



Prospectus

BlackRock Global Index Funds



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## Introduction to BlackRock Global Index Funds

### Structure

BlackRock Global Index Funds (the “**Company**” or “**BGIF**”) is a public limited company (*société anonyme*) established under the laws of the Grand Duchy of Luxembourg as an open-ended variable capital investment company (*société d’investissement à capital variable*). The Company has been established on 30 August 2012 and its registration number in the Registry of the Luxembourg Trade and Companies Register is B 171278. The Company has been authorised by the Commission de Surveillance du Secteur Financier (the “**CSSF**”) as an undertaking for collective investments in transferable securities pursuant to the provisions of Part I of the law of 17 December 2010, as amended from time to time and is regulated pursuant to such law. Authorisation by the CSSF is not an endorsement or guarantee of the Company by the CSSF nor is the CSSF responsible for the contents of this Prospectus. The authorisation of the Company shall not constitute a warranty as to performance of the Company and the CSSF shall not be liable for the performance or default of the Company.

The articles of association governing the Company (the “**Articles**”) have been deposited with the Luxembourg Trade and Companies Register, and such deposit has been published in the Mémorial C, Recueil des Sociétés et Associations, on 14 September 2012. The Articles have been amended for the last time on 25 October 2017 and such amendment has been published in the Recueil

électronique des sociétés et associations (« **RESA** ») (having replaced the Mémorial C) on 15 November 2017.

The Company is an umbrella structure comprising separate compartments with segregated liability. Each compartment shall have segregated liability from the other compartments and the Company shall not be liable as a whole to third parties for the liabilities of each compartment. Each compartment shall be made up of a separate portfolio of investments maintained and invested in accordance with the investment objectives applicable to such compartment, as specified herein. The Directors are offering separate classes of Shares, each representing interests in a compartment, on the basis of the information contained in this Prospectus and in the documents referred to herein which are deemed to be an integral part of this Prospectus.

### Management

The Company is managed by BlackRock (Luxembourg) S.A., a public limited company (*société anonyme*) established in 1988 under registration number B 27689. The Management Company has been authorised by the CSSF to manage the business and affairs of the Company pursuant to chapter 15 of the 2010 Law.

### Choice of Funds

As of the date of this Prospectus, investors are able to choose from the following Funds of BlackRock Global Index Funds:

Fund	Base Currency	Equity / Fixed Income
iShares World Equity Index Fund (LU)	USD	Equity
iShares Europe Equity Index Fund (LU)	EUR	Equity
iShares Japan Equity Index Fund (LU)	USD	Equity
iShares Pacific ex Japan Equity Index Fund (LU)	USD	Equity
iShares North America Equity Index Fund (LU)	USD	Equity
iShares Emerging Markets Equity Index Fund (LU)	USD	Equity
iShares Euro Government Bond Index Fund (LU)	EUR	Fixed Income
iShares Euro Aggregate Bond Index Fund (LU)	EUR	Fixed Income
iShares Emerging Markets Government Bond Index Fund (LU)	USD	Fixed Income
iShares Global Government Bond Index Fund (LU)	USD	Fixed Income

\* Fund not available for subscription at the date of this Prospectus. Such Fund may be launched at the Directors’ discretion. Confirmation of the launch date of this Fund will then be made available from the local Investor Servicing teams. Any provisions in this Prospectus relating to this Fund shall only take effect from the launch date of the Fund.

**A list of Dealing Currencies, Hedged Share Classes, Distributing and Non-Distributing Share Classes and UK Reporting Fund status Classes is available from the Company’s registered office and the local Investor Servicing teams.**

## IMPORTANT NOTICE

**If you are in any doubt about the contents of this Prospectus or whether an investment in the Company is suitable for you, you should consult your stockbroker, solicitor, accountant or other professional adviser.**

The Directors of the Company, whose names appear in the Section "Board of Directors", and the directors of the Management Company are the persons responsible for the information contained in this Prospectus. To the best knowledge and belief of the Directors and the directors of the Management Company (who have taken all reasonable care to ensure that such is the case), the information contained herein is accurate in all material respects. The Directors and the directors of the Management Company accept responsibility accordingly.

**This Prospectus has been prepared solely for, and is being furnished to investors for the purpose of, evaluating an investment in Shares in the Funds. The Funds are not suitable for short term investment and should therefore generally be regarded as long-term investments. Investment in the Funds is only suitable for investors who understand the risks involved in investing in the Company, including the risk of loss of all capital invested.**

In considering an investment in the Company, investors should also take account of the following:

- ▶ **certain information contained in this Prospectus, the documents referred to herein and any brochures issued by the Company as substitute offering documents constitutes forward-looking statements, which can be identified by the use of forward-looking terminology such as "seek", "may", "should", "expect", "anticipate", "estimate", "intend", "continue", "target" or "believe" or the negatives thereof or other variations thereof or comparable terminology and includes projected or targeted returns on investments to be made by the Company. Such forward-looking statements are inherently subject to significant economic, market and other risks and uncertainties and accordingly actual events or results or the actual performance of the Company may differ materially from those reflected or contemplated in such forward-looking statements; and**
- ▶ **nothing in this Prospectus should be taken as legal, tax, regulatory, financial, accounting or investment advice.**

**An application / decision to subscribe for Shares should be made on the basis of the information contained in this Prospectus which is issued by the Company and in the most recent annual and (if later) interim report and accounts of the Company which are available at the registered office of the Company. Information updating this Prospectus may, if appropriate, appear in the report and accounts.**

This Prospectus, and the KIID/KID for the relevant Share Class, should each be read in their entirety before making an application for Shares. KIIDs/KIDs for each available Share Class can be found at: <http://kiid.blackrock.com>.

Statements made in this Prospectus are based on laws and practices in force at the date hereof and are subject to changes

therein. Neither the delivery of this Prospectus nor the issue of Shares will, in any circumstances, imply that there has been no change in the circumstances affecting any of the matters contained in this Prospectus since the date hereof.

This Prospectus may be translated into other languages provided that any such translation shall be a direct translation of the English text. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the English text shall prevail, except to the extent (and only to the extent) that the laws of a jurisdiction require that the legal relationship between the Company and investors in such jurisdiction shall be governed by the local language version of this Prospectus.

**Any Shareholder in the Company will only be able to fully exercise its Shareholder rights directly against the Company, and in particular the right to participate in general meetings of Shareholders, where such Shareholder is registered in its own name in the register of Shareholders for the Company. In cases where a Shareholder invests into the Company through an intermediary investing in its own name but on behalf of the Shareholder, it may not always be possible for such Shareholder to exercise certain of its Shareholder rights in the Company. Investors are therefore advised to take legal advice in respect of the exercise of their Shareholder rights in the Company.**

**Authorised intermediaries which offer, recommend or sell shares in the Funds must comply with all laws, regulations and regulatory requirements applicable to them. Also, such intermediaries should consider such information about the Funds as is made available by the Management Company or Investment Adviser for the purposes of the EU's Product Governance regime under MIFID II (as defined below) including, without limitation, target market information.**

### Distribution

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. Details of certain countries in which the Company intends to seek authorisation to offer Shares are contained in Appendix D. Prospective investors should inform themselves as to the legal requirements of applying for Shares and of applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile. US Persons are not permitted to subscribe for Shares. The Funds are not registered for distribution in India. In some countries investors may be able to subscribe for Shares through regular savings plans. Under Luxembourg law, the fees and commissions relating to regular savings plans during the first year must not exceed one third of the amount contributed by the investor. These fees and commissions do not include premiums to be paid by the investor where the regular savings plan is offered as part of a life insurance or whole life insurance product. Please contact the local Investor Servicing teams for more details.

