

BlackRock

Challenging the top myths

About fixed income indexing



Introduction

After yields surged to multi-year highs in 2022¹ and kept that trend into 2023, fixed income finally offers “income” again. As we adapt to a new macro regime, investors are re-evaluating the role of fixed income in portfolios, re-embracing the asset class for the first time in years, while re-thinking the composition of fixed income sleeves². At the same time, greater macro and market volatility has increased the value of flexibility in portfolios. Against this backdrop, we see continued adoption of fixed

income indexing. However, while most investors are inherently familiar with index investing in equities, views questioning the practice in fixed income still abound. We have long believed that the active/index choice was a false dichotomy, and we see investors increasingly recognizing the advantages of blending index with actively managed strategies in fixed income. Here, we address the most common misconceptions or “myths” we hear about fixed income indices and index investing.

1 USBank.com, “How Rising Interest Rates Affect Bonds” August 22, 2023.

2 BlackRock.com, “A Generational Opportunity in Fixed Income” 2023.

Four myths about fixed income indices

> 01

Myth

Fixed income is too broad of an asset class and therefore indices are unable to help investors build efficient portfolios, while being nimble.

Fact

Indices transform the fragmented bond market into standardized exposures that can simplify portfolio construction and act as reference tools to understand the drivers of risk and return, as well as helping to quantify true alpha³.

> 02

Myth

Indices are slow to respond to sudden changes in market conditions and extreme volatility.

Fact

Over the past three years indices have proven to be resilient and dynamic in their responses to several idiosyncratic market events⁴.

> 03

Myth

Indices are not investable and therefore do not consider the realities of trading in the underlying markets.

Fact

Indices incorporate diversification and liquidity rules which help portfolio managers effectively replicate the risk and return characteristics of their benchmarks across a diverse set of fixed income markets.

> 04

Myth

Indices cannot add value through sustainability analysis and scoring systems in the way active managers can.

Fact

BlackRock has worked with index and sustainability data providers to develop sustainable fixed income indices which seek to meet investors' needs and satisfy regulatory requirements, in addition to promoting standardization across the industry.

3 Bloomberg.com, "Bloomberg Fixed Income Indices" August 31, 2023.

4 BlackRock.com, "Lessons from COVID-19: Fixed Income Index Rebalancing" July, 2020.

01.

| Myth

Fixed income is too broad of an asset class and therefore indices are unable to help investors build efficient portfolios, while being nimble.

| Fact

Indices transform the fragmented bond market into standardized exposures that can simplify portfolio construction and act as reference tools to understand the drivers of risk and return, as well as helping to quantify true alpha⁵.

Over time, even more granular indices are being developed, providing access to exposures across credit sectors, duration, factors, as well as defined outcomes, such as sustainable or hedged exposures.

The increasing granularity of indices allows investors to redefine their desired market exposure. For example, an investor can pull apart a broad-based market exposure such as the Bloomberg US Aggregate Bond Index and insert an inflation protection component by replacing US Treasury bond exposure with Treasury Inflation-Protected Securities (TIPS) exposure. The proliferation of indices in fixed income is also helping investors to blend more index and active strategies together, leading to better portfolio outcomes.

⁵ Bloomberg.com, “Bloomberg Fixed Income Indices” August 31, 2023.

Figure 1: BlackRock's Index Fixed Income platform provides choice across a variety of exposures.

BlackRock's Fixed Income Index portfolio managers manage index portfolios versus over 200 indices in the US alone. Our platform is designed to allow clients to mix and match their index exposures at low cost:

