Private Markets

June 27, 2024

Global Credit Weekly:

The case for a strategic M&A rebound

BlackRock

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

Market insights contributors

Amanda Lynam, CPA

Head of Macro Credit Research,
Portfolio Management Group –
Private Markets

Dominique Bly

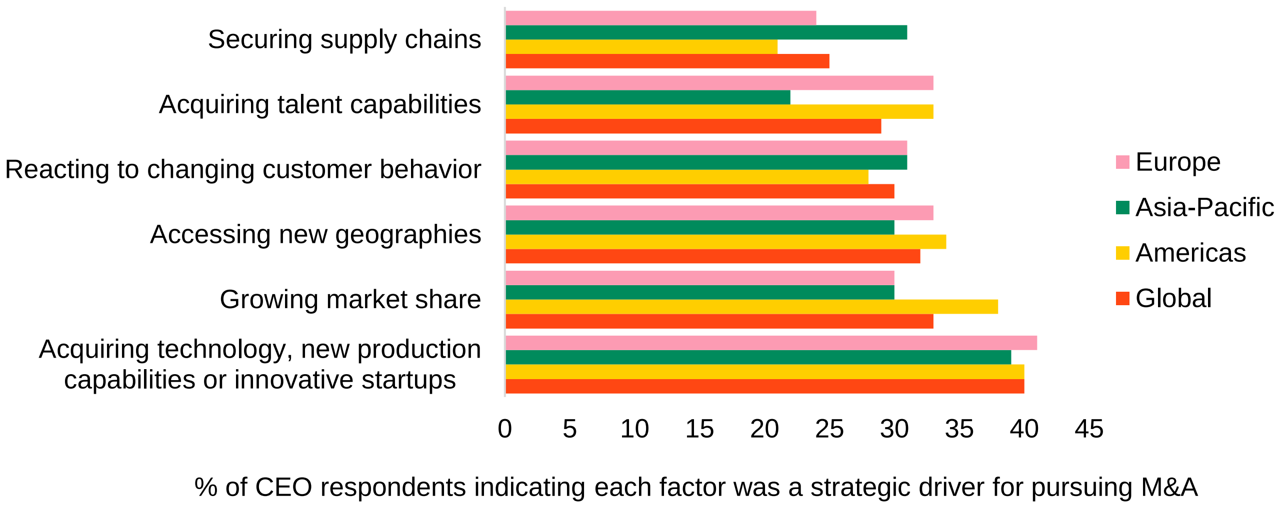
Macro Credit Research Strategist,
Portfolio Management Group –
Private Markets

Key takeaways

- The sharp increase in strategic M&A activity that was evident in 4Q2023 and 1Q2024 reverted to a more muted level in 2Q2024 (Exhibit 2), per data from Dealogic. That said, an April 2024 Ernst & Young survey of 1,200 CEOs highlighted increased receptivity for deal making over the next 12 months – motivated (in part) by a desire to obtain new technological capabilities (Exhibit 1).
- As we have outlined previously, we believe CEO confidence in the macroeconomic backdrop and *clarity* on the cost of capital environment (*not necessarily rate cuts*) are the key ingredients for corporate deal-making to generate a sustained recovery from 2022's muted levels. That said, focus on potential policy proposals (i.e., tariffs, taxes) related to the U.S. election could weigh on some large-scale/ transformational M&A activity, at least in the near-term.
- Cash-rich and highly-rated investment grade firms are likely to have an advantage (relative to their lower-rated and more levered peers) in competing for assets in the current financing environment. This is likely to be yet another driver of dispersion in corporate credit – albeit more of a longer-term differentiator, as the benefits of technological developments become clearer.
- Importantly for bondholders, the funding mix of the year-to-date announced strategic M&A transactions has been somewhat "creditor friendly" in aggregate, with an elevated share of "all stock" funded deals (Exhibit 6).
- Separately, this week we also take stock of the alternative asset allocation patterns of a very large investor group, globally: pensions (public and private).

Exhibit 1: Corporate CEOs are looking to M&A for gaining ground on technology

The factors global and regional CEOs perceive as the main strategic drivers for pursuing a transaction, per an April 2024 survey by Ernst & Young. CEOs were asked: "What are the main strategic drivers for pursuing acquisitions?"



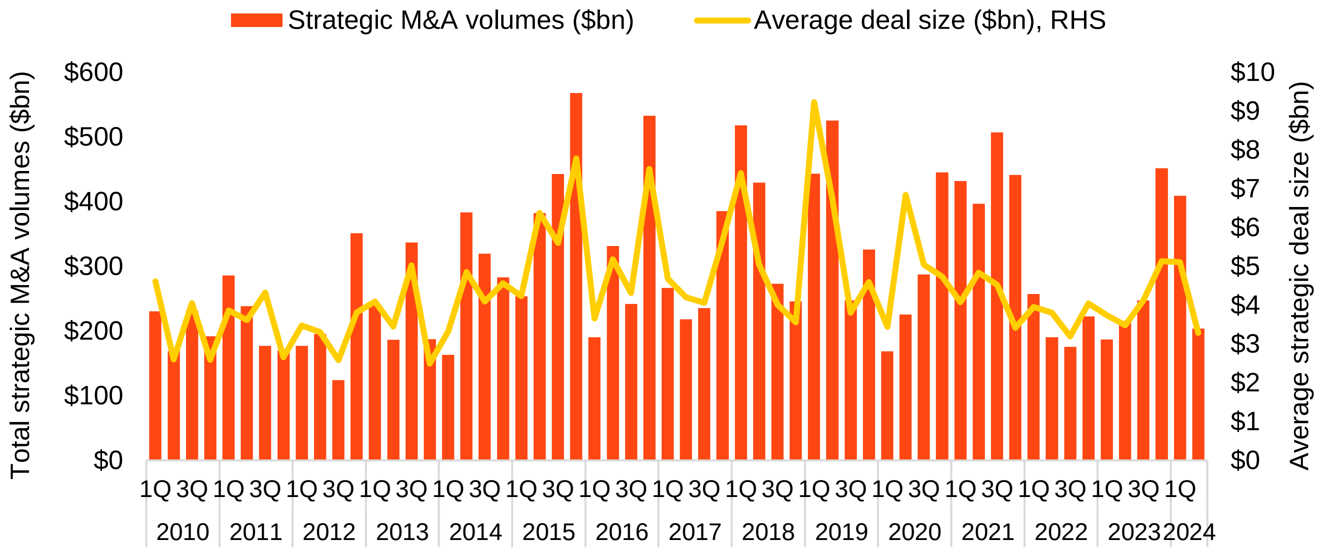
Source: Ernst & Young April 2024 Global CEO Outlook report (https://www.ey.com/en_us/ceo/ceo-outlook-global-report), BlackRock. Note: Only asked of those who plan to actively pursue a merger or acquisition. The respondents were allowed to select up to two responses.