## DIRECTORY

### Management and Administration

#### **Management Company**

BlackRock (Luxembourg) S.A.  
35 A, avenue J.F. Kennedy,  
L-1855 Luxembourg,  
Grand Duchy of Luxembourg

#### **Investment Advisers**

BlackRock Investment Management (UK) Limited  
12 Throgmorton Avenue,  
London EC2N 2DL,  
UK

BlackRock Institutional Trust Company N.A.  
400 Howard Street,  
San Francisco CA 94105  
USA

BlackRock (Singapore) Limited  
#18-01 Twenty Anson  
20 Anson Road  
Singapore 079912

#### **Principal Distributor**

BlackRock Investment Management (UK) Limited  
12 Throgmorton Avenue,  
London EC2N 2DL  
UK

#### **Depository and Fund Accountant**

State Street Bank International GmbH, Luxembourg Branch  
49, avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

#### **Transfer Agent and Registrar**

J.P. Morgan SE, Luxembourg Branch  
6C, route de Trèves,  
L-2633 Senningerberg,  
Grand Duchy of Luxembourg

#### **Auditor**

Deloitte Audit Sàrl  
20, Boulevard de Kockelscheuer  
L-1821 Luxembourg  
Grand Duchy of Luxembourg

#### **Legal Advisers**

Arendt & Medernach S.A.  
41A, Avenue John F. Kennedy  
L-2080 Luxembourg  
Grand Duchy of Luxembourg

#### **Listing Agent**

J.P. Morgan SE, Luxembourg Branch  
6C, route de Trèves,  
L-2633 Senningerberg,  
Grand Duchy of Luxembourg

#### **Paying Agents**

A list of Paying Agents is to be found in Appendix C.

#### **Registered Office**

49, avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

#### **Enquiries**

In the absence of other arrangements, enquiries regarding the Company should be addressed as follows:

#### **Original enquiries:**

BlackRock Investment Management (UK) Limited  
c/o BlackRock (Luxembourg) S.A.  
P.O. Box 1058,  
L-1010 Luxembourg,  
Grand Duchy of Luxembourg

#### **All other enquiries:**

Fax: +352 462 685 894

Email: [investor.services@blackrock.com](mailto:investor.services@blackrock.com) (EMEA)

[clientservice.asiapac@blackrock.com](mailto:clientservice.asiapac@blackrock.com) (APAC)

[latamcsmad@blackrock.com](mailto:latamcsmad@blackrock.com) (Americas)

## Board of Directors

### **Board of Directors of BlackRock Global Index Funds**

Bettina Mazzocchi  
Geoffrey Radcliffe  
Davina Saint  
Keith Saldanha  
Denise Voss  
Benjamin Gregson

Benjamin Gregson, Bettina Mazzocchi, and Keith Saldanha are employees of the BlackRock Group (of which the Management Company, Investment Advisers and Principal Distributor are part), and Geoffrey Radcliffe is a former employee of the BlackRock Group).

### **Board of Directors of the Management Company**

#### **Chairman**

Jonathan Griffin

#### **Directors**

Svetlana Butvina  
Joanne Fitzgerald  
Richard Gardner  
Michael Renner  
Tarek Mahmoud  
Leon Schwab  
Benjamin Gregson

Svetlana Butvina, Joanne Fitzgerald, Richard Gardner, Tarek Mahmoud, Benjamin Gregson, and Leon Schwab are employees of the BlackRock Group (of which the Management Company, Investment Advisers and Principal Distributor are part).

## Glossary

### **2010 Law**

means the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended, modified or supplemented from time to time.

### **2013 Law**

means the Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended, modified or supplemented from time to time.

### **Base Currency**

means in relation to Shares of any Fund, the currency indicated in the Section "Choice of Funds".

### **Benchmark Index**

means the index against which the return of the Fund will be compared.

### **BlackRock Group**

means the BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc..

### **Bond Connect**

means the initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China as described in the section entitled "Investment Objectives and Policies".

### **Business Day**

means any day normally treated by the banks in Luxembourg as a business day (except for Christmas Eve) and such other days as the Directors may decide.

### **Class, Classes, Share Class or Share Classes**

means any class of Share attributable to a particular Fund, as the Management Company may from time to time designate, as further described in Section "Classes and Form of Shares".

### **China A-Shares**

means securities of companies that are incorporated in the PRC and denominated and traded in Renminbi on the SSE and SZSE.

### **ChinaClear**

means China Securities Depository and Clearing Corporation Limited which is the PRC's central securities depository in respect of China A-Shares.

### **China Interbank Bond Market**

means the Mainland China interbank bond markets of the PRC.

### **CIBM**

means the China Interbank Bond Market.

### **CIBM Funds**

iShares Global Government Bond Index Fund (LU).

### **CSRC**

means the China Securities Regulatory Commission of the PRC or its successors which is the regulator of the securities and futures market of the PRC.

### **Dealing Currency**

means the currency or currencies in which applicants may currently subscribe for the Shares of any Fund. Dealing Currencies may be introduced at the Directors' discretion. Confirmation of the Dealing Currencies and the date of their availability can be obtained from the registered office of the Company and from the local Investor Servicing teams.

### **Dealing Day**

means any Business Day other than any day declared as a non-Dealing Day by the Directors as further described in the Section "Non-Dealing Days" and any day falling within a period of suspension of subscriptions, redemptions and conversions and/or such other day determined by the Directors to be a day when a Fund is open for dealing.

### **Directors**

means the members of the board of directors of the Company for the time being and any successors to such members as may be appointed from time to time.

### **Distributing Shares or Distributing Share Classes**

means Shares on which dividends may be declared at the Directors' discretion. Distributing Shares may also be treated as UK Reporting Fund status Shares. Confirmation of the Funds, Share Classes and currencies on which dividends may be declared and Share Classes which are UK Reporting Fund status Shares (please refer to the "Taxation" section of this Prospectus for more details) is available from the registered office of the Company and from the local Investor Servicing team.

### **EMU**

means the Economic and Monetary Union of the European Union. A reference to the securities of companies domiciled in those EU member states participating in EMU may, at the Investment Adviser's discretion, be taken to include the securities of companies domiciled in countries which formerly participated in EMU.

### **ESMA**

means the European Securities and Markets Authority, or such replacement or successor authority as may be appointed from time to time.

### **Euro, EUR and €**

means the single European currency unit (referred to in Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro) and, at the Investment Adviser's discretion, the currencies of any countries that have previously formed part of the Eurozone. As at the date of this Prospectus the countries that make up the Eurozone are: Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.