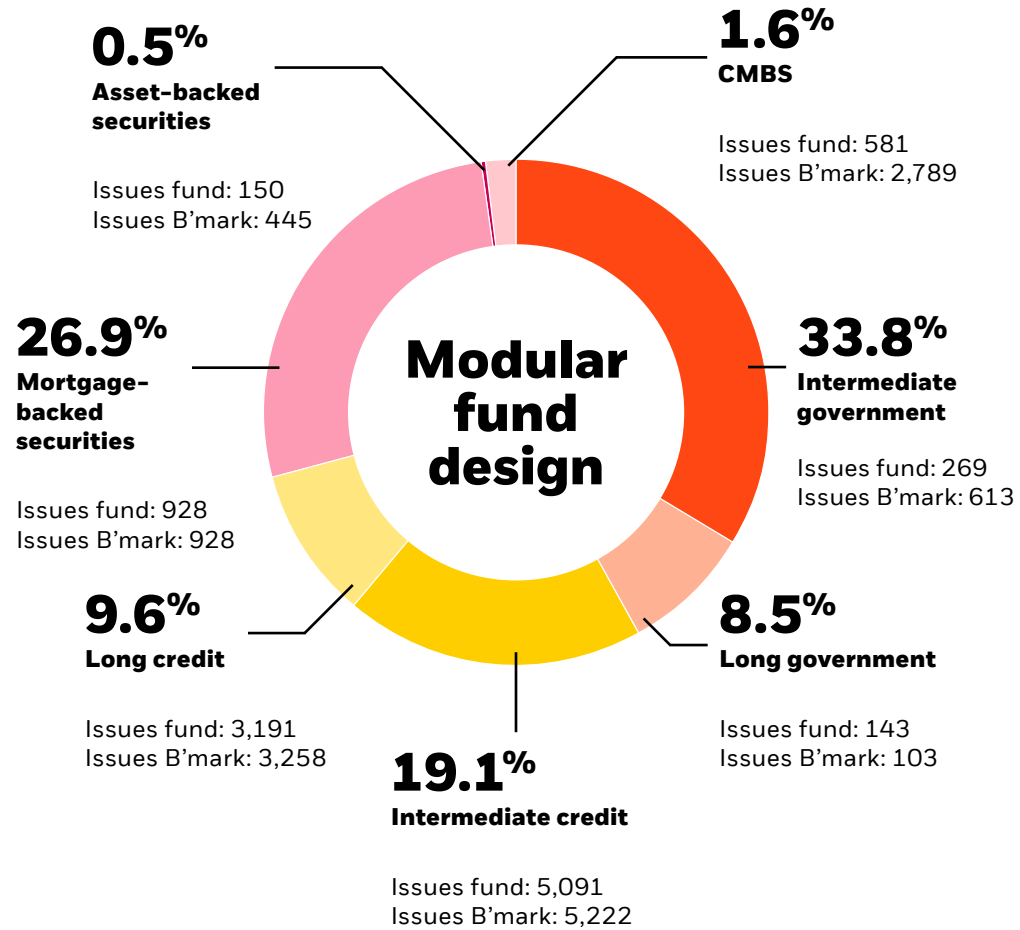
Bloomberg US aggregate index

Issues fund:
11,067

Issues benchmark:
13,358

BlackRock's modular fund design leverages scale and facilitates crossing opportunities.

Source: BlackRock utilizing Bloomberg data as of June 30, 2023. Funds are BlackRock CTFs. For illustrative purposes only.



02.

| Myth

Indices are slow to respond to sudden changes in market conditions and extreme volatility.

| Fact

Over the past three years indices have proven to be resilient and dynamic in their responses to several idiosyncratic market events.

Index providers responded quickly in a coordinated, timely fashion during the COVID-19 selloff in March 2020 and again in March 2023 following the US Regional Bank stress and collapses of Silicon Valley Bank and Signature Bank.

In March 2020 at the height of the market selloff, most major fixed income index providers came together to partially delay index rebalancing actions for the majority of their indices⁶. We estimate that around 40% of BlackRock's global fixed income index platform rebalancing at March month-end was delayed following this coordinated effort. While the April month-end rebalance saw significant changes across fixed income indices, BlackRock's experience trading these changes was orderly.

Most major fixed income index providers came together again in March 2023, deciding to remove SVB Financial Group (SIVB) and Signature Bank (SBNY) bonds at March month-end. On March 10th, Silicon Valley Bank collapsed, followed by the collapse over the weekend of Signature Bank. There was an immediate erosion of bond prices and contagion impacts were observed across US Regional Banks. With a collapse instead of a downgrade, SIVB and SBNY bonds would not enter the High Yield benchmarks which added complexity to the index change.