Strategic M&A: Muted in 2Q2024, after recent strength

For corporate credit investors, strategic (i.e., corporate-related) M&A activity can have meaningful implications for investment performance and bears close monitoring. Beyond potentially catalyzing shifts in capital structures (for example, via debt assumption/issuance *or* debt reduction), such transactions can also result in meaningful changes to business diversification.

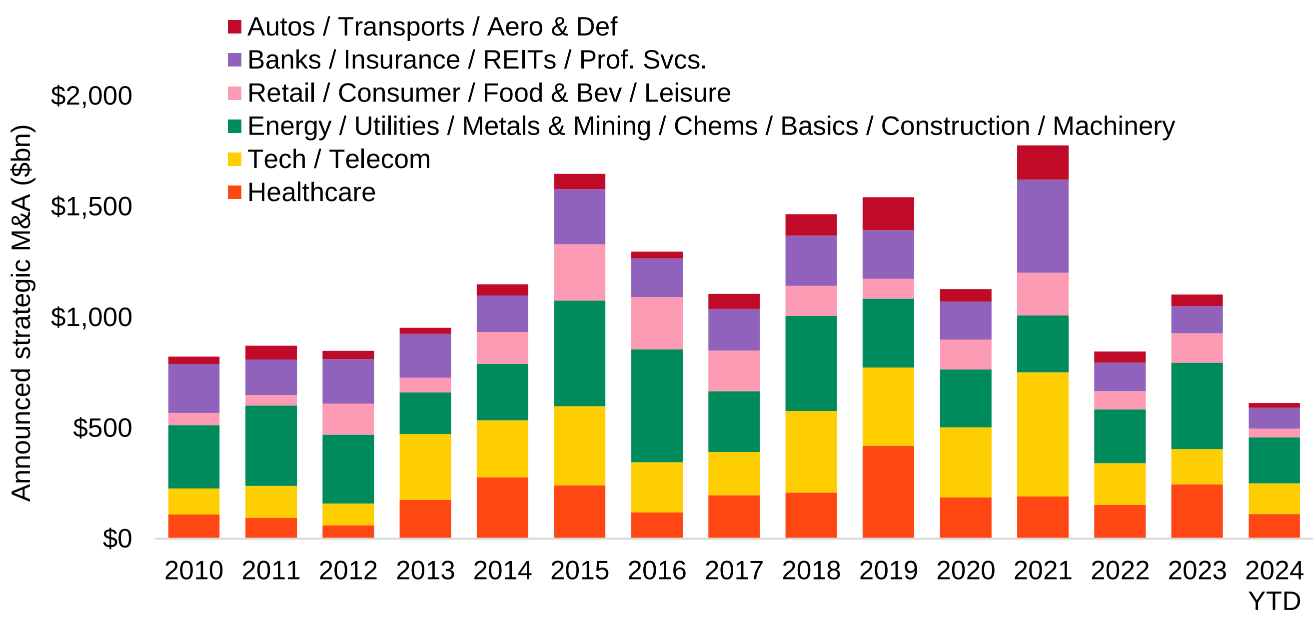
The sharp increase in strategic M&A activity that was evident in 4Q2023 and 1Q2024 reverted to a more muted level in 2Q2024 (Exhibit 2). On a year-to-date basis, commodities-related sectors have been especially active (Exhibit 3).

Exhibit 2: 2Q2024 strategic M&A announcements reverted to more muted levels
Quarterly strategic announced M&A volumes, and average strategic M&A deal size. Captures deals from North American and European acquirers valued at $1 billion or more, at announcement. Excludes cancelled and withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. As of June 26, 2024.

Exhibit 3: Commodities-related sectors have driven a large part of 1H2024 strategic M&A
Annual strategic announced M&A volumes, by Dealogic Deal General Industry Group. Captures deals from North American and European acquirers valued at $1 billion or more, at announcement. Excludes cancelled and withdrawn deals.



Source: Bloomberg, Dealogic (ION Analytics). As of June 26, 2024.

CEO survey signals a willingness to do deals

That said, a pick-up in corporate deal making activity may be on the horizon. An April 2024 Ernst & Young survey of 1,200 regional and global CEOs highlighted increased receptivity (relative to its last survey in January 2024) for deal making – motivated in part by a desire to obtain technology (Exhibit 1).

On a global basis, 42% of CEO survey respondents plan to "actively" pursue M&A over the next 12 months. And 48% believe a joint venture or strategic partnership is likely (Exhibit 4; Note: respondents were permitted to make more than one selection).

The top driver of the CEOs' M&A strategies (in aggregate) is acquiring technology, new production capabilities or innovative startups. Other considerations include growing market share, securing supply chains, reacting to shifts in customer behavior, reaching new geographies and acquiring talent.

The Ernst & Young survey also noted CEOs' broad intentions (across geographies and sectors) to *divest* assets over the next 12 months, as they look to "future proof" their businesses. 71% plan to pursue some form of divestiture, spin-off, or IPO (again, Exhibit 4). Some CEOs plan to use divestitures to focus on core operations, while others intend to use the proceeds from such transactions for investment in new areas.

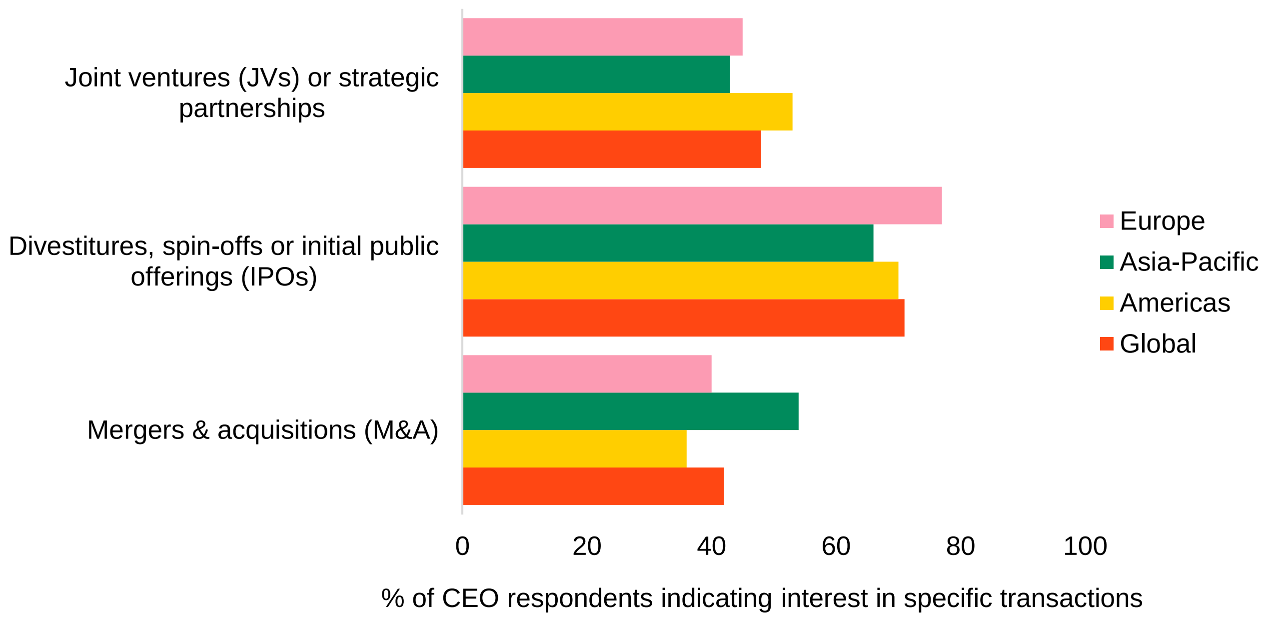
Financial flexibility is a strength in this environment

Cash-rich and highly-rated investment grade firms are likely to have an advantage in competing for assets in the current financing environment, for two reasons. First, firms with low leverage and high debt ratings typically fund at a lower cost of debt capital relative to their more levered and lower-rated peers.