### **Fund**

means a segregated compartment established and maintained by the Company in respect of one or more Shares Classes to which assets, liabilities, income and expenditure attributable to each such Class or Share Classes will be applied or charged, as further described in this Prospectus.

### **GBP and £**

means the lawful currency of the United Kingdom.



**Hedged Share Classes**

means those Share Classes to which a currency hedging strategy is applied. Hedged Share Classes may be made available in Funds and in currencies at the Directors' discretion.

**HKEX**

means Hong Kong Exchanges and Clearing Limited.

**HKSCC**

means Hong Kong Securities Clearing Company Limited which operates a securities market and a derivatives market in Hong Kong and the clearing houses for those markets.

**Institutional Investor**

means an institutional investor within the meaning of the 2010 Law which satisfies the eligibility and suitability requirements of institutional investors.

**Investment Advisers**

means the investment advisers appointed by the Management Company from time to time in respect of the management of the assets of the Funds as described in the Section "Investment Management of the Funds".

**Investor Servicing**

means the dealing provisions and other investor servicing functions by local BlackRock Group companies or branches or their administrators.

**KIID/KID**

means the key investor information document or key information document, as applicable, issued in respect of each Share Class pursuant to the 2010 Law.

**Management Company**

means BlackRock (Luxembourg) S.A., a Luxembourg société anonyme authorised as a management company under the 2010 Law.

**MIFID II**

means EU Directive 2014/65/EU on markets in financial instruments, as may be amended, modified or supplemented from time to time.

**Net Asset Value**

means in relation to a Fund or a Share Class, the amount determined in accordance with the provisions described in paragraphs 11. to 16. of Appendix B. The Net Asset Value of a Fund may be adjusted in accordance with paragraph 16.3 of Appendix B.

**Non-Distributing Shares or Non-Distributing Share Classes**

means Shares or Classes of Shares on which dividends will not be declared.

**Principal Adverse Impacts (PAIs)**

are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**PBOC**

means the People's Bank of China in the PRC.

**PRC or Mainland China**

means the People's Republic of China.

**Principal Distributor**

means BlackRock Investment Management (UK) Limited acting in its capacity as Principal Distributor. References to distributors may include BlackRock Investment Management (UK) Limited in its capacity as Principal Distributor.

**Prospectus**

means this offering memorandum, as amended, modified or supplemented from time to time.

**Remuneration Policy**

means the policy as described in the section entitled "Management" including, but not limited to, a description as to how remuneration and benefits are calculated and identification of those individuals responsible for awarding remuneration and benefits.

**RMB or Renminbi**

means Renminbi, the lawful currency of the PRC.

**RQFII/QFII**

means the new Renminbi Qualified Foreign Institutional Investor regime.

**RQFII/QFII Access Funds**

iShares Global Government Bond Index Fund (LU)

**RQFII/QFII Licence**

means the licence awarded by the CSRC to entities based in certain jurisdictions outside of the PRC, enabling such entities to invest in eligible PRC securities via the RQFII/QFII regime.

**RQFII/QFII Licence Holder**

means the holder of a RQFII/QFII Licence

**SAFE**

means the State Administration of Foreign Exchange of the PRC.

**SEHK**

means the Stock Exchange of Hong Kong.

**SFDR Regulation**

means EU Regulation 2019/2088 on sustainable finance disclosure as may be amended, modified or supplemented from time to time.

**Share**

means a share of any Class representing a participation in the capital of the Company, as and carrying rights attributable to a relevant Share Class, as further described in this Prospectus.

**Shareholder**

means an owner of Shares.

**SICAV**

means an investment company with variable capital (*société d'investissement à capital variable*).

**Stock Connect**

means each of the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and collectively the “**Stock Connects**”.

**SSE**

means the Shanghai Stock Exchange.

**SZSE**

means the Shenzhen Stock Exchange.

**Taxonomy Regulation**

Taxonomy Regulation means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

**UCITS**

means an undertaking for collective investment in transferable securities.

**UCITS Directive**

means Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), as amended.

**UK Reporting Funds**

means the UK Government Statutory Instrument 2009/3001 on taxation of investments in offshore funds, as further described in the “Taxation” section of this Prospectus.

**USD and US\$**

means the lawful currency of the United States of America.

## Investment Management of the Funds

### Management

The Directors are responsible for the overall investment policy of the Company.

The Management Company has been appointed by the Company to act as its management company. The Management Company is authorised by the CSSF to act as a fund management company in accordance with Chapter 15 of the 2010 Law.

The Company has signed a management company agreement (the "**Management Company Agreement**") with the Management Company. Under this agreement, the Management Company is entrusted with the day-to-day management of the Company, with responsibility for performing directly or by way of delegation all operational functions relating to the Company's investment management, administration, and the marketing of the Funds.

In agreement with the Company, the Management Company has decided to delegate several of its functions as is further described in this Prospectus.

The Management Company is also authorised to act as an Alternative Investment Fund Manager in accordance with Article 5 of the 2013 Law.

The Management Company forms part of the BlackRock Group.

The Remuneration Policy of the Management Company sets out the policies and practices that are consistent with and promote sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Company and does not impair compliance with the Management Company's duty to act in the best interest of Shareholders. The Remuneration Policy is in line with the business strategy, objectives, values and interests of the Management Company and the UCITS funds that it manages and of the investors in such UCITS funds and includes measures to avoid conflicts of interest. It includes a description as to how remuneration and benefits are calculated and identifies those individuals responsible for awarding remuneration and benefits. With regard to the internal organisation of the Management Company, the assessment of performance is set in a multi-year framework appropriate to the holding period recommended to the investors of the UCITS funds managed by the Management Company in order to ensure that the assessment process is based on longer-term performance of the Company and its investment risks and that the actual payment of performance-based components of remuneration is spread over the same period. The Remuneration Policy includes fixed and variable components of salaries and discretionary pension benefits that are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The Remuneration Policy applies to those categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk takers whose professional activities have a material impact on the risk profile of the Management Company. The details of the up-to-date Remuneration Policy, including but not limited to, a description of how remuneration and benefits are calculated, the identity of persons responsible for awarding the remuneration and benefits,

including the composition of the remuneration committee where such a committee exists, are available on the individual Fund product pages under the "All Documents" tab at [www.blackrock.com](http://www.blackrock.com) and a paper copy will be made available free of charge upon request from the registered office of the Management Company.

### Investment Advisers and Sub-Investment Advisers

The Management Company has delegated its investment management functions to the Investment Advisers. The Investment Advisers provide advice and management in the areas of stock and sector selection and strategic allocation. Further details regarding the Investment Advisers are set out under the heading "Investment Advisers". Notwithstanding the appointment of the Investment Advisers, the Management Company accepts full responsibility to the Company for all investment transactions.

BlackRock Investment Management (UK) Limited is a principal operating subsidiary of the BlackRock Group outside the US. It is regulated by the Financial Conduct Authority ("**FCA**"), but the Company will not be a customer of BlackRock Investment Management (UK) Limited for the purposes of the FCA rules and will accordingly not directly benefit from the protection of those rules.

