iShares by BlackRock

Turn factor insights into portfolio outcomes:

Diversify Risk in Core Bonds

iShares Edge U.S. Fixed Income Balanced Risk ETF

FIBR 25 bps*

Why FIBR?

Use to seek income and improved risk-adjusted returns through a diversified portfolio of bonds

Overall Morningstar Rating[1]

★★★★

Based on risk-adjusted returns, ranked against 867 funds in the U.S. Intermediate-Term Bond Category

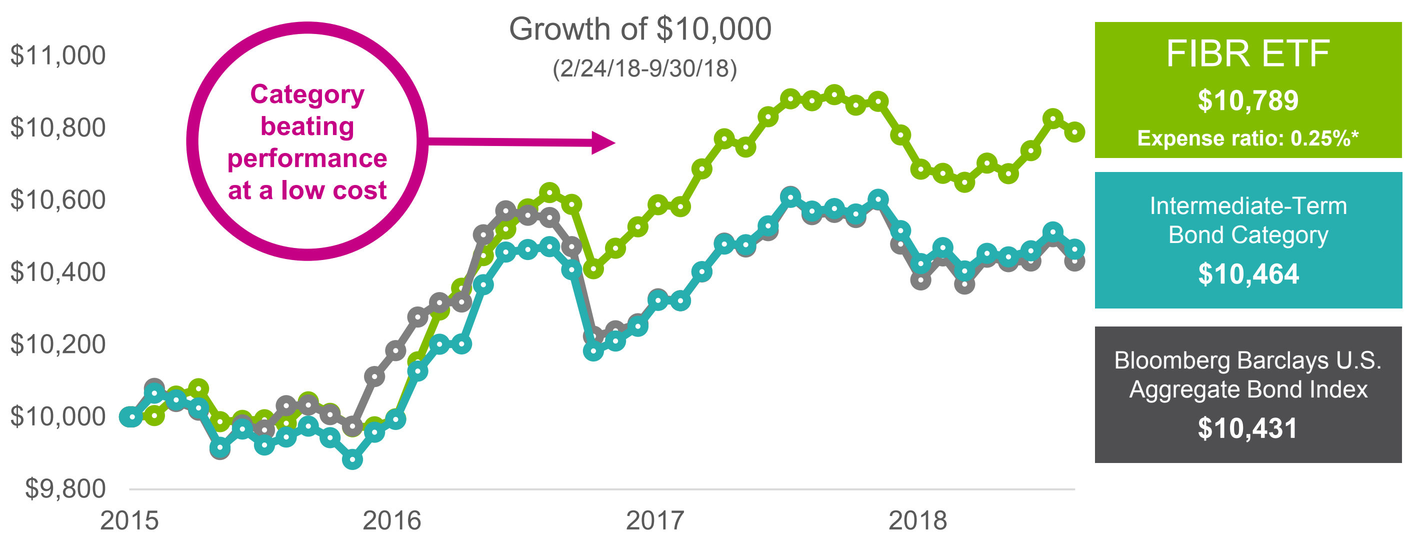
Most core or intermediate-term bond portfolios are dominated by interest rate risk. For example, the Bloomberg Barclays U.S. Aggregate Bond Index, while made up of over 9,000 bonds from many different sectors, actually derives 80-90% of its risk from interest rates.[2] As a consequence, your core bond portfolio may benefit from a more diversified approach.

Putting factors to work

Through a factor perspective, it's possible to rethink core bond portfolio construction using interest rate and credit risk as building blocks. On average, these two risks are negatively correlated, making them key components for diversification.

The **iShares Edge U.S. Fixed Income Balanced Risk ETF (FIBR)** may provide better risk-adjusted returns than typical core bond portfolios by balancing interest rates and credit risk exposure. Compare a hypothetical $10,000 investment in FIBR versus other core bond holdings like the Bloomberg Barclays U.S. Aggregate Bond Index or the Morningstar Intermediate-Term Bond Category.

FIBR has delivered better returns versus other core bond exposures



Source: Morningstar, since FIBR inception from 2/24/15 to 9/30/18. The chart reflects a hypothetical $10,000 investment and assumes reinvestment of dividends and capital gains. Fund expenses, including management fees and other expenses were deducted. Intermediate-Term Bond Category returns represented by the average NAV returns of the Morningstar U.S. Intermediate-Term Bond Fund Category which included a total of 867 ETFs and mutual funds. **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. Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance, see www.iShares.com. For standardized fund performance, see the end of this document.**

*Net expense ratio shown for FIBR reflects a contractual fee waiver in place through 2/29/24. Gross expense ratio is 0.26%.

How does FIBR balance fixed income factors?

Know your factors

Interest Rate Risk

Risk that bond prices decline when government interest rates increase. This risk factor tends to drive returns of higher quality bonds.

Credit Risk

Risk that the issuer will default on the bonds. This risk factor is correlated to equity risk and dominates returns in riskier bonds.

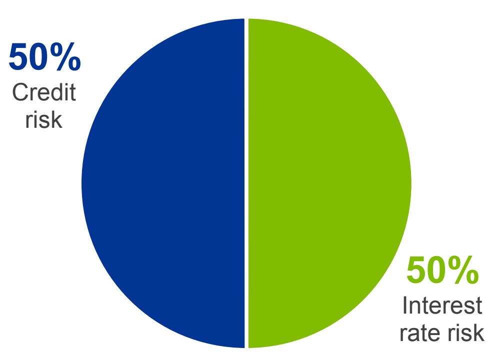
The index of FIBR seeks a even split between two well-known fixed income factors—interest rate risk and credit risk—which historically have been negatively correlated to each other.