In both instances, we believe the coordinated and dynamic response of index providers helped to promote market stability and better outcomes for end clients than if no action had been taken.

⁶ BlackRock.com, "Lessons from COVID-19: Fixed Income Index Rebalancing" July, 2020.

03.

| Myth

Indices are not investable and therefore do not consider the realities of trading in the underlying markets.

| Fact

Indices incorporate diversification and liquidity rules which help portfolio managers effectively replicate the risk and return characteristics of their benchmarks across a diverse set of fixed income markets.

Index rules such as caps, floors and minimum issue sizes help ensure appropriate diversification and investability of an index. Caps prevent any large issuer from dominating the index, while floors ensure that small issuers whose bonds may be illiquid and hard to get hold of are excluded. Caps and floors are often found in credit and emerging market debt indices. In addition, many indices across US fixed income markets incorporate rules on minimum issue sizes to ensure that only bonds which are likely to be relatively freely traded are included.

04.

| Myth

Indices cannot add value through sustainability analysis and scoring systems in the way active managers can.

| Fact

BlackRock has worked with index and sustainability data providers to develop sustainable fixed income indices which meet investors' needs and satisfy regulatory requirements, in addition to promoting standardization across the industry.

Sustainable fixed income indices offer a transparent, rules-based approach to sustainable investing. They usually incorporate business involvement screens, while targeting specific sustainable objectives through minimum sustainability ratings and controversy scores. BlackRock offers one of the widest ranges of sustainable fixed income index funds globally⁷, spanning credit, government bonds and emerging market debt, having worked closely with index providers to develop indices that meet investors' needs for products that incorporate an increasing degree of complexity. As of June 30th 2023, BlackRock manages US \$705 billion in our dedicated sustainable investment platform, including Uplift, Thematic and Impact funds, and also Baseline Screened portfolios across equities, fixed income, multi-asset, liquidity and alternative investments. In the US, BlackRock has been managing client assets versus the Bloomberg MSCI US Aggregate ESG Focus Index (USD) since 2018, offering exposure to investment grade bonds from issuers with favorable environmental, social and governance practices while seeking stability and income in a sustainable portfolio with similar risk and return to the Bloomberg US Aggregate Bond Index.

⁷ BlackRock.com, "BlackRock Index Services" August 31, 2023.

Five myths about fixed income index investing

> 01

Myth

Index managers incur the highest turnover during month end, suffering from information slippage and high transaction costs.

Fact

BlackRock's Fixed Income Index portfolio managers trade flexibly through the month to proactively rebalance towards the forward-looking benchmark as they seek to deliver on investment objectives for investors. We take advantage of new issue markets, primary flows and internal crossing opportunities to limit excessive turnover and the market impact of rebalancing activities.

> 02

Myth

Index portfolio managers are forced buyers and sellers during credit events.

Fact

BlackRock's Index Fixed Income portfolio managers are never forced buyers or sellers during credit events. We have flexibility on when to trade bonds which are exiting/entering the indices and can take advantage of internal crossing opportunities to aim to deliver the best outcome for clients.



> 03

Myth

Index managers cannot benefit from new issue premia.

Fact

Portfolio managers can participate in new issues to benefit from liquidity, new issue premia and the absence of transaction costs.

> 05

Myth

It is not possible to index “plus” sectors like Emerging Markets and High Yield as liquidity can be low and transaction costs are high.

Fact

Portfolio managers have been managing index high yield and emerging markets mandates against a variety of benchmarks.