The investment sub-investment advisers are also licensed and/or regulated (as applicable). BlackRock Investment Management (UK) Limited has sub-delegated some of its functions to BlackRock Asset Management North Asia Limited ("**BAMNA**"). BAMNA is regulated by the Hong Kong SFC.

The Investment Advisers are indirect operating subsidiaries of BlackRock, Inc., the ultimate holding company of the BlackRock Group.

The Investment Advisers and the sub-investment advisers form part of the BlackRock Group.

## Risk Considerations

**All investments risk the loss of capital. An investment in the Shares involves considerations and risk factors which investors should consider before subscribing. In addition, there will be occasions when the BlackRock Group may encounter potential conflicts of interest in connection with the Company.**

**Investors should review this Prospectus carefully and, in its entirety, and are invited to consult with their professional advisers before making an application for Shares. An investment in the Shares should form only a part of a complete investment programme and an investor must be able to bear the loss of its entire investment. Investors should carefully consider whether an investment in the Shares is suitable for them in light of their circumstances and financial resources. In addition, investors should consult their own tax advisers regarding the potential tax consequences of the activities and investments of the Company and/or each Fund. Below is a summary of risk factors that apply to all Funds which in particular, in addition to the matters set out elsewhere in this Prospectus, should be carefully evaluated before making an investment in the Shares. Not all risks apply to all Funds. The risks that, in the opinion of the Directors could have significant impact to the overall risk of the portfolio are detailed below.**

**Only those risks which are believed to be material and are currently known to the Directors have been disclosed. Additional risks and uncertainties not currently known to the Directors, or that the Directors deem to be immaterial, may also have an adverse effect on the business of the Company and/or the Funds.**

### General Risks

The performance of each Fund will depend on the performance of its underlying investments. No guarantee or representation is made that any Fund or any investment will achieve its respective investment objectives. Past results are not necessarily indicative of future results. The value of the Shares may fall as well as rise and an investor may not recoup its investment. Income from the Shares may fluctuate in money terms. Changes in exchange rates may, among other factors, cause the value of Shares to increase or decrease. The levels and bases of, and reliefs from, taxation may change. There can be no assurance that the collective performance of a Fund's underlying investments will be profitable.

The Funds are exposed to operational risks arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of service providers, counterparties or other third parties, failed or inadequate processes and technology or systems failures. The Management Company seeks to reduce these operational risks through controls and procedures and, through its monitoring and oversight of providers of services for the Funds, and also seeks to ensure that such service providers take appropriate precautions to avoid and mitigate risks that could lead to disruptions and operating errors. However, it is not possible for the Management Company and other service providers to identify and address all of the operational risks that may affect a Fund or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

A Fund's operations (including investment management, distribution, collateral management, administration, and currency

hedging) are carried out by several service providers which are selected based on a rigorous due diligence process.

Nevertheless, the Management Company and other service providers to the Funds may experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures, provision or receipt of erroneous or incomplete data, resulting in operational risk which may have a negative effect on the Fund's operations and may expose the Fund to a risk of loss. This can manifest itself in various ways, including business interruption, poor performance, information systems malfunctions or failures, provision or receipt of erroneous or incomplete data or loss of data, regulatory or contractual breaches, human error, negligent execution, employee misconduct, fraud or other criminal acts. Investors could experience delays (for example, delays in the processing of subscriptions, switching and redemption of Shares) or other disruptions.

While the Management Company seeks to minimize operational errors as set out above, there may still be failures that could cause losses to a Fund and reduce the value of the Fund.

### Index-Related Risks

In order to meet its investment objective, each Fund will seek to achieve a return which reflects the return of the Benchmark Index as published by the relevant index provider. While index providers do provide descriptions of what each Benchmark Index is designed to achieve, index providers do not provide any warranty or accept any liability in relation to the quality, accuracy, or completeness of data in respect of their benchmark indices, nor any guarantee that the published indices will be in line with their described benchmark index methodologies. The Investment Adviser's mandate as described in this Prospectus is to manage the relevant Fund consistently with the Benchmark Index as provided to the Investment Adviser. Consequently, the Investment Adviser does not provide any warranty or guarantee for index provider errors. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected by the index provider for a period of time or at all, particularly where the indices are less commonly used as benchmarks by funds or managers. Therefore, gains, losses or costs associated with errors of the index provider, or its agents will generally be borne indirectly by the Fund and its Shareholders. For example, during a period where a Benchmark Index contains incorrect constituents, the Fund tracking such published Benchmark Index would have market exposure to such constituents. As such, errors may potentially result in negative or positive performance impact to the Fund and, by extension, impact its Shareholders. Shareholders should understand that any gains from index provider errors will be kept by the Fund and its Shareholders and any losses resulting from index provider errors will be borne by the Fund and its Shareholders.

In addition, apart from scheduled rebalances, index providers may carry out additional ad hoc rebalances to their benchmark indices in order to, for example, correct an error in the selection of index constituents. Where the Benchmark Index is rebalanced and the Fund in turn rebalances its portfolio to bring it in line with the Benchmark Index, any transaction costs (including any capital gains tax and/or transaction taxes) and market exposure arising from such portfolio rebalancing will be borne by the Fund (which may cause additional tracking error) and, by extension, its Shareholders. Therefore, errors and additional ad hoc rebalances

carried out by an index provider to a Benchmark Index may increase the costs of the Fund.

There is no assurance that a Benchmark Index will continue to be calculated and published on the basis described in this Prospectus or that it will not be amended significantly. The past performance of each Benchmark Index is not a guide to future performance.

Please refer to the Section "Benchmark Indices" for further information, for example, circumstances which may require the Benchmark Index to be changed.

### **Tracking Error / Investment Risks**

While the Funds seek to match the performance of their respective Benchmark Indices, whether through a replication or optimising strategy, there is no guarantee that they will achieve perfect matching of performance and the Funds may potentially be subject to tracking error risk, which is the risk that their returns may not match exactly those of their respective Benchmark Indices, from time to time. This tracking error may result from incurring operational fees and expenses in respect of the Fund, screening for corporate involvement in cluster munitions etc. (as further detailed under "Investment Objectives and Policies – General") and /or an inability to hold all the constituents of the Benchmark Index in their appropriate proportions, for example where there are local market trading restrictions, and/or where the regulations limit exposure to the constituents of the Benchmark Index.

A Fund's tracking error may be affected if the times at which a Fund and its Benchmark Index are priced are different. Where the Benchmark Index is valued at the time the relevant markets close for business and a Fund is valued at an earlier or later time, the tracking error of that Fund may appear to be higher than if the Fund and the Benchmark Index were priced at the same time. This is particularly relevant where a Benchmark Index provides exposure to countries in the Asia-Pacific region.

### **Limited Operating History**

Newly formed Funds have little or no operating history upon which investors can evaluate the anticipated performance. Past investment performance should not be construed as an indication of the future results of an investment in a Fund. The investment programme of a Fund should be evaluated on the basis that there can be no assurance that the Investment Adviser's assessments of the short-term or long-term prospects of investments, will prove accurate or that the Fund will achieve its investment objective.