Second, firms with ample financial flexibility may have more room to add debt to their capital structure and stay within the constraints of investment grade ratings. All else equal, both factors may make it more compelling (from a financial perspective) for a highly rated firm to pursue a given M&A deal, compared to a speculative grade company.

This is likely to be yet another driver of dispersion in corporate credit – albeit more of a longer-term differentiator, as the benefits of technological developments become clearer.

Exhibit 4: CEOs are signaling an interest to pursue a range of transactions
Global and regional CEOs' expectations toward pursuing transaction initiatives over the next 12 months, per an April 2024 survey by Ernst & Young. CEOs were asked "Do you expect to actively pursue any of the following transaction initiatives over the next 12 months?"



Source: Ernst & Young April 2024 Global CEO Outlook report (https://www.ey.com/en_us/ceo/ceo-outlook-global-report), BlackRock. Note: The respondents were allowed to select multiple responses.

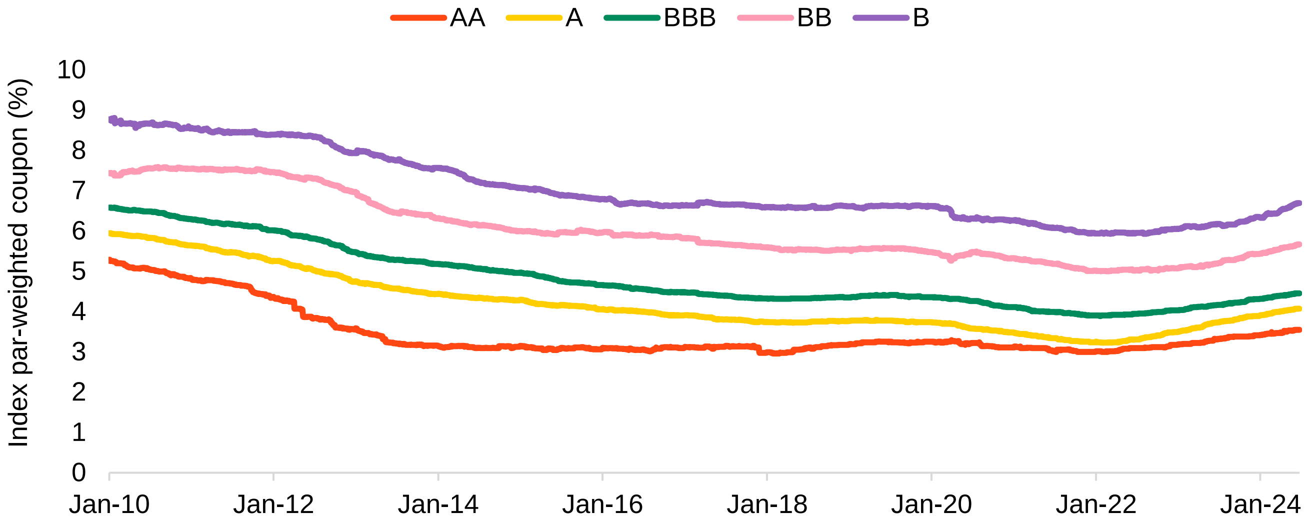
A favorable funding mix

Exhibit 5 illustrates the relationship between rating and cost of debt by showing index par-weighted coupons for issuers in the rating-specific cohorts of the Bloomberg USD IG (AA, A and BBB) and USD HY (BB and B) Corporate indices. (We exclude CCC rated issuers as they are typically not able to acquire other firms, due to their own stressed fundamentals).

So far, the funding mix of this year's announced strategic M&A transactions has been somewhat favorable for bondholders – extending the trend from 2023. For example, in 2023 and year-to-date, roughly 39% of deals have been funded entirely with stock (Exhibit 6). This is above the 28% average of the previous decade (2012-2022).

Exhibit 5: The cost of debt capital – which is strongly related to financial flexibility – may be a differentiator in which companies can compete aggressively for M&A assets

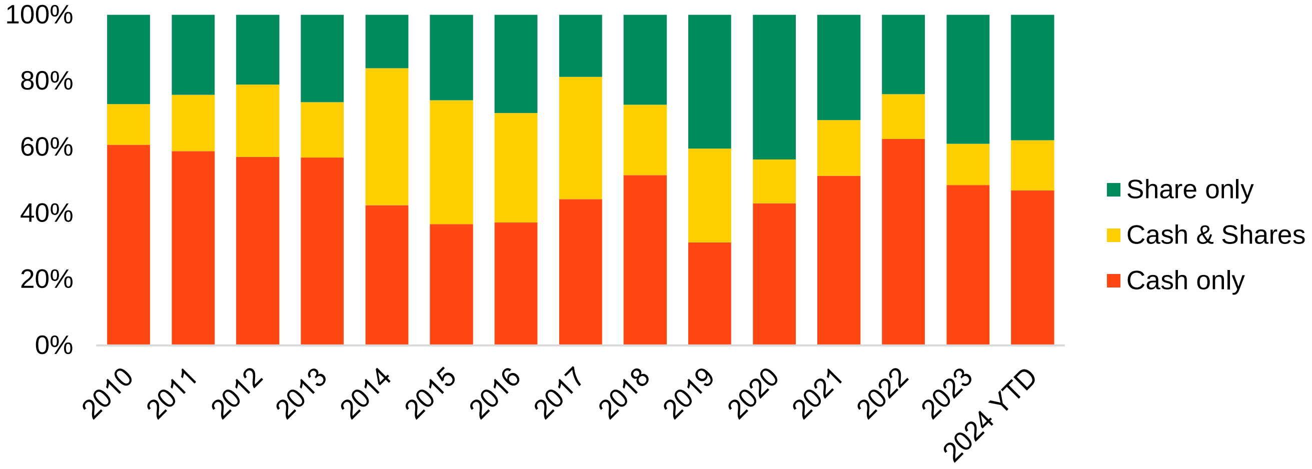
Index par-weighted coupon for issuers in each rating-specific cohort of the Bloomberg USD IG and HY Corporate indices



Source: BlackRock, Bloomberg. As of June 26, 2024.