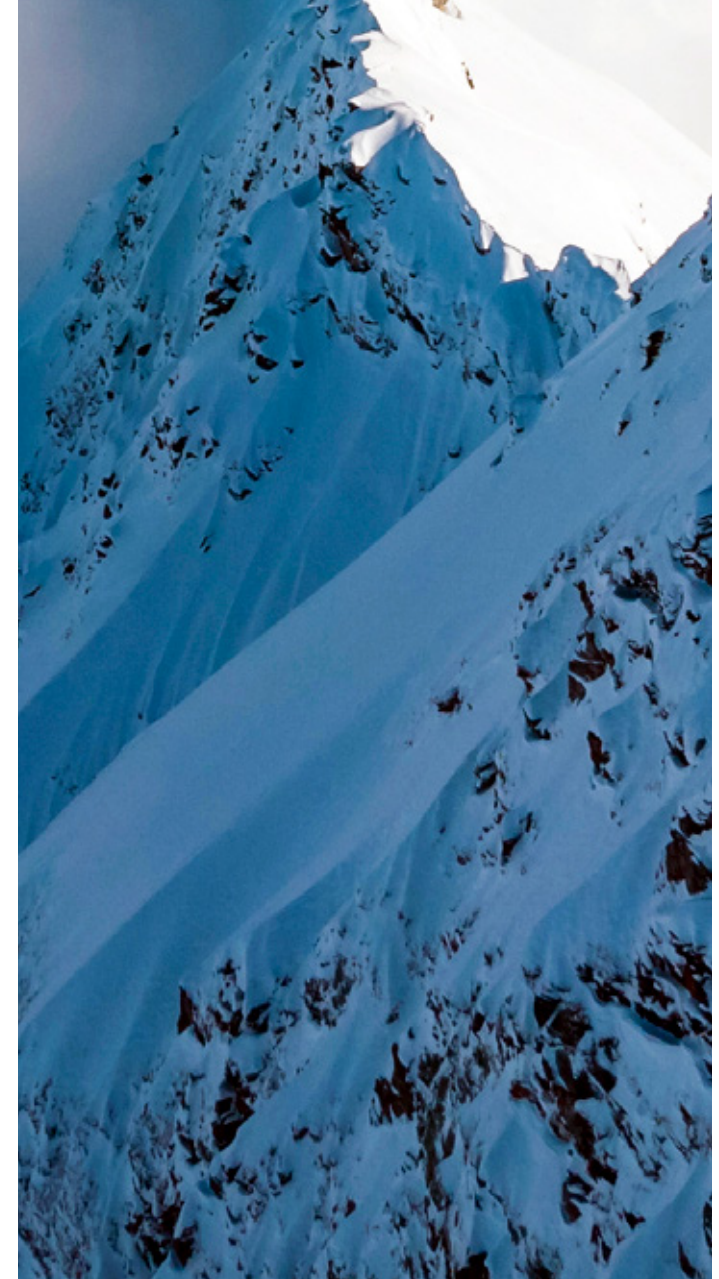
> 04

Myth

Active managers are better able to navigate illiquid markets.

Fact

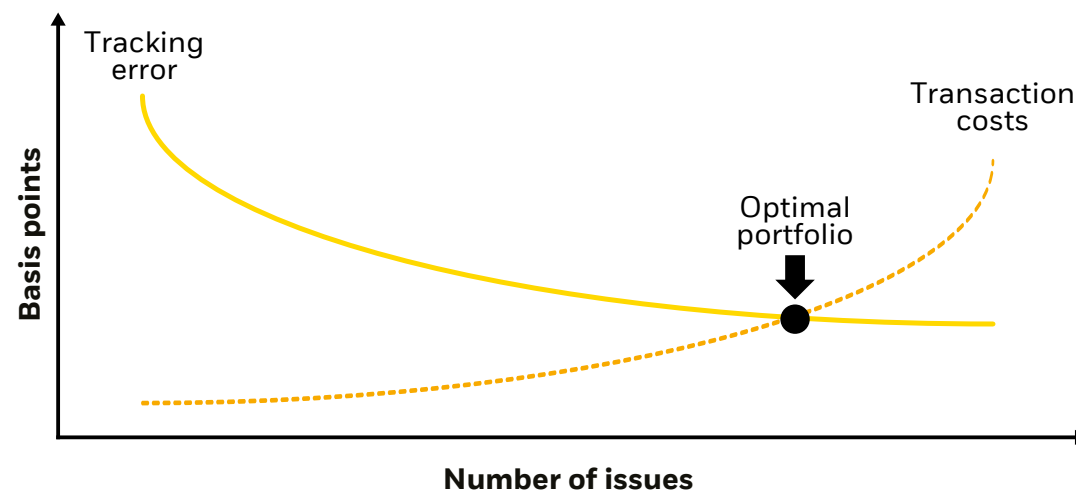
As index portfolios tend to be highly diversified, index portfolio managers are able to navigate illiquid markets while still maintaining close tracking to their benchmark.



