

iSHARES INVESTIGATES: ETF MARKET MATTERS

Fast facts from the second quarter of 2020

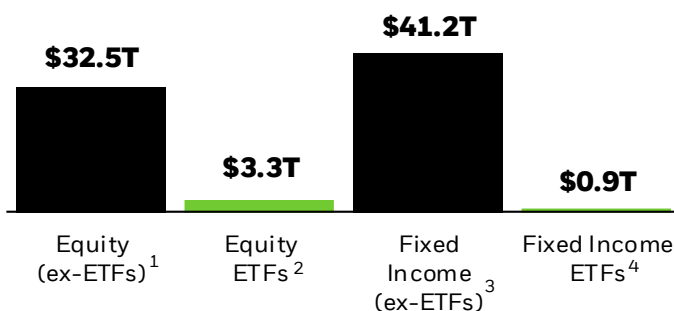
ETF Market Size

In the United States—the largest ETF market in the world by assets under management (AUM)—ETFs are only a **fraction** of the total financial market.

Just over 9% of assets invested in U.S. equities are in U.S.-listed equity ETFs.

The fixed income ETF market is even smaller, at approximately 2% of the total U.S. bond market (**Figure 1**).

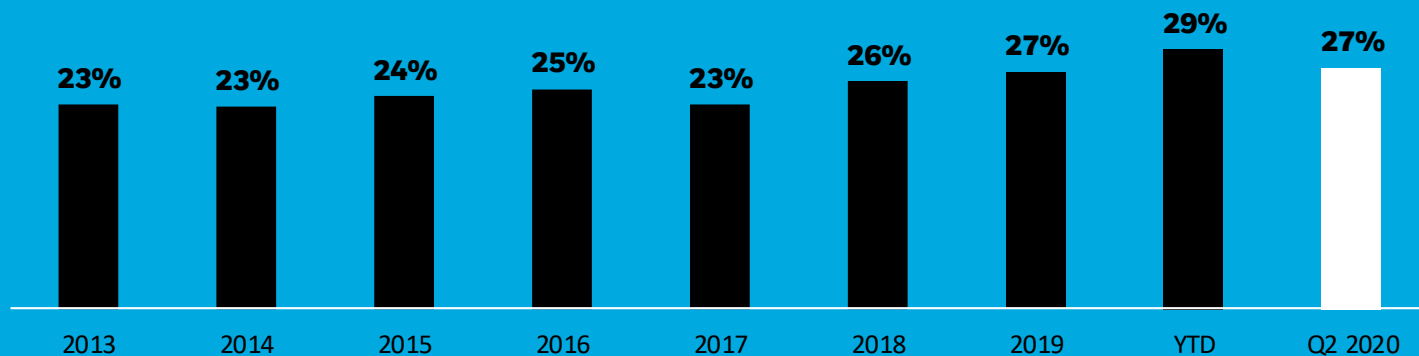
Figure 1: Size of the U.S. market



ETF Secondary Market Volume

In the second quarter of 2020, the average daily trading volume in U.S. equities was \$472 billion. The average daily trading volume of U.S. ETFs was \$130 billion over the same period. This means that U.S. ETFs accounted for 27% of the total U.S. composite volume in the secondary market over the quarter (**Figure 2**).

Figure 2: ETFs as % of Equity Trading Volume (average)⁵



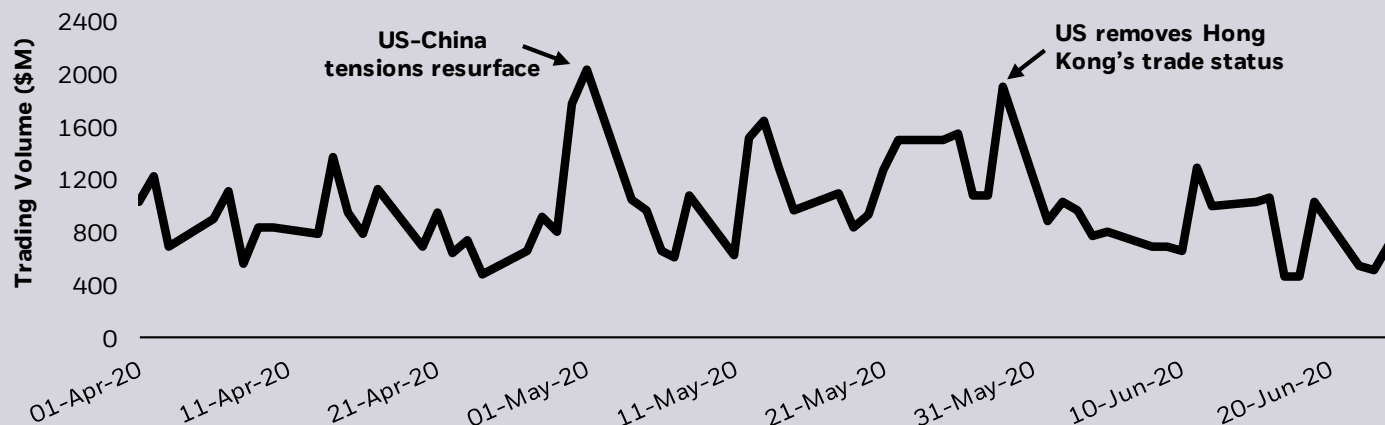
¹ As of June 30, 2020. Equity (ex-ETFs) represented by the market capitalization of the Russell 3000 index. Source: Bloomberg ² As of June 30, 2020. Source: Markit, BlackRock ³ As of December 31, 2019. Source: Bank for International Settlements (BIS) ⁴ As of June 30, 2020. Source: Markit, BlackRock ⁵ As of June 30, 2020. Source: Bloomberg, BlackRock