### **Counterparty Risk**

A Fund will be exposed to the credit risk of the counterparties with which it transacts and may also bear the risk of settlement default. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the relevant Fund. This would include the counterparties to any derivatives, repurchase/reverse repurchase agreement or securities lending agreement that it enters into. Trading in derivatives which have not been collateralised gives rise to direct counterparty exposure. The relevant Fund aims to mitigate much of its credit risk to its derivative counterparties by receiving collateral with a value at least equal to the exposure to each counterparty but, to the extent that any derivative is not fully collateralised, a default by the counterparty may result in a reduction in the value of the Fund. A formal review of each new counterparty is completed, and all approved counterparties are monitored and reviewed on an ongoing basis. The Fund maintains

an active oversight of counterparty exposure and the collateral management process.

### **Counterparty Risk to the Depositary**

The assets of the Company are entrusted to the Depositary for safekeeping, as set out in further detail in paragraph 8. of Appendix C. In accordance with the UCITS Directive, in safekeeping the assets of the Company, the Depositary shall: (a) hold in custody all financial instruments that may be registered in a financial instruments account opened in the Depositary's books and all financial instruments that can be physically delivered to the Depositary; and (b) for other assets, verify the ownership of such assets and maintain a record accordingly. The assets of the Company should be identified in the Depositary's books as belonging to the Company.

Securities held by the Depositary should be segregated from other securities / assets of the Depositary which mitigates but does not exclude the risk of non-restitution in the case of bankruptcy of the Depositary. Shareholders are therefore exposed to the risk of the Depositary not being able to fully meet its obligation to reconstitute all of the assets of the Company in the case of bankruptcy of the Depositary. In addition, a Fund's cash held with the Depositary may not be segregated from the Depositary's own cash / cash under custody for other clients of the Depositary, and a Fund may therefore rank as an unsecured creditor in relation thereto in the case of bankruptcy of the Depositary.

The Depositary may not keep all the assets of the Company itself but may use a network of sub-custodians which are not always part of the same group of companies as the Depositary. Shareholders may be exposed to the risk of bankruptcy of the sub-custodians in circumstances where the Depositary will have no liability.

A Fund may invest in markets where custodial and/or settlement systems are not fully developed. The assets of the Fund that are traded in such markets and which have been entrusted to such sub-custodians may be exposed to risk in circumstances where the Depositary will have no liability.

### **Tax Considerations**

The Company may be subject to withholding or other taxes on income and/or gains arising from its investment portfolio. Where the Company invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Company may not be able to recover such tax and so any such change could have an adverse effect on the Net Asset Value of the Shares.

The tax information provided in the "Taxation" Section is based, to the best knowledge of the Directors, upon tax law and practice as at the date of this Prospectus. Tax legislation, the tax status of the Company, the taxation of Shareholders and any tax reliefs, and the consequences of such tax status and tax reliefs, may change from time to time. Any change in the taxation legislation in any jurisdiction where a Fund is registered, marketed or invested could affect the tax status of the Fund, affect the value of the Fund's investments in the affected jurisdiction and affect the Fund's ability to achieve its investment objective and/or alter the post-tax returns to Shareholders. Where a Fund invests in derivatives, the preceding sentence may also extend to the jurisdiction of the



governing law of the derivative contract and/or the derivative counterparty and/or to the market(s) comprising the underlying exposure(s) of the derivative.

The availability and value of any tax reliefs available to Shareholders depend on the individual circumstances of Shareholders. The information in the "Taxation" Section is not exhaustive and does not constitute legal or tax advice. Investors are urged to consult their tax advisors with respect to their particular tax situations and the tax effects of an investment in the Company.

Where a Fund invests in a jurisdiction where the tax regime is not fully developed or is not sufficiently certain, for example jurisdictions in the Middle East, the relevant Fund, the Management Company, the Investment Advisers and the Depositary shall not be liable to account to any Shareholder for any payment made or suffered by the Company in good faith to a fiscal authority for taxes or other charges of the Company or the relevant Fund notwithstanding that it is later found that such payments need not or ought not have been made or suffered. Conversely, where through fundamental uncertainty as to the tax liability, adherence to best or common market practice (to the extent that there is no established best practice) that is subsequently challenged or the lack of a developed mechanism for practical and timely payment of taxes, the relevant Fund pays taxes relating to previous years, any related interest or late filing penalties will likewise be chargeable to the Fund. Such late paid taxes will normally be debited to the Fund at the point the decision to accrue the liability in the Fund accounts is made.

Shareholders should also read the information set out in the Section "Foreign Account Tax Compliance Act ("FATCA")", particularly in relation to the consequences of the Company being unable to comply with the terms of such reporting systems.

#### **Currency Risk – Base Currency**

The Funds may invest in assets denominated in a currency other than the Base Currency of the Funds. Changes in exchange rates between the Base Currency and the currency in which the assets are denominated will cause the value of the asset expressed in the Base Currency to fall or rise. The Funds may utilise techniques and instruments including derivatives for hedging purposes to control currency risk. However, it may not be possible or practical to completely mitigate currency risk in respect of a Fund's portfolio or specific assets within the portfolio. Furthermore, unless otherwise stated in the investment policies of the relevant fund, the Investment Advisers are not obliged to seek to reduce currency risk within the Funds.

#### **Currency Risk – Share Class Currency**

Certain Share Classes of certain Funds may be denominated in a currency other than the Base Currency of the relevant Fund. In addition, the Funds may invest in assets denominated in currencies other than the Base Currency. Therefore, changes in exchange rates may affect the value of an investment in the Funds.

#### **Hedged Share Classes**

While a Fund or its authorised agent may attempt to hedge currency risks, there can be no guarantee that it will be successful in doing so and it may result in mismatches between the currency position of that Fund and the Hedged Share Class.

The hedging strategies may be entered into whether the Base Currency is declining or increasing in value relative to the relevant currency of the Hedged Share Class and so, where such hedging is undertaken it may substantially protect Shareholders in the relevant Class against a decrease in the value of the Base Currency relative to the Hedged Share Class currency, but it may also preclude Shareholders from benefiting from an increase in the value of the Base Currency.

Hedged Share Classes in non-major currencies may be affected by the fact that capacity of the relevant currency market may be limited, which could further affect the volatility of the Hedged Share Class.

All gains/losses or expenses arising from hedging transactions are borne separately by the Shareholders of the respective Hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a risk that, under certain circumstances, currency hedging transactions in relation to one Share Class could result in liabilities which might affect the Net Asset Value of the other Share Classes of the same Fund.

#### **Global Financial Market Crisis and Governmental Intervention**

Since 2007, global financial markets have undergone pervasive and fundamental disruption and suffered significant instability leading to extensive governmental intervention. Regulators in many jurisdictions have implemented or proposed a number of emergency regulatory measures and may continue to do so. Government and regulatory interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been detrimental to the efficient functioning of financial markets. It is impossible to predict, with certainty, what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the Investment Advisers' ability to implement a Fund's investment objective.