Exhibit 6: The funding mix of strategic M&A has been somewhat favorable for bondholders, consistent with 2023

Funding mix of announced strategic M&A, by year. Captures deals announced by North American and European acquirers, valued at $1 billion or more at announcement. Excludes cancelled and withdrawn deals.



Source: BlackRock, Dealogic (ION Analytics). 2024 YTD is as of June 26, 2024.

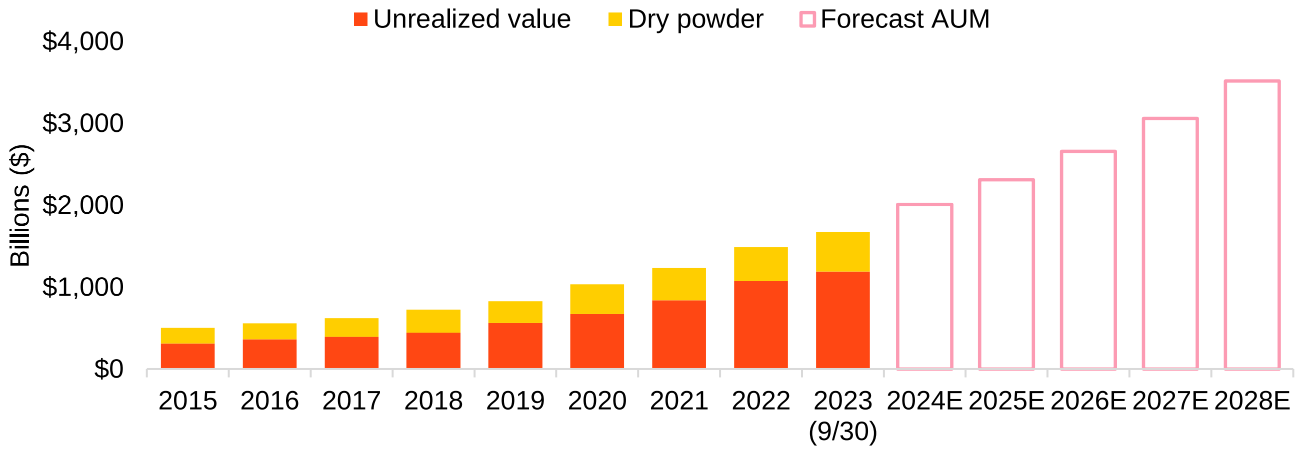
Private debt remains modest in the context of the alternatives market

As we outlined in late 2023, we expect private debt assets under management (AUM) to grow to $3.5 trillion by year-end 2028, from $1.7 trillion as of September 2023 (the latest available per Preqin; Exhibit 7). A range of factors underpin this view, including investors' desire for diversification, borrowers' desire for certainty and flexibility, structural shifts in public markets, and selectivity in bank lending.

Importantly, this $3.5 trillion AUM forecast captures lending activity to middle market borrowers and excludes the private asset-backed finance category (which is also poised for expansion, as we recently outlined).

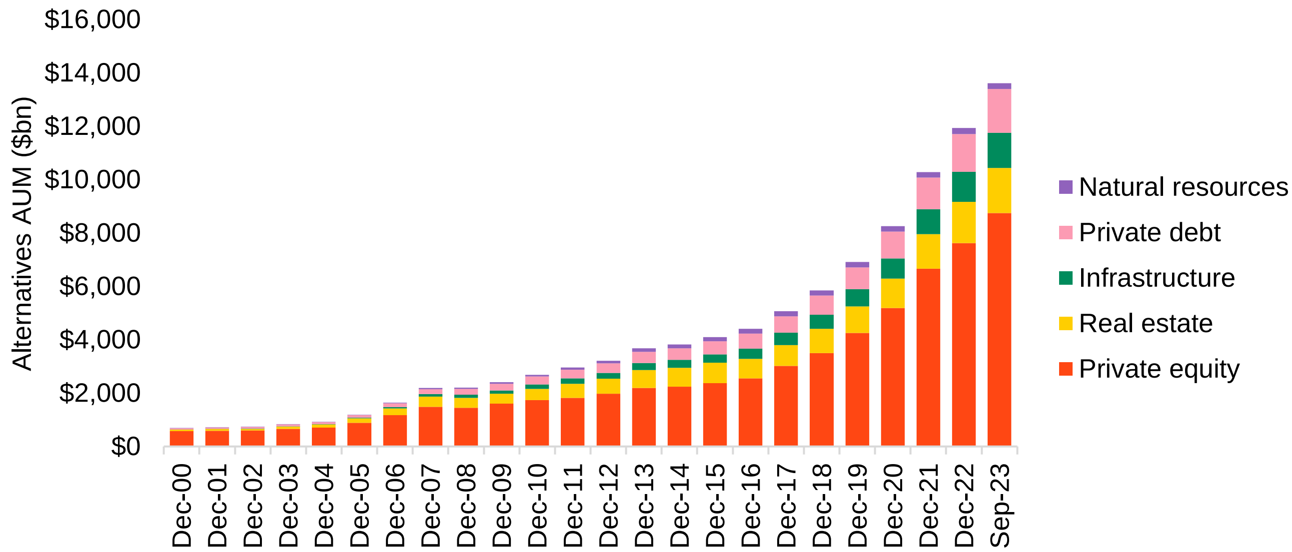
Some market observers point to the growth of the private debt asset class over the past several years (Exhibit 7), and question whether the asset class is growing *too* quickly. But relative to the size of broader global alternatives universe ($13.6 trillion), we see ample room for growth in private debt (Exhibit 8).

Exhibit 7: We expect global private debt AUM to reach $3.5 trillion by year-end 2028
Private debt global assets under management (unrealized value and dry powder), and expectations for growth



Source: BlackRock, Preqin. Historical (actual) data from Preqin, as of each calendar year-end, through September 30, 2023 (most recent available). 2024E to 2028E are BlackRock estimates. **There is no guarantee that any forecasts made will come to pass.**

Exhibit 8: Private debt remains modest in the context of the broader global alternative asset universe
Global alternative assets under management, by broad category ($bn)



Source: BlackRock, Preqin. As of September 2023 (most recent). To avoid double counting of available capital and unrealized value, fund of funds and secondaries are excluded.

Potential for larger allocations to private debt

Indeed, investor allocations also point to scope for expansion in private debt.

Preqin's *2024 Global Institutional Allocation Study* surveyed institutional investors (including endowments, foundations, insurance companies, public and private sector pension plans, sovereign wealth funds, and superannuation funds) to understand how they have shifted asset allocations over recent years.