At BlackRock, index investing is anything but 'passive'. Rather than being strictly bound by the monthly rebalance cycle, BlackRock's Index Fixed Income portfolio managers follow a stratified sampled approach using data, technology and a long history of index investing expertise to navigate fixed income index rebalances. This approach seeks to deliver the risk and return characteristics of the index by holding a subset of the index's securities. To do this, we divide each index into groups of bonds with specific risk factors (such as sector, maturity, credit rating, seniority, country and currency), then select bonds from each subset to build a portfolio that reflects the characteristics of its underlying index, including yield and duration, to replicate the index returns as closely as possible.

Under this approach, BlackRock's Index Fixed Income portfolio managers are not required to hold every single bond in the index. The investment process balances tracking error, liquidity and transaction costs when selecting securities. For example, the Bloomberg US Aggregate Bond Index includes over 13,000 bonds, our flagship collective trust fund benchmarked to the US Aggregate Index holds just around 11,000 bonds. This fund has consistently delivered tight annualized tracking difference of +7bps gross of fees since inception (source: BlackRock, as of 30 June 2023).

Figure 2: Balancing tracking error and cost.



For illustrative purposes only and subject to change.
Source: BlackRock. As of 30 June 2023.

01.

| Myth

Index managers incur the highest turnover during month end, suffering from information slippage and high transaction costs.

| Fact

BlackRock's Fixed Income Index portfolio managers trade flexibly through the month to proactively rebalance towards the forward-looking benchmark to deliver on investment objectives for investors. We take advantage of new issue markets, primary flows and internal crossing opportunities to limit excessive turnover and the market impact of rebalancing activities.

While there is still a need for better quality and standardized index analytics, we leverage proprietary and third-party data in Aladdin, BlackRock's risk management system, to improve transparency around upcoming benchmark changes and performance drivers*. Importantly, because we methodically sample bond indices as opposed to fully replicating them, we have the flexibility to adjust portfolios in a pragmatic and dynamic fashion. We may also hold bonds to maturity if deemed beneficial, even if the index does not. Rebalancing trades are executed with our investors in mind. For our large funds, such as our flagship collective trust fund managed to the Bloomberg Intermediate Credit Index (AUM: US \$16B as at 26 June 2023) most rebalancing activity takes place dynamically through the month with an eye on the forward index, with very little adjustments made at month-end.

* While proprietary technology platforms may help manage risk, risk cannot be eliminated.

02.

| Myth

Index portfolio managers are forced buyers and sellers during credit events.

| Fact

BlackRock's Index Fixed Income portfolio managers are never forced buyers or sellers during credit events. We have flexibility on when to trade bonds which are exiting/entering the indices to ensure the best outcome for clients. Portfolio managers take a proactive approach to index investing in emerging market debt, actively engaging with restructuring sovereigns.

BlackRock's Fixed Income Index portfolio managers have flexibility on when to trade any issuers entering and exiting indices, allowing us to avoid trading at the same time as others who may be forced buyers or sellers. In the case of fallen angels, BlackRock may end up being a net buyer during credit downgrades, given the size of the High Yield market and the scale of our High Yield funds across the firm. In emerging market debt, the indices tracked by Emerging Market index funds keep restructuring credits within the index. This provides investors the potential opportunity to benefit from any potential upside post credit event while also enabling us to act on our mission as a fiduciary, engaging with sovereign issuers during restructuring phases, to maximize value for clients while promoting a healthy market. For example, BlackRock engaged with the Argentinean government and more recently, the Ukrainian government in their debt restructuring. Over the years, we have also shared insights and feedback with index providers to evolve index rules in a pragmatic manner. For example, we collaborated with one index provider in 2020 to align the timing between downgraded bonds exiting certain USD Investment Grade indices with when they enter USD High Yield indices. This rule change aligned natural sellers of downgraded bonds (Investment Grade funds) with natural buyers of the bonds (High Yield funds), improving liquidity and reducing transaction costs of trading such events.

