**Key takeaways**

Seek income – Preferred and hybrid securities may offer higher income than other asset classes (see figure below)

Access – Exposure to this specific tier of the capital structure

Diversification – Preferred securities have offered low correlations to traditional core bonds and may provide attractive diversification benefits within a broad portfolio.

**What are preferred and hybrid securities?**

Preferred and hybrid securities have features that combine elements of both stocks and bonds to offer income and upside potential.

- **Like bonds:** Generally pay fixed or floating dividends, similar to bond coupons, and precede common stock in a company’s capital structure.
- **Like stocks:** Have the potential for capital appreciation or loss.

While preferred and hybrid securities might have call features, many issuers are using them for capital treatment and may choose not to call these securities when interest rates fall.

**How preferredds and hybrids stack up in the capital structure**

<table>
<thead>
<tr>
<th>Repayment priority</th>
<th>Senior Debt</th>
<th>Subordinated Debt</th>
<th>Hybrid Debt</th>
<th>Preferred Shares</th>
<th>Common Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Income is an important driver of return**

- **U.S. Treasuries:** 4.84%
- **Core bonds:** 5.38%
- **Investment grade corp.:** 6.08%
- **High yield corporates:** 8.94%

For illustrative purposes only.

Past performance does not guarantee future results. For standardized performance, see the next page. 1 Source: BlackRock as of 9/30/2023. 2 Source: Bloomberg as of 9/30/2023. Diversification measured using 3-year correlation between ICE Exchange-Listed Preferred & Hybrid Securities Index and Bloomberg U.S. Aggregate Bond Index (+0.70). 3 Source: Bloomberg as of 9/30/2023. Yield shown is nominal yield. U.S. Treasuries represented by ICE U.S. Treasury Core Bond Index, Core Bonds represented by the Bloomberg U.S. Aggregate Bond Index, Investment Grade Corp represented by the ICE BofAML U.S. Corporate Master Index, and Preferreds & Hybrids represented by the ICE Exchange-Listed Preferred & Hybrid Securities 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. Index performance does not represent actual iShares Fund performance.

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How do preferred and hybrid securities fit into a portfolio?

Preferreds and hybrids can be utilized in both fixed income and multi-asset portfolios as a diversifier.

Seek income – Preferreds and hybrids can provide higher income than investment grade bonds. These securities can add income potential to the overall portfolio.

Potential portfolio diversification – Preferred securities have demonstrated low correlations to traditional core bonds and can potentially provide attractive diversification benefits within a broad portfolio.²

<table>
<thead>
<tr>
<th>Sector Breakdown</th>
</tr>
</thead>
</table>

- Banking, 38.1%
- Insurance, 14.5%
- REITs, 13.7%
- Electric, 8.1%
- Other, 7.2%
- Brokerage/Asset Managers/Exchanges, 5.5%
- Communications, 4.9%
- Consumer Cyclical, 2.6%
- Energy, 2.5%
- Consumer Non-Cyclical, 2%
- Technology, 0.9%

<table>
<thead>
<tr>
<th>Coupon type</th>
<th>% of fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>71.5%</td>
</tr>
<tr>
<td>Floating</td>
<td>31.4%</td>
</tr>
<tr>
<td>Other</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Chart and Table Source: BlackRock as of 9/30/2023. Sectors based on Barclays Sectors Level 3. Allocations are subject to change. ² Source: Bloomberg as of 9/30/2023. Diversification measured using 3-year correlation between ICE Exchange-Listed Preferred & Hybrid Securities Index and Bloomberg U.S. Aggregate Bond Index (+0.70).

Standardized performance

<table>
<thead>
<tr>
<th>Fees as of current prospectus. All other data as of 9/30/2023</th>
<th>Fund inception date</th>
<th>Expense ratio</th>
<th>SEC yield</th>
<th>30-day NAV</th>
<th>1-year NAV</th>
<th>5-year NAV</th>
<th>10-year NAV</th>
<th>Since inception</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Fund name</th>
<th>Fund inception date</th>
<th>Expense ratio</th>
<th>NAV</th>
<th>Mkt price</th>
<th>NAV</th>
<th>Mkt price</th>
<th>NAV</th>
<th>Mkt price</th>
<th>NAV</th>
<th>Mkt price</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares Preferred and Income Securities ETF</td>
<td>03/26/2007</td>
<td>0.46%</td>
<td>6.81%</td>
<td>1.60%</td>
<td>1.82%</td>
<td>1.26%</td>
<td>1.26%</td>
<td>3.48%</td>
<td>3.46%</td>
<td>3.27%</td>
</tr>
</tbody>
</table>

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.

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