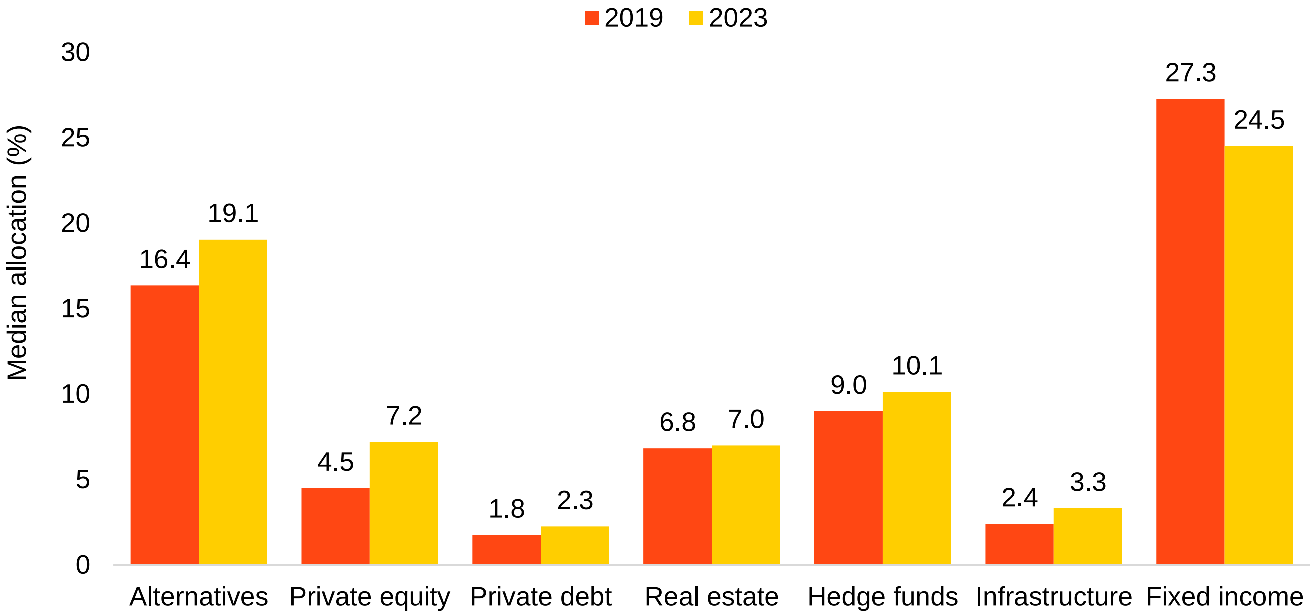
As Exhibit 9 illustrates, private debt is the asset class with the lowest median allocation at 2.3% in 2023, which implies ample scope for growth relative to other alternative asset classes. Note that median allocation is calculated based on investors that allocate to each respective asset class (i.e., of those investors that allocate to private debt, the median allocation is 2.3% of their overall portfolio's assets). By comparison, the median allocations for private equity and real estate stood at 7.2% and 7.0%, respectively, in 2023.

In our view, this illustrates the potential for institutional investors to grow their existing allocations to private debt, a trend we've discussed previously.

Preqin's *H1 2024 Investor Outlook Survey* in November 2023 also echoed this sentiment by demonstrating growing investor appetite to increase private debt allocations. In the survey, 55% of investors noted that they intend to increase their private debt allocation over the longer term, while 36% of investors planned to maintain it.

According to data from Preqin's *Global Institutional Allocation Study*, the median institutional investor allocation to fixed income declined by 2.8% from 2019 to 2023, to a 24.5% allocation. The reasons for this decline are likely complex and multifaceted (i.e., potentially driven by interest rates, duration exposure, credit spread valuations, etc.). Nonetheless, we believe private debt is increasingly being considered by investors in the context of their broader fixed income allocations – not necessarily alternative investment allocations. As a result, we expect the "fluidity" of asset class allocation shifts between fixed income and private debt to increase, over time.

Exhibit 9: We see scope for existing private debt allocations to grow
Median allocation amongst institutions in each private asset class and fixed income, 2019 and 2023



Source: BlackRock, Preqin Global Institutional Allocation Survey. As of 2019 and 2023, respectively. Note: Investors are selected from Preqin's database that have between 98% and 102% in the sum of total allocation and have a 3% absolute difference between alternative allocation and the sum of the underlying alternative asset classes (both criteria imposed to allow for rounding errors and completeness). These filters lead to a conservative estimate allocation to alternatives. Data is based on the median investor for each class, disregarding non-allocators in calculation.

The opportunity for pensions

This analysis of overall investor allocations begs the question: which investors are most likely to increase their allocations to private debt?

While we see potential for a range of institutional investors with long-term capital to increase exposure to private debt over the medium and longer-term horizons, data suggest pension plans, in particular, have room to grow.

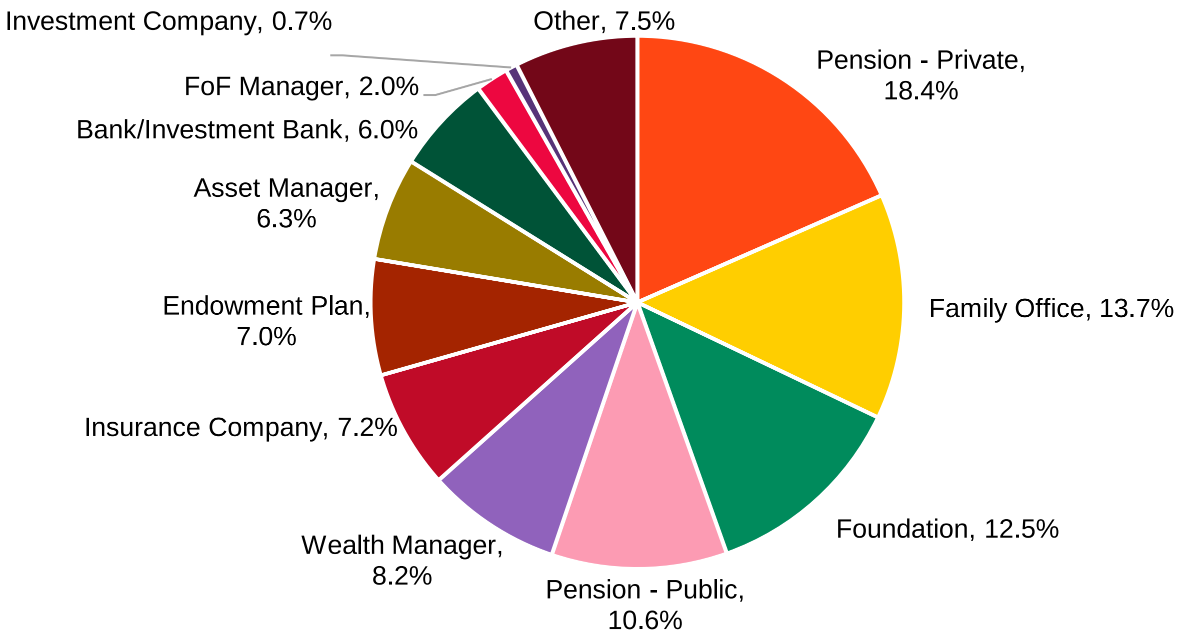
For context, pension plans are a major participant in the worldwide investment landscape. According to the Organization for Economic Co-operation and Development (OECD), global pension assets totaled $51 trillion USD at year-end 2022. Of that, the U.S. pension market represents $35 trillion in assets, or 67.9% of the OECD total.