03.

| Myth

Index managers cannot benefit from new issue premia.

| Fact

Portfolio managers can participate in new issues to benefit from liquidity, new issue premia and the absence of transaction costs. Indices are also evolving in this area, speeding up the inclusion of newly issued bonds in certain segments.

Portfolio managers will weigh up the benefits of improved liquidity, the new issue concession, and the absence of transaction costs of a new bond issue versus the potential tracking error created by owning it prior to its official inclusion in the index at the next rebalance. The process works because index funds generally have some flexibility to hold up to a certain percentage of non-index bonds.

In some asset classes, such as Emerging Market Debt, where the universe can be concentrated and sometimes illiquid, using the new issue market to access liquidity can be very beneficial to investors. With this in mind, BlackRock advocated with one index provider to include newly issued bonds more promptly within Emerging Market Debt indices from January 2021. By lowering the average time lag between the date of issuance of an index-eligible bond and its inclusion into the index, the breadth of the universe covered by the index increased, with the resulting index a better reflection of the evolution of the underlying market.

04.

| Myth

Active managers are better able to navigate illiquid markets.

| Fact

As index portfolios tend to be highly diversified, BlackRock index portfolio managers are able to navigate illiquid markets while still maintaining close tracking to their benchmark.

Index portfolios typically track highly diversified benchmarks and contain hundreds, if not thousands, of bonds. The Bloomberg US Aggregate Index, for example, holds over 13,000 bonds as of 30 June 2023⁸. As a result, any individual position is unlikely to impact their ability to maintain tight tracking through the stratified sampling process. At BlackRock, managing index portfolios is never “passive” and we incorporate active insights such as single name news, market conditions and liquidity considerations in managing index portfolios to reduce portfolio turnover and unnecessary trading costs, thus enhancing overall tracking quality.

⁸ Bloomberg.com, “Bloomberg Fixed Income Indices” June 30, 2023.

05.

| Myth

It is not possible to index “plus” sectors like Emerging Markets and High Yield as liquidity can be low and transaction costs are high.

| Fact

Portfolio managers have been managing index high yield and emerging markets mandates against a variety of benchmarks.

In the US, our portfolio managers have been managing index high yield mandates since 2003 and index emerging markets mandates since 2007. These mandates are run against a variety of benchmarks, including those provided by Barclays, ICE BofAML, J.P. Morgan and iBoxx. The depth and breadth of our high yield and emerging market knowledge on the index side is also enhanced by the access that our index portfolio managers have to active teams on the BlackRock platform. This gives our portfolio managers additional insight into understanding issuer capital structures, event risk that could impact market volatility, and insights regarding corporate actions.

Conclusion

As investors re-examine the role of fixed income in portfolios in a new macro regime, we see the adoption of fixed income indexing continuing. While the highly fragmented and discontinuously liquid nature of the bond market has led to claims that index investing cannot work in fixed income and that active management is the only solution, we argue that it is the very nature of fixed income that makes indexing valuable for all styles of investing. Indexing transforms the fragmented bond market into standardized, predictable and efficient exposures that greatly simplify portfolio construction. The broadening range of fixed income indices, index funds, and ETFs afford investors an increasing degree of precision and flexibility in creating highly customized and nimble portfolios, that can be adjusted efficiently to capture opportunities in changing market environments. Index funds can be used to rapidly and cost effectively scale portfolios, enabling portfolio managers to focus on higher conviction trades. For these reasons, we believe that not only does fixed income indexing work, but that it is becoming indispensable for more and more portfolio managers.