Price Discovery: Role of ETFs

ETFs offer real-time access to international markets and can help form prices even when local markets are closed. For example, the iShares China Large-Cap ETF (FXI), a US-listed ETF that seeks to track the investment results of an index composed of the 50 largest Chinese stocks, saw increased trading activity amidst intensified tensions between China and the U.S. in May 2020.

The fund traded twice its daily average on May 1, 2020—the highest volume in the fund since the heightened market volatility in early March.

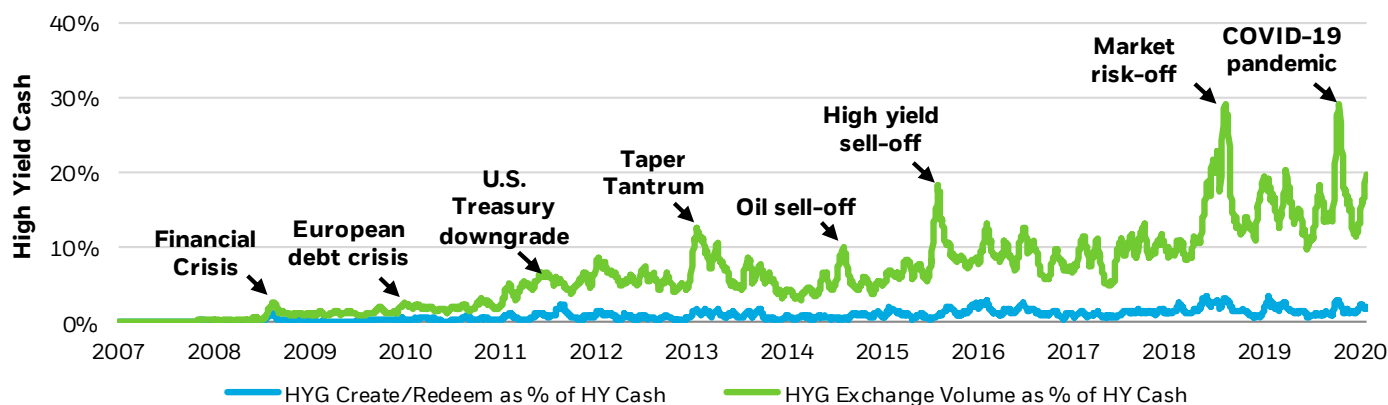
Figure 3: iShares China Large-Cap ETF (FXI)⁶



Bond ETF Liquidity in Stressed Markets

Fixed income ETFs have been tested in numerous stressed markets, including the Financial Crisis in 2008, the European sovereign debt crisis in 2010, the U.S. Treasury downgrade of 2011, the Taper Tantrum in 2013, the oil sell-off of 2014, the high yield bond sell-off of 2015 and the COVID-19 pandemic of 2020. During each of these stressed periods, many bond ETFs displayed increased volumes, materially tighter bid/ask spreads than the underlying bond market⁷ and no forced selling.

Figure 4: iShares iBoxx \$ High Yield Corporate Bond ETF (HYG) Market Activity⁸



⁶ As of June 30, 2020. Source: Bloomberg, BlackRock. ⁷ Source: Bloomberg, analyzed by BlackRock ⁸ “High Yield Cash” represents total over-the-counter (OTC) high-yield cash bond volume. Source: Bloomberg, BlackRock as of June 30, 2020. There can be no assurance that an active trading market for shares of an ETF will develop or be maintained.

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.

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Shares of iShares ETFs may be bought and sold throughout the day on the exchange through any brokerage account. Shares are not individually redeemable from the ETF, however, shares may be redeemed directly from an ETF by Authorized Participants, in very large creation/redemption units.

Although market makers will generally take advantage of differences between the NAV and the trading price of iShares ETF shares through arbitrage opportunities, there is no guarantee that they will do so.

Buying and selling shares of ETFs may result in brokerage commissions.

There can be no assurance that an active trading market for shares of an ETF will develop or be maintained.

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