Pension plans, as defined by the OECD, are plans that individuals access via their employer or a financial institution, in which they accumulate rights or assets. Pensions can generally be categorized into three major subgroups: public pension funds, private pension funds, and superannuation funds. Public and private pensions are classified based on the organization with responsibility over the fund, and where the liability lies, per Preqin. Public plans are affiliated with government/state entities, while private plans are affiliated with companies. Superannuation funds are investment vehicles that distribute funds in retirement and are most common in Australia.

These pension plans are already a large part of the private debt investor base, with private and public pensions representing an aggregate 29% of private debt asset ownership (by investor count) as of June 2024, according to Preqin. Note that in this analysis, superannuation funds are included in the "other" category. Private pension plans are the single largest owner type (again, by investor count) of global private debt assets under management (Exhibit 10).

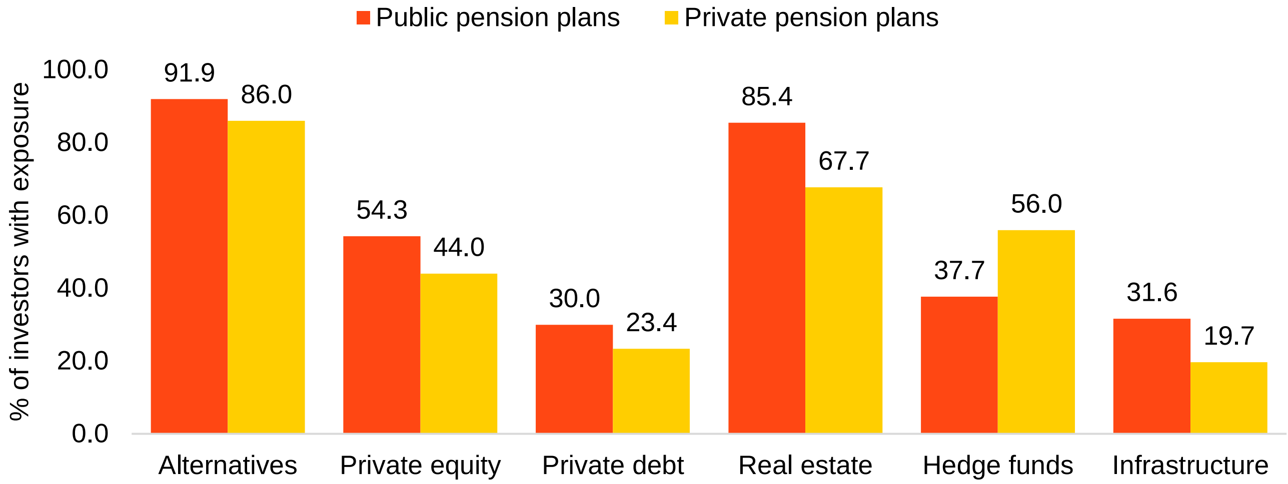
But there is room for growth, in our view. According to data by Preqin, only 30% and 23.4% of public and private pension plans, respectively, had exposure to private debt in 2023 (Exhibit 11). By comparison, 54.3% and 44% of public and private pension plans, respectively, had exposure to private equity in 2023. For public pension plans, private debt has the lowest exposure of any other private asset class. And for private pension plans, private debt represents the second lowest exposure, following infrastructure.

Exhibit 10: Private pensions are the largest owner segment of private debt
Proportion (by investor count) of private debt investors, by investor type



Source: BlackRock, Preqin. As of June 25, 2024. The "Other" category includes Corporate Investor, Government Agency, Investment Company, Investment Trust, Sovereign Wealth Fund, and Superannuation Scheme.

Exhibit 11: The portion of pension plans investing in private debt remains low relative to other private asset classes
Portion of public and private pension investors with exposure to individual asset classes, 2023



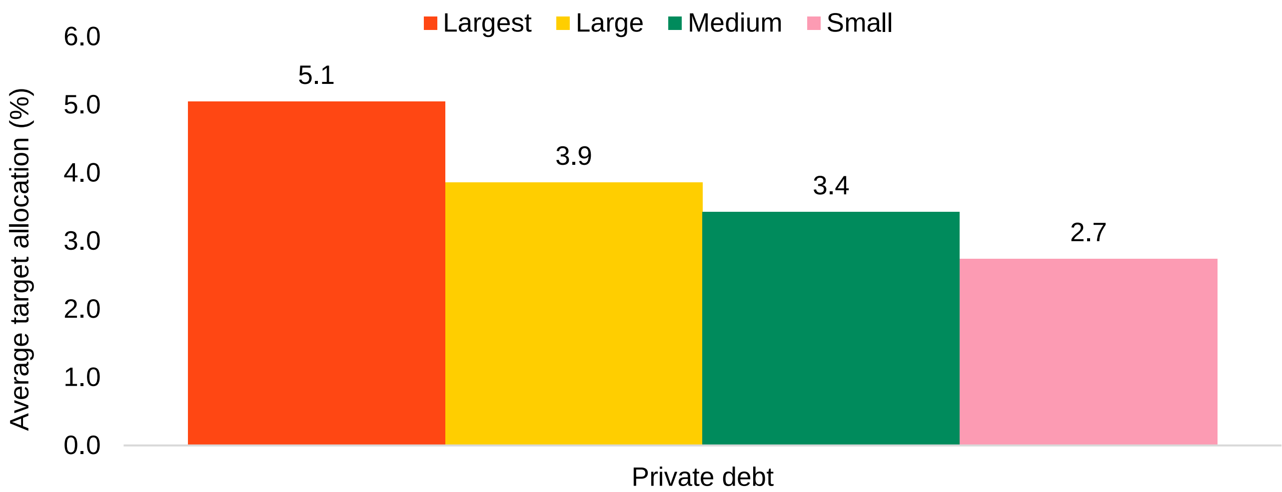
Source: BlackRock, Preqin Global Institutional Allocation Survey. As of 2023. Note: Investors analyzed from Preqin's database have between 98% and 102% in the sum of total allocation and have a 3% absolute difference between alternative allocation and the sum of the underlying alternative asset classes (both criteria imposed to allow for rounding errors and completeness).

Larger pension plans tend to allocate more to private debt

Exposure to private debt does appear to vary with pension plan size. For example, larger U.S. public pension plans tend to have higher allocation targets for private debt, on average, than smaller peers, according to Preqin. Exhibit 12 illustrates the differences in average target allocation to private debt by plan size, with the largest segment averaging 5.1%, almost double that of the smallest (2.7%). The average commitment to 2023 vintage private debt funds from the largest cohort of U.S. public pension plans was $182 million, versus an average commitment of $124.1 million made by plans of all sizes.