For investors in Italy: This document is marketing material. Before investing please read the Prospectus and the PRIIPS KID available on www.blackrock.com/it, which contain a summary of investors' rights.

Risk warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility product or strategy and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time. Companies which issue higher yield bonds typically have an increased risk of defaulting on repayments. In the event of default, the value of investors investment may reduce. Economic conditions and interest rate levels may also impact significantly the values of high yield bonds.

Important information

This material is provided for educational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed are subject to change. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be and should not be interpreted as recommendations. Reliance upon information in this material is at the sole risk and discretion of the reader. The material was prepared without regard to specific objectives, financial situation or needs of any investor. This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts and estimates of yields or returns. No representation is made that any performance presented will be achieved by any BlackRock Funds, or that every assumption made in achieving, calculating or presenting either the forward-looking information or any historical performance information herein has been considered or stated in preparing this material. Any changes to assumptions that may have been made in preparing this material could have a material impact on the investment returns that are presented herein. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy.

In the U.S.: this material is for Institutional use only – not for public distribution.

In Canada: this material is intended for permitted clients as defined under Canadian securities law, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction. This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

In the UK and Non-European Economic Area (EEA) countries: This is issued by BlackRock Investment Management (UK) Limited, authorized and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorized activities conducted by BlackRock.

In the European Economic Area (EEA): This is issued by BlackRock (Netherlands) B.V. is authorized and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311. For your protection telephone calls are usually recorded.

For Italy, for information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in Italian.

For qualified investors in Switzerland: This document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services (“FinSA”). For information on art. 8/9 Financial Services Act (FinSA) and on your client segmentation under Art. 4 FinSA, please see the following website: www.blackrock.com/finsa. BlackRock Advisors (UK) Limited-Dubai Branch is a DIFC Foreign Recognized Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15-01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of ‘Advising on Financial Products’ and ‘Arranging Deals in Investments’ in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

In DIFC, the information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority (“DFSA”) Conduct of Business Rules. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements.” These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorized financial adviser.

In South Africa, please be advised that BlackRock Investment Management (UK) Limited is an authorized Financial Services provider with the South African Financial Services Conduct Authority, FSP No. 43288.

For investors in Israel: BlackRock Investment Management (UK) Limited is not licensed under Israel’s Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the “Advice Law”), nor does it carry insurance thereunder.

In Latin America, for Institutional Investors and Financial Intermediaries Only (Not for public distribution). This material is for educational purposes only and does not constitute an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund (nor shall any such shares be offered or sold to any person) in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities law of that jurisdiction. It is possible that some or all of the funds mentioned in this document have not been registered with the securities regulator of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus might not be publicly offered within any such country. The securities regulators of such countries have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America.

In Argentina, only for use with Qualified Investors under the definition as set by the Comisión Nacional de Valores (CNV).

In Brazil, this private offer does not constitute a public offer, and is not registered with the Brazilian Securities and Exchange Commission, for use only with professional investors as such term is defined by the Comissão de Valores Mobiliários.

In Chile, the offer of each security not registered with the Comisión para el Mercado Financiero (“CMF”) is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this offer may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF.

In Colombia, the offer of each Fund is addressed to less than one hundred specifically identified investors, and such Fund may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia.

IN MEXICO, FOR INSTITUTIONAL AND QUALIFIED INVESTORS USE ONLY. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. THIS MATERIAL IS PROVIDED FOR EDUCATIONAL AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SHARES OF ANY FUND OR SECURITY.

This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the "CNBV") and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services ("Investment Services") is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. These materials are shared for information purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Securities (Ley del Mercado de Valores). Each potential investor shall make its own investment decision based on their own analysis of the available information. Please note that by receiving these materials, it shall be construed as a representation by the receiver that it is an Institutional or Qualified investor as defined under Mexican law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión ("BlackRock México Operadora") is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services. For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in www.blackrock.com/mx. This material represents an assessment at a specific time and its information should not be relied upon by the you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. For more information on BlackRock México, please visit: www.blackrock.com/mx. BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora. For the full disclosure, please visit www.blackrock.com/mx and accept that your personal information will be managed according with the terms and conditions set forth therein.