FIBR seeks to track the Bloomberg Barclays U.S. Fixed Income Balanced Risk Index which balances these two factors using the following portfolio construction methodology:

1. **Target equal interest rate & credit risk** – The index targets equal exposure to interest rate and credit risk based on trailing 24-month return volatility.
2. **Diversify credit risk** – The index diversifies credit risk by selecting bonds from the most efficient sectors. These sectors are mortgage backed securities, high yield bonds rated below BB, high yield bonds rated BB, investment grade bonds with 1-5 years to maturity and investment grade bonds with 5-10 years to maturity.
3. **Apply hedge to balance** – The index measures the resulting risk and applies an interest rate hedge to balance credit and interest rate risk.

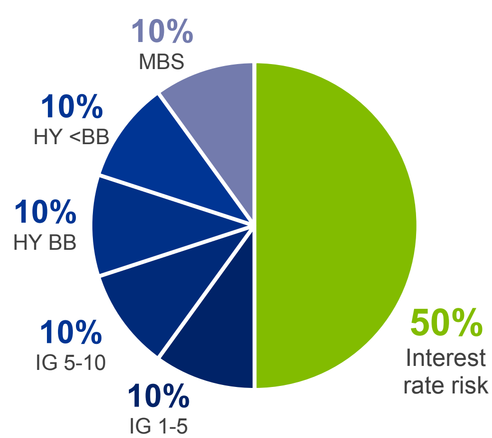
Index target portfolio construction

1 Target equal interest rate & credit risk



2 Diversify credit risk

3 Apply hedge to balance



Source: Bloomberg Barclays Indices, as of 9/30/18.

How does FIBR compare to the Aggregate?

See the difference

FIBR has outperformed AGG by

1.49%

annually over the past 3 years[3]

One of the major roles that bonds play in a portfolio is to diversify equity risk. The **iShares Core U.S. Aggregate Bond ETF (AGG)**, which tracks the Bloomberg Barclays U.S. Aggregate Bond Index, is a popular choice because of its low correlation to equities.

By targeting a more balanced risk profile, FIBR may act as an alternative to traditional core bond holdings while still maintaining a low correlation to equity markets.

The balanced approach of FIBR may provide the potential for higher yields, lower duration and improved risk and return characteristics versus a core bond holding like AGG.

Portfolio risk comparison of FIBR and AGG

FIBR		AGG
3.96%	**30-Day SEC Yield**	3.17%
5.24 years	**Effective Duration**	5.90 years
2.74%	**3-Year Return**	1.25%
2.29%	**3-Year Risk**	2.67%
0.06	**3-Year Equity Correlation**	-0.02

Source: BlackRock, as of 9/30/18. Risk contribution based on BlackRock Solutions models and is subject to change. 3-Year Returns based on annualized NAV returns. 3-Year Risk based on annualized standard deviation. 3-Year Equity Correlation based on monthly NAV returns of the fund and the S&P 500 Index.

Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance see www.iShares.com. For standardized fund performance, see the end of this document.

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1. The Morningstar Rating™ for funds is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure (excluding any applicable sales charges) that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. FIBR received a Morningstar Rating of 4 stars rated against 867 Intermediate-Term Bond funds for the 3-year period.

2. Source: BlackRock Solutions. Using monthly index data between 1989-2017, interest rate risk was ~90% of the Bloomberg Barclays U.S. Aggregate Bond Index's total risk.

3. Source: Morningstar, as of 9/30/18. Based on the 3-year annualized NAV returns of AGG which was 1.25% and FIBR with was 2.74%.

Fees as of Current Prospectus. All Other Data as of 9/30/18					1-Year Returns		5-Year Returns		10-Year Returns		Since Inception	
Fund Name	Inception Date	Net / Gross Expense Ratio	30-Day SEC Yield (With / Without Waiver)	Contractual Fee Waiver Expiration	NAV	Mkt Price	NAV	Mkt Price	NAV	Mkt Price	NAV	Mkt Price
iShares Edge U.S. Fixed Income Balanced Risk ETF (FIBR)	2/24/15	0.25% / 0.26%	3.96% / 3.96%	2/29/24	-0.60%	-0.67%	--	--	--	--	2.15%	2.17%
iShares Core U.S. Aggregate Bond ETF (AGG)	9/22/03	0.05% / 0.06%	3.17% / 3.17%	6/30/26	-1.29%	-1.35%	2.12%	2.11%	3.66%	3.67%	3.70%	3.70%

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. Brokerage commissions will reduce returns. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times. Performance shown reflects fee waivers and/or expense reimbursements by the investment advisor to the fund for some or all of the periods shown. Performance would have been lower without waivers.

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, 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. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

The Fund's use of derivatives may reduce the Fund's returns and/or increase volatility and subject the Fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. The Fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that the Fund's hedging transactions will be effective.

The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective. The information presented does not take into consideration commissions, tax implications, or other transactions costs, which may significantly affect the economic consequences of a given strategy or investment decision. Buying and selling shares of ETFs will result in brokerage commissions.

On 2/5/18, FIBR was reorganized from an actively managed ETF to a passively managed or index ETF. Any data prior to this date is related to the fund before the reorganization.

Investment comparisons are for illustrative purposes only. To better understand the similarities and differences between investments, including investment objectives, risks, fees and expenses, it is important to read the products' prospectuses. Diversification may not protect against market risk or loss of principal. 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.

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