In addition to a larger allocation and average commitment relative to peers, the largest pensions are increasing their average commitments relative to previous commitments as well. Between 2022 and 2023 vintages, average commitments to private debt funds grew 24% (from $146.4 million to $182 million), according to data by Preqin.

Exhibit 12: The largest U.S. pensions target a higher private debt allocation
Average target allocation to private debt by U.S. public pension plan size quartile (as a percentage of total AUM)



Source: BlackRock, Preqin Pro. Aggregate data as of March 2024, pension plan data as of most recent reported plan year.

Shifts supporting potential private debt growth in pensions

We see two paths to growing private debt allocations within pension plans:

1. Increased allocation to alternatives, and potential for a changing mix shift within alternatives

2. Strong funded ratios may encourage more liability-driven investing

Pension allocations to alternative asset classes (broadly) are growing

The first structural shift relates to increased participation in alternative asset classes (broadly defined) in recent years, and the possibility of an evolving mix shift within the "alternatives" allocation.

For example, a Cliffwater analysis of 65 state pension plans, representing $3.4 trillion in assets as of June 30, 2023, illustrates an increase in the share of alternatives in pension portfolios over the last five years, with alternatives reaching 40% of the weighted average portfolio allocation in 2022 and 2023 (Exhibit 13).

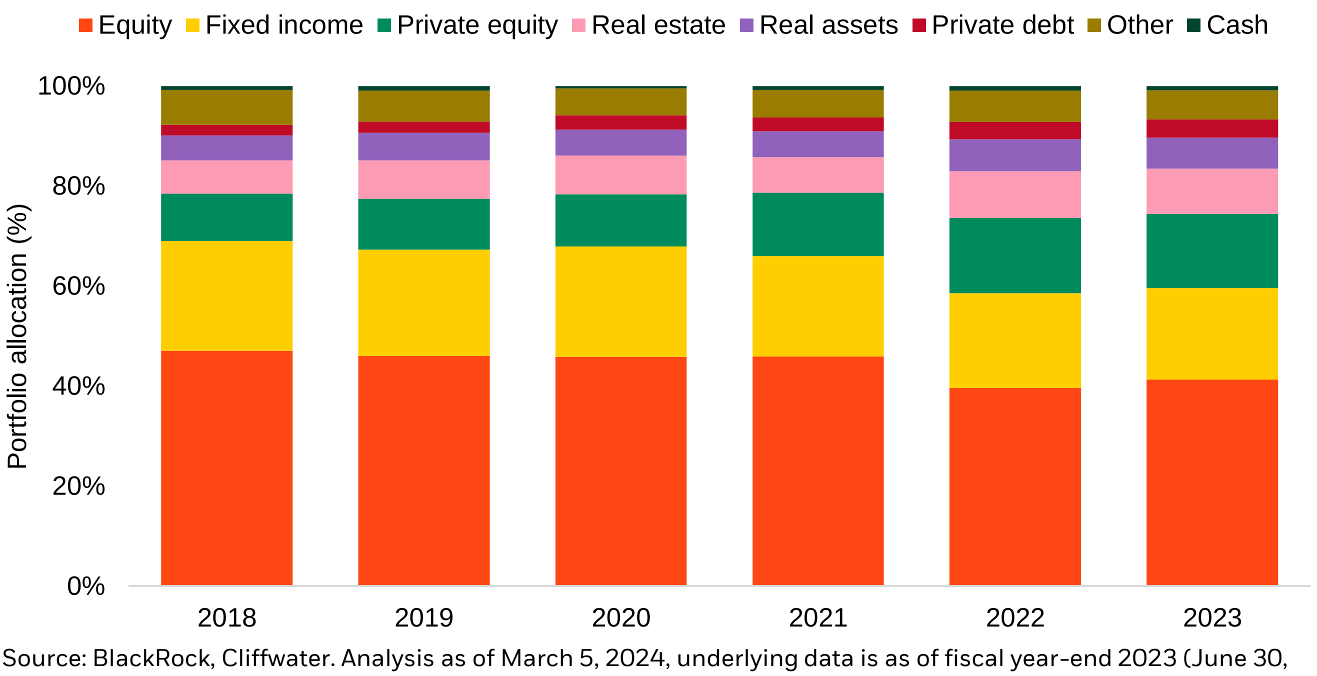
Of the alternative asset classes, private equity has the largest allocation totaling 14.85% of the total weighted average portfolio in 2023, up from 9.43% in 2018. Although private debt has gained share over the last five years, it remains a small segment at only 3.69% in 2023 according to Cliffwater. In our view, this modest allocation suggests there is room for pensions to expand their private debt investments.

While Cliffwater notes that allocations to alternatives may be reaching peak levels for state pension funds, the data provider expects the mix shift of alternative allocations will continue to vary. Cliffwater sees potential for private equity and private debt to gain additional share, in particular.

The second potential catalyst for increased allocations to private debt is the improvement in pension funded status. The *April 2024 Pension Funding Study from Milliman* highlighted a strong funded ratio (in aggregate) across the 100 largest U.S. private defined benefit plans, of 98.5% (Exhibit 14). For context, in the ten years following the global financial crisis (2008 – 2018), the average funded ratio was 82.2%.

Exhibit 13: Alternatives assets represent, on average, 40% of state pension portfolios according to Cliffwater

Asset-weighted allocation for U.S. state pension portfolios, by year



Source: BlackRock, Cliffwater. Analysis as of March 5, 2024, underlying data is as of fiscal year-end 2023 (June 30, 2023). The "Equity" category includes U.S. equity, non-U.S. equity, and global equity. The "Other" category covers allocations to risk parity, hedge funds, strategic, opportunistic, and multi-asset investments that employ alternative asset classes or alternative strategies.

Pension funding status has improved, leading pensions to liability-driven investing

