELS RISING

Capturing the fallen angel premium in high yield bonds

FALN **iShares Fallen Angels USD Bond ETF¹**
Expense Ratio: 0.25%
30-Day SEC Yield: 6.28%
Effective Duration: 4.76 years

Key takeaways



Competitive performance – Seek to capture potential price appreciation after IG bonds are downgraded to HY.



Better credit quality – Fallen angel bonds are typically downgraded to the highest or second highest rating bucket within HY (BB+/BB).



Diversification benefits – Fallen angels have lower correlation with equities than HY and can serve as an alternative way to diversify a portfolio.²

Fund characteristics

Objective	Seek to track the investment results of an index composed of USD HY corporate bonds previously rated IG.
Benchmark	Bloomberg US HY Fallen Angel 3% Capped Index
Eligible bonds inclusion rule	<ul style="list-style-type: none"> • Developed markets issuers • Outstanding face value ≥ \$150M • Fixed-rate coupon • Maturity ≥ 1yr • Issuer weight capped at max 3%

Outperforming the broad IG and HY market

Over the long term, fallen angels have outperformed the broad IG and HY market.

Source: Bloomberg, data as of 9/30/2025. Fallen Angels represented by Bloomberg US HY Fallen Angel 3% Capped Bond Index, IG (corporate) represented by Bloomberg US Corporate Bond Index and HY represented by Bloomberg US Corporate High Yield Index. **Index performance is for illustrative purposes only. Index performance does 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.**

Fallen angels index outperformance

10yr total return rebased to \$100



¹ Source: BlackRock as of 9/30/2025. **Past performance does not guarantee future results. For standardized performance, please see the next page.**

² Source: Bloomberg, as of 9/30/2025. Correlations of Bloomberg US HY Fallen Angel 3% Capped Bond Index (0.74) and the Bloomberg US Corporate High Yield Index (0.80) to the S&P 500 Total Return Index over 10 years. Correlation is a statistic that measures how two securities move in relation to each other.

Fallen angels performance drivers

Fallen angel bonds are a small and often overlooked portion of the corporate bond markets. However, some unique return drivers may help fallen angel bonds outperform other types of corporate bonds.

Historical performance drivers

Price rebounding following downgrade

Over the short-term, fallen angel bonds are often oversold as investors rush to sell ahead of the downgrade—sometimes resulting in a rebound in the bond’s price.

Potential to be upgraded back into IG

Longer-term, fallen angel bond issuers have an incentive to improve their finances and be upgraded back to investment grade quality to reduce their cost of financing.

Example: Price behavior of fallen angel bonds before and after downgrade

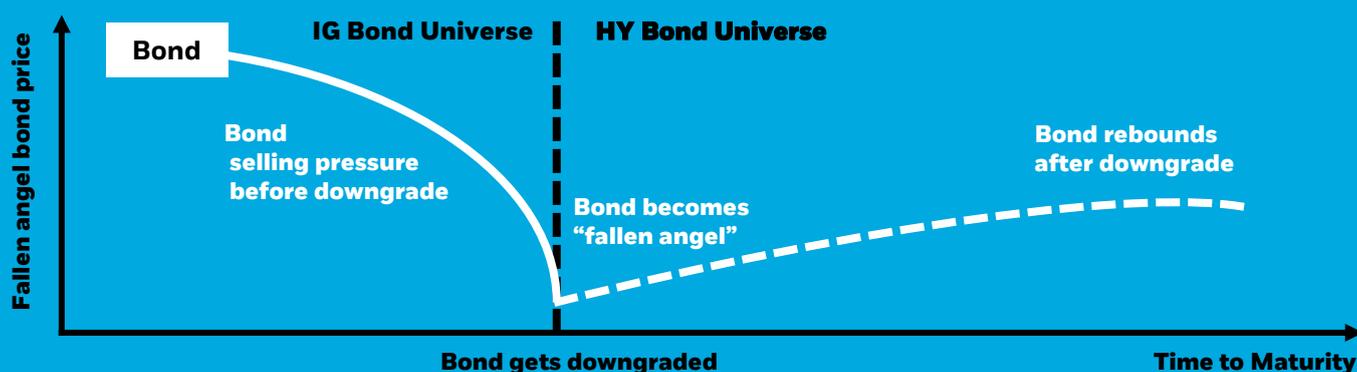


Figure representation for illustrative purposes only.

Standardized performance as of 9/30/2025	Fund inception date	1-year returns (%)		5-year returns (%)		Since inception (%)	
		NAV	Mkt price	NAV	Mkt price	NAV	Mkt price
iShares Fallen Angels USD Bond ETF (FALN)	06/14/2016	7.97%	8.20%	5.79%	5.73%	6.89%	6.91%

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor’s shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.iShares.com or www.blackrock.com.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Any applicable brokerage commissions will reduce returns. Beginning August 10, 2020, market price returns for BlackRock and iShares ETFs are calculated using the closing price and account for distributions from the fund. Prior to August 10, 2020, market price returns for BlackRock and iShares ETFs were calculated using the midpoint price and accounted for distributions from the fund. The midpoint is the average of the bid/ask prices at 4:00 PM ET (when NAV is normally determined for most ETFs). The returns shown do not represent the returns you would receive if you traded shares at other times.

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 prospectus, 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. An investment in fixed income funds is not equivalent to and involves risks not associated with an investment in cash.

Diversification may not protect against market risk or loss of principal. Effective duration is a measure of the Fund’s price sensitivity to changes in yields or interest rates; however, investors should be aware that effective duration is not an exact measurement and may not reliably predict a particular security’s price sensitivity to changes in yield or interest rates. Prepared by BlackRock Investments, LLC

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