Whether current undertakings by governing bodies of various jurisdictions or any future undertakings will help stabilise the financial markets is unknown. The Investment Advisers cannot predict, with certainty, how long the financial markets will continue to be affected by these events and cannot predict the effects of these – or similar events in the future – on a Fund, the European or global economy and the global securities markets.

#### **Euro and Euro Zone Risk**

The success of the Euro and the Eurozone is dependent on the general economic and political condition of each member state, as well as each state's credit worthiness and the willingness of the members to remain committed to monetary union and support for the other members. Default by any state on its Euro debts or a material decline in the credit rating of any Eurozone state could have a material negative impact on a Fund and its investments. The base currency of a number of the Funds is Euro and/or may hold Euro denominated assets either directly or as collateral and may experience a reduction of the value and/or liquidity of their investments as a result of events in the Eurozone regardless of the measures the Investment Adviser or Directors may take to reduce this risk.

The Eurozone is subject to risks arising from different trends, including high inflation, rapid monetary policy tightening, geopolitical instability, and an uncertain economic outlook, which could lead to new shocks and asset price corrections.

This situation has raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and may result in changes to the composition of the Euro zone. The departure or risk of departure from the Euro by one or more Euro zone countries could lead to the reintroduction of national currencies in one or more Euro zone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Fund's investments, including risk of redenomination from Euro into another currency, possible capital controls and legal uncertainty as to the ability to enforce obligations and debts. Shareholders should carefully consider how changes to the Euro zone and European Union may affect their investment in the Fund.

#### **MiFID II risk factor**

Laws and regulations introduced by Member States of the EU to implement the EU's second Markets in Financial Instruments Directive ("**MiFID II**") and the EU's Markets in Financial Instruments Regulation ("**MiFIR**"), which came into force on 3 January 2018 and imposed new regulatory obligations and costs on the Management Company and the Investment Advisers. The impact of MiFID II on the EU financial markets and on EU investment firms which offer financial services to clients is significant.

In particular, MiFID II and MiFIR introduced new rules regarding the execution of certain standardised OTC derivatives on regulated trading venues.

In addition, MiFID II introduced wider transparency regimes in respect of trading on EU trading venues and with EU counterparties. Under MiFID II, pre- and post-trade transparency regimes are extended from equities traded on a regulated market to also cover equity-like instruments (such as Depositary Receipts, Exchange-Traded Funds and certificates that are traded on regulated trading venues) and non-equities such as bonds, structured finance products, emission allowances and derivatives. The increased transparency regime under MiFID II, together with the restrictions on the use of "dark pools" and other trading venues, may mean greater disclosure of information relating to price discovery becoming available and may have an adverse impact on trading costs.

#### **Cybersecurity Risk**

A Fund or any of the service providers, including the Management Company and the Investment Advisers, may be subject to risks resulting from cybersecurity incidents and/or technological malfunctions. A cybersecurity incident is an event that may cause a loss of proprietary information, data corruption or a loss of operational capacity. Cybersecurity incidents can result from deliberate cyber-attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through hacking or malicious software coding) for the purposes of misappropriating assets or sensitive information, corrupting data, releasing confidential information without authorisation or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites, which may make network services unavailable to intended users. The issuers of securities and counterparties to other financial instruments in which a Fund invests may also be subject to cybersecurity incidents.

Cybersecurity incidents may cause a Fund to suffer financial losses, interfere with a Fund's ability to calculate its net asset value, impede trading, disrupt the ability of investors to subscribe for, exchange or redeem their units, violate privacy and other laws and incur regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Cyber-attacks may render records of assets and transactions of a Fund, unitholder ownership of units, and other data integral to the functioning of a Fund inaccessible, inaccurate or incomplete. In addition, substantial costs may be incurred in order to prevent any cybersecurity incidents in the future which may adversely impact a Fund.

While the Management Company and the Investment Advisers have established business continuity plans and risk management strategies to seek to prevent cybersecurity incidents, there are inherent limitations in such plans and strategies, including the possibility that certain risks have not been identified given the evolving nature of the threat of cyber-attacks.

Furthermore, none of the Funds, the Management Company or the Investment Advisers can control the business continuity plans or cybersecurity strategies put in place by other service providers to a Fund or issuers of securities and counterparties to other financial instruments in which a Fund invests. Technological malfunctions may occur from factors such as processing errors, human errors, inadequate or failed internal or external processes, failure in systems and technology, changes in personnel, infiltration by unauthorised persons and errors caused by services providers. Whilst the Management Company and the Investment Advisers seek to minimise such events through controls and oversight, there may still be failures that could cause losses to the Funds.

The Investment Advisers rely on its third-party service providers for many of their day-to-day operations and will be subject to the risk that the protections and policies implemented by those service providers will be ineffective to protect the Investment Advisers or a Fund from cyber-attack.

#### **Depositary Receipts**

American Depositary Receipts ("**ADRs**") and Global Depositary Receipts ("**GDRs**") are designed to offer exposure to their underlying securities. In certain situations, the Investment Advisers may use ADRs and GDRs to provide exposure to underlying securities within the Benchmark Index, for example where the underlying securities cannot be, or are unsuitable to be, held directly or where direct access to the underlying securities is restricted or limited. However, in such cases the Investment Advisers are unable to guarantee that a similar outcome will be achieved to that if it were possible to hold the securities directly, due to the fact ADRs and GDRs do not always perform in line with the underlying security.

In the event of the suspension or closure of a market(s) on which the underlying securities are traded, there is a risk that the value of the ADR/GDR will not closely reflect the value of the relevant underlying securities. Additionally, there may be some circumstances where the Investment Advisers cannot, or it is not appropriate to, invest in an ADR or GDR, or the characteristics of the ADR or GDR do not exactly reflect the underlying security.

In the event that a Fund invests in ADRs or GDRs in the circumstances set out above, the Fund's tracking of the

Benchmark Index may be impacted, i.e., there is a risk that the Fund's return varies from the return of the Benchmark Index.

### **Depository Notes**

Global depository notes ("GDNs") are designed to offer exposure to their underlying securities.

In certain situations, the Investment Advisers may use GDNs to provide exposure to underlying securities within the relevant Benchmark Index, for example where the underlying securities cannot be, or are unsuitable to be, held directly or where direct access to the underlying securities is restricted or limited. However, in such cases the Investment Advisers are unable to guarantee that a similar outcome will be achieved to that if it were possible to hold the securities directly, due to the fact GDNs do not always perform in line with the underlying securities.

In the event of the suspension or closure of a market(s) on which the underlying securities are traded, there is a risk that the value of the GDN will not closely reflect the value of the relevant underlying securities. Additionally, there may be some circumstances where the Investment Advisers cannot, or it is not appropriate to, invest in a GDN, or the characteristics of the GDN do not exactly reflect the underlying security.

In the event that the Fund invests in GDNs in the circumstances set out above, the Fund's tracking of the Benchmark Index may be impacted, i.e., there is a risk that the Fund's return varies from the return of the Benchmark Index.

### **Derivatives – General**

In accordance with the investment limits and restrictions set out in Appendix A, each of the Funds may use derivatives to hedge market and currency risk, and for the purposes of efficient portfolio management.