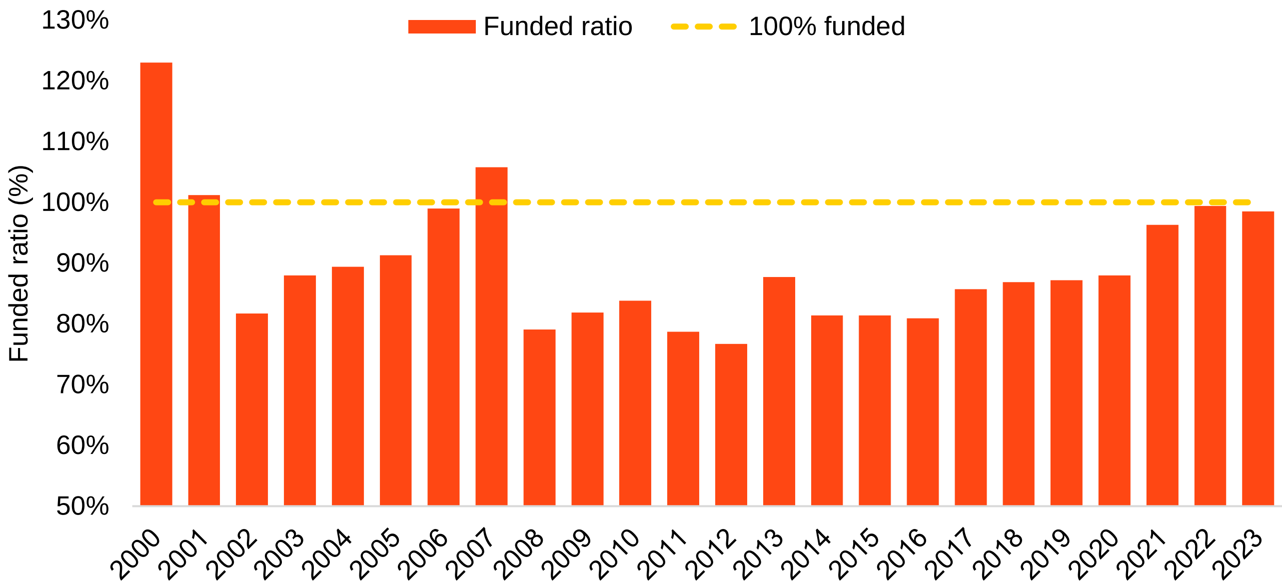
In recent years, and as pensions have achieved stronger funded ratios, Milliman notes that investment allocations have trended toward liability-driven investing (LDI) strategies, or risk-management strategies that align assets with the structure of liabilities, especially in a way that minimizes the funded status volatility.

LDI strategies are most often implemented when pension funds are fully funded (or nearly fully funded) and generally increase exposure to fixed income securities. As such, Milliman notes that pension funds have broadly increased their exposure to fixed income securities in 2023 and the years preceding.

To the extent funded ratios remain strong, we expect that this shift in pension investing strategies may support increased allocations to fixed income broadly defined, including private debt.

Exhibit 14: Funded ratios for the Milliman 100 remain strong

Average funded ratio of the Milliman 100 (100 largest U.S. private defined benefit plans)



Source: Milliman Corporate Pension Funding Study, BlackRock. As of fiscal year-end 2023.

Unless otherwise stated, all reference to $ are in USD.

Risk Warnings:

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. You 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 fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

In the U.S., this material is for institutional use only – not for public distribution.

For investors in the Caribbean, any funds mentioned or inferred in this material have not been registered under the provisions of the Investment Funds Act of 2003 of the Bahamas, nor have they been registered with the securities regulators of Bermuda, Dominica, the Cayman Islands, the British Virgin Islands, Grenada, Trinidad & Tobago or any jurisdiction in the Organization of Eastern Caribbean States, and thus, may not be publicly offered in any such jurisdiction. The shares of any fund mentioned herein may only be marketed in Bermuda by or on behalf of the fund or fund manager only in compliance with the provision of the Investment Business Act 2003 of Bermuda and the Companies Act of 1981. Engaging in marketing, offering or selling any fund from within the Cayman Islands to persons or entities in the Cayman Islands may be deemed carrying on business in the Cayman Islands. As a non-Cayman Islands person, BlackRock may not carry on or engage in any trade or business unless it properly registers and obtains a license for such activities in accordance . For Dominican Republic, any securities mentioned or inferred in this material may only be offered in a private character according to the laws of the Dominican Republic, falling beyond the scope of articles 1 numeral (31), 46 et al of Law 249-17 dated 19 December 2017, as amended and its Regulations. Since no governmental authorizations are required in such offering, any “securities” mentioned or inferred in this material have not been and will not be registered with the Stock Market Superintendency of the Dominican Republic (Superintendencia de Mercado de Valores de la República Dominicana), and these “securities” may only be circulated, offered and sold in the Dominican Republic in a private manner based on the criteria established under Dominican laws and regulations.

IMPORTANT INFORMATION:

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.

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 **Singapore**, this document is provided by BlackRock (Singapore) Limited (company registration number:200010143N） for use only with institutional investors 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 **Japan**, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Professional Investors only (Professional Investor is defined in Financial Instruments and Exchange Act).

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 **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 **Brunei**, BlackRock does not hold a Capital Markets Services License and is therefore not licensed for conducting business in any regulated activity under the Securities Market Order, 2013. This document has been issued by BlackRock and is intended for the exclusive use of the recipient. The distribution of the information contained herein may be restricted by law and persons who access it are required to comply with any such restrictions. The information provided herein information is directed solely at persons who would be regarded as "Accredited Investors", "Expert Investors" or "Institutional Investors" in accordance with the Securities Market Order 2013

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, authorised 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 authorised activities conducted by BlackRock.

In the European Economic Area (EEA): This document is marketing material. This is Issued by BlackRock (Netherlands) B.V. and is authorised 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 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.

In **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 investors in **Israel**: BlackRock Investment Management (UK) Limited is not licenced under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law"), nor does it carry insurance thereunder.

The information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) 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 44 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.

The information contained in this document is intended strictly for non-natural Qualified Investors as defined in the UAE Securities and Commodities Authority's Board Decision No. 3/R.M of 2017 concerning Promoting and Introducing Regulations. 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.

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.

Blackrock Advisors (UK) Limited -Dubai Branch is a DIFC Foreign Recognised 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 **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.

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.

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 his request and instructions, and on a private placement basis. For Guatemala Investors, This communication and any accompanying information (the "Materials") are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this "Jurisdiction"), or the conducting of any brokerage, banking, or other similarly regulated activities ("Financial Activities") in the Jurisdiction. Neither BLACKROCK, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BLACKROCK, nor the securities, products, services, or activities described herein, are regulated, or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BLACKROCK only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations if any.

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 investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not been registered with the securities regulators of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

In **Colombia**, the sale of each fund discussed herein, if any, 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 **Chile**, the sale of each fund not registered with the CMF is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale 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 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.

State of Qatar and the Qatar Financial Centre (QFC)

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 Investment Management (UK).

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 **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.

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.

Any opinions, forecasts represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation.

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.

If you are an intermediary or third-party distributor, you must only disseminate this material to other Professional Investors as permitted in the above-specified jurisdictions and in accordance with applicable laws and regulations.

Certain information contained herein has been obtained from published sources and from third parties, including without limitation, market forecasts, internal and external surveys, market research, publicly available information and industry publications. In addition, certain information contained herein may have been obtained from companies in which investments have been made by entities affiliated with BlackRock. Although such information is believed to be reliable for the purposes used herein, neither the Fund nor BlackRock assumes any responsibility for the accuracy or completeness of such information. Reliance upon information in this material is at the sole discretion of the reader. Certain information contained herein represents or is based upon forward-looking statements or information. BlackRock and its affiliates believe that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements are inherently uncertain, and factors may cause events or results to differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.