In Peru, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the Superintendencia de Banca, Seguros y AFP.

In Uruguay, the Securities are not and will not be registered with the Central Bank of Uruguay. The Securities are not and will not be offered publicly in or from Uruguay and are not and will not be traded on any Uruguayan stock exchange. This offer has not been and will not be announced to the public and offering materials will not be made available to the general public except in circumstances which do not constitute a public offering of securities in Uruguay, in compliance with the requirements of the Uruguayan Securities Market Law (Law N° 18.627 and Decree 322/011).

For investors in Central America, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax

treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore, any investment described herein is done at the investor's own risk. This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities ("SUGEVAL"), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities ("Reglamento sobre Oferta Pública de Valores"). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon their request and instructions, and on a private placement basis.

In Singapore, this document is provided by BlackRock (Singapore) Limited (company registration number: 200010143N) for use only with institutional as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. This material is for distribution to "Professional Investors" (as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) and any rules made under that ordinance.) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong.

In South Korea, this information is issued by BlackRock Investment (Korea) Limited. This material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations) and for information or educational purposes only, and does not constitute investment advice or an offer or solicitation to purchase or sells in any securities or any investment strategies.

In Taiwan, independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600.

In Australia & New Zealand, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively. This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA). BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

In China, this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, not applicable to Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

In Bahrain, the information contained in this document is intended strictly for sophisticated institutions.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

In Kuwait, the information contained in this document is intended strictly for sophisticated institutions that are ‘Professional Clients’ as defined under the Kuwait Capital Markets Law and its Executive Bylaws.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

In Qatar, the information contained in this document is intended strictly for sophisticated institutions.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of the issuer.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

In Saudi Arabia, the information contained in this document is intended strictly for sophisticated institutions.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.”

All marketing material shared with prospectus prior to registering a fund with the CMA for private placement should include the following disclaimer on the front cover.

The purpose of these materials is to ascertain initial market interest. There are no guarantees that any future product would have all the features as outlined in this presentation. Any ‘offer’ of the product would be subject to regulatory approval prior to being offered, therefore this material is not an offer and is insufficient to enable investors to commit to acquiring units or shares in this product. If the product described herein is subsequently offered in the Kingdom of Saudi Arabia, then the full final offering documentation will be made available to prospective investors in accordance with applicable laws and regulations, and prospective investors will need to read such final documentation carefully before investing. Subsequent investments will only be valid if made on this basis.

In UAE, the information contained in this document is intended strictly for Professional Investors.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

ESG Screening risk The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index’s ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund’s investments compared to a fund without such screening. ESG considerations are evaluated alongside a number of other considerations, and/or would not be the sole consideration when making investment decisions.

The information provided here is not intended to constitute financial, tax, legal or accounting advice. You should consult your own advisers on such matters. BlackRock does not guarantee the suitability or potential value of any particular investment. Investment involves risk including possible loss of principal. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are often heightened for investments in emerging/developing markets or smaller capital markets. Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy. This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

FOR PROFESSIONAL, INSTITUTIONAL, QUALIFIED AND WHOLESALE INVESTORS/CLIENTS ONLY - PROPRIETARY AND CONFIDENTIAL

FOR PROFESSIONAL, INSTITUTIONAL INVESTORS, QUALIFIED INVESTORS, WHOLESALE INVESTORS AND PERMITTED, PROFESSIONAL AND QUALIFIED CLIENT USE ONLY. THIS MATERIAL IS NOT TO BE REPRODUCED OR DISTRIBUTED TO PERSONS OTHER THAN THE RECIPIENT.

© 2023 BlackRock, Inc. or its affiliates All Rights Reserved. BLACKROCK is a trademark of BlackRock, Inc., or its affiliates. All other trademarks are those of their respective owners.

GELM-1777-EMEA SEP23

BlackRock[®]