The use of derivatives may expose Funds to a higher degree of risk. These risks may include credit risk with regard to counterparties with whom the Funds trade, the risk of settlement default, lack of liquidity of the derivatives, imperfect tracking between the change in value of the derivative and the change in value of the underlying asset that the relevant Fund is seeking to track and greater transaction costs than investing in the underlying assets directly.

In accordance with standard industry practice when purchasing derivatives, a Fund may be required to secure its obligations to its counterparty. For non-fully funded derivatives, this may involve the placing of initial and/or variation margin assets with the counterparty. For derivatives which require a Fund to place initial margin assets with a counterparty, such assets may not be segregated from the counterparty's own assets and being freely exchangeable and replaceable, the Fund may have a right to the return of equivalent assets rather than the original margin assets deposited with the counterparty. These deposits or assets may exceed the value of the relevant Fund's obligations to the counterparty in the event that the counterparty requires excess margin or collateral. In addition, as the terms of a derivative may provide for one counterparty to provide collateral to the other counterparty to cover the variation margin exposure arising under the derivative only if a minimum transfer amount is triggered, the Fund may have an uncollateralised risk exposure to a counterparty under a derivative up to such minimum transfer amount.

Derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities. Leveraged derivative positions can therefore increase Fund volatility. Whilst the Funds will not borrow money to leverage, they may for example gain exposure to constituents of their Benchmark Index through derivatives, always within the restrictions provided for in Appendix A of this Prospectus. Certain Funds may enter into long positions executed using derivatives (synthetic long positions) such as futures positions including currency forwards.

Additional risks associated with investing in derivatives may include a counterparty breaching its obligations to provide collateral, or due to operational issues (such as time gaps between the calculation of risk exposure to a counterparty's provision of additional collateral or substitutions of collateral or the sale of collateral in the event of a default by a counterparty), there may be instances where a Fund's credit exposure to its counterparty under a derivative contract is not fully collateralised but each Fund will continue to observe the limits set out in Appendix A. The use of derivatives may also expose a Fund to legal risk, for example the risk of loss resulting from changing laws or from the unexpected application of a law or regulation, or because a court declares a contract not legally enforceable.

Where derivative instruments are used in this manner the overall risk profile of the Fund may be increased. Accordingly, the Company will employ a risk-management process which enables the Management Company to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the Fund. The Management Company uses a methodology known as the "Commitment Approach" in order to calculate each Fund's global exposure, with the aim of ensuring it complies with the investment restrictions set out in Appendix A.

For more detail regarding the derivative strategies applied by individual Funds please refer to the individual Fund investment objectives in the Section "Investment Objectives and Policies" below and the latest risk management programme which is available on request from the local Investor Servicing team.

### **Securities Lending and Repurchase and Reverse Repurchase Transactions**

At the discretion of the Investment Adviser, the Funds may engage in securities lending transactions for the purposes of efficient portfolio management subject to the conditions and limits in accordance with the requirements of the CSSF. The Funds engaging in securities lending will have a credit risk exposure to the counterparties to any securities lending contract. Fund investments can be lent to counterparties over a period of time. A default by the counterparty combined with a fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the Fund. The Company intends to ensure that all securities lending is fully collateralised but, to the extent that any securities lending is not fully collateralised (for example due to timing issues arising from payment lags), the Funds will have a credit risk exposure to the counterparties to the securities lending contracts.

### **Risks Relating to Repurchase Agreements**

In the event of the failure of the counterparty with which collateral has been placed, the Funds may suffer loss as there may be



delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

### **Risks Relating to Reverse Repurchase Agreements**

In the event of the failure of the counterparty with which cash has been placed, the Funds may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

### **Fund Liability Risk**

The Company is structured as an umbrella fund with segregated liability between its Funds. As a matter of Luxembourg law, the assets of one Fund will not be available to meet the liabilities of another. However, the Company is a single legal entity that may operate or have assets held on its behalf or be subject to claims in other jurisdictions that may not necessarily recognise such segregation of liability. As at the date of this Prospectus, the Directors are not aware of any such existing or contingent liability.

### **Financial Markets, Counterparties and Service Providers**

Funds may be exposed to finance sector companies which act as a service provider or as a counterparty for financial contracts. In times of extreme market volatility, such companies may be adversely affected, with a consequent adverse effect on the return of the Funds.

Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The effect of any future regulatory action on the Company could be substantial and adverse.

### **Sustainability Risks**

Sustainability risk is an inclusive term to designate investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to environmental, social or governance issues.

Sustainability risk around environmental issues includes, but is not limited to, climate risk, both physical and transition risk. Physical risk arises from the physical effects of climate change, acute or chronic. For example, frequent and severe climate-related events can impact products and services and supply chains. Transition risk whether policy, technology, market or reputation risk arises from the adjustment to a low-carbon economy in order to mitigate climate change. Risks related to social issues can include but are not limited to labour rights and community relations. Governance related risks can include but are not limited to risks around board independence, ownership & control, or audit & tax management. These risks can impact an issuer's operational effectiveness and resilience as well as its public perception, and reputation affecting its profitability and in turn, its capital growth, and ultimately impacting the value of holdings in a Fund.

These are only examples of sustainability risk factors and sustainability risk factors do not solely determine the risk profile of the investment. The relevance, severity, materiality and time horizon of sustainability risk factors and other risks can differ significantly by Funds.

Sustainability risk can manifest itself through different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches etc.). By way of example, a Fund may invest in the equity or debt of an issuer that could face potentially reduced revenues or increased expenditures from physical climate risk (e.g., decreased production capacity due to supply chain perturbations, lower sales due to demand shocks or higher operating or capital costs) or transition risk (e.g., decreased demand for carbon-intensive products and services or increased production costs due to changing input prices). As a result, sustainability risk factors may have a material impact on an investment, may increase the volatility, affect liquidity and may result in a loss to the value of shares in a Fund.

The impact of those risks may be higher for Funds with particular sectoral or geographic concentrations e.g., Funds with geographical concentration in locations susceptible to adverse weather conditions where the value of the investments in the Funds may be more susceptible to adverse physical climate events or Funds with specific sectoral concentrations such as investing in industries or issuers with high carbon intensity or high switching costs associated with the transition to low carbon alternatives, may be more impacted by climate transition risks.

All or a combination of these factors may have an unpredictable impact on the relevant Fund's investments. Under normal market conditions such events could have a material impact on the value of shares of the Fund.

Assessments of sustainability risk are specific to the asset class and to the fund's objective. Different asset classes require different data and tools to apply heightened scrutiny, assess materiality, and make meaningful differentiation among issuers and assets. Risks are considered and risk managed concurrently, by prioritizing based on materiality and on the Fund's objective.

While index providers do provide descriptions of what each Benchmark Index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their benchmark indices, nor any guarantee that the published indices will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where the indices are less commonly used.

The impacts of sustainability risk are likely to develop over time and new sustainability risks may be identified as further data and information regarding sustainability factors and impacts becomes available and the regulatory environment regarding sustainable finance evolves. These emerging risks may have further impacts on the value of units in the funds.

### **Other Risks**

The Funds may be exposed to risks that are outside of their control – for example legal risks from investments in countries with unclear and changing laws or the lack of established or effective avenues for legal redress; the risk of terrorist actions; the risk that economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear but could have a material effect on general economic conditions and market liquidity.

Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The effect of any future regulatory action on the Company could be substantial and adverse.

## Specific Risk Considerations

In addition to the general risks, as set out above, that should be considered for all Funds, there are other risks that investors should also bear in mind when considering investment into specific Funds.

The table below show which specific risk warnings apply to the Funds.

FUND	Fixed Income Transferable Securities	Bond Downgrade Risk	Sovereign Debt	Equity Risks	Emerging Markets	Restrictions on Foreign Investment	Derivatives
iShares World Equity Index Fund (LU)				X		X	X
iShares Europe Equity Index Fund (LU)				X			X
iShares Japan Equity Index Fund (LU)				X			X
iShares Pacific ex Japan Equity Index Fund (LU)				X			X
iShares Emerging Markets Equity Index Fund (LU)				X	X	X	X
iShares North America Equity Index Fund (LU)				X			X
iShares Euro Government Bond Index Fund (LU)	X	X	X				X
iShares Euro Aggregate Bond Index Fund (LU)	X	X	X				X
iShares Emerging Markets Government Bond Index Fund (LU)	X	X	X		X	X	X
iShares Global Government Bond Index Fund (LU)	X	X	X		X	X	X

## Specific Risks

### Derivatives – Specific

The Funds may use derivatives to hedge market and currency risk and for the purpose of efficient portfolio management in accordance with their respective investment objective and policies. In particular this may involve (on a non-exhaustive basis):

- ▶ using swap contracts to adjust interest rate risk;
- ▶ using currency derivatives to buy or sell currency risk;
- ▶ writing covered call options;
- ▶ using credit default swaps to buy or sell credit risk;
- ▶ using volatility derivatives to adjust volatility risk;
- ▶ buying and selling options;
- ▶ using swap contracts to gain exposure to one or more indices;
- ▶ using synthetic short positions to take advantage of any negative investment views; and
- ▶ using synthetic long positions to gain market exposure.

Investors should note the associated risks with the following types of derivative instruments and strategies as described below:

### Credit Default Swaps, Interest Rate Swaps, Currency Swaps, Total Return Swaps and Swaptions

The use of credit default swaps may carry a higher risk than investing in bonds directly. A credit default swap allows the transfer of default risk. This allows investors to effectively buy insurance on a bond they hold (hedging the investment) or buy protection on a bond they do not physically own where the investment view is that the stream of coupon payments required will be less than the payments received due to the decline in credit quality. Conversely, where the investment view is that the payments due to decline in credit quality will be less than the coupon payments, protection will be sold by means of entering into a credit default swap.

Accordingly, one party, the protection buyer, makes a stream of payments to the seller of protection, and a payment is due to the buyer in the event that there is a “credit event” (a decline in credit quality, which will be pre-defined in the agreement). If the credit event does not occur the buyer pays all the required premiums, and the swap terminates on maturity with no further payments. The risk of the buyer is therefore limited to the value of the premiums paid.

The market for credit default swaps may sometimes be more illiquid than bond markets. A Fund entering into credit default swaps must at all times be able to meet the redemption requests. Credit default swaps are valued on a regular basis according to verifiable and transparent valuation methods reviewed by the Auditor.

Interest rate swaps involve an exchange with another party of respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. Currency swaps may involve the exchange of rights to make or receive payments in specified currencies. Total return swaps involve the exchange of the right to receive the total return, coupons plus capital gains or losses, of a specified reference

asset, index or basket of assets against the right to make fixed or floating payments. The Funds may enter into swaps as either the payer or receiver of payments under such swaps.

Where a Fund enters into interest rate or total return swaps on a net basis, the two payment streams are netted out, with each party receiving or paying, as the case may be, only the net amount of the two payments. Interest rate or total return swaps entered into on a net basis do not involve the physical delivery of investments, other underlying assets or principal. Accordingly, it is intended that the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that a Fund is contractually obliged to make (or in the case of total return swaps, the net amount of the difference between the total rate of return of a reference investment, index or basket of investments and the fixed or floating payments). If the other party to an interest rate or total return swap defaults, in normal circumstances each Fund’s risk of loss consists of the net amount of interest or total return payments that each party is contractually entitled to receive. In contrast, currency swaps usually involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations.

Certain Funds may also buy or sell interest rate swaption contracts. These give the purchaser the right, but not the obligation to enter into an interest rate swap at a pre-set interest rate within a specified period of time. The interest rate swaption buyer pays a premium to the seller for this right. A receiver interest rate swaption gives the purchaser the right to receive fixed payments in return for paying a floating rate of interest. A payer interest rate swaption would give the purchaser the right to pay a fixed rate of interest in return for receiving a floating rate payment stream.

**The use of credit default swaps, interest rate swaps, currency swaps, total return swaps and interest rate swaptions is a specialised activity which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Investment Adviser is incorrect in its forecasts of market values, interest rates and currency exchange rates, the investment performance of the Fund would be less favourable than it would have been if these investment techniques were not used.**

### Volatility Derivatives

“**Historic Volatility**” of a security is a statistical measure of the speed and magnitude of changes in the price of that security over defined periods of time. “**Implied Volatility**” is the market’s expectation of future realised volatility. Volatility derivatives are derivatives whose price depends on Historic Volatility or Implied Volatility or both. Volatility derivatives are based on an underlying security, and Funds may use volatility derivatives to increase or reduce volatility risk, in order to express an investment view on the change in volatility, based on an assessment of expected developments in underlying securities markets. For example, if a significant change in the market background is expected, it is likely that the volatility of the price of a security will increase as prices adapt to the new circumstances.

The Funds may only buy or sell volatility derivatives which are based on an index where:

- ▶ the composition of the index is sufficiently diversified;

- ▶ the index represents an adequate benchmark for the market to which it refers; and
- ▶ it is published in an appropriate manner.

The price of volatility derivatives may be highly volatile and may move in a different way to the other assets of the Fund, which could have a significant effect on the Net Asset Value of a Fund's Shares.

#### **Transfer of Collateral**

In order to use derivatives the Funds will enter into arrangements with counterparties which may require the payment of collateral or margin out of a Fund's assets to act as cover to any exposure by the counterparty to the Fund. If the title of any such collateral or margin is transferred to the counterparty, it becomes an asset of such counterparty and may be used by the counterparty as part of its business. Collateral so transferred will not be held in custody by the Depositary for safekeeping, but collateral positions will be overseen and reconciled by the Depositary. Where the collateral is pledged by the Fund to the benefit of the relevant counterparty, then such counterparty may not rehypothecate the assets pledged to it as collateral without the Fund's consent.

#### **Fixed Income Transferable Securities**

Debt securities are subject to both actual and perceived measures of creditworthiness. The "downgrading" of a rated debt security or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity of the security, particularly in a thinly traded market. In certain market environments this may lead to investments in such securities becoming less liquid, making it difficult to dispose of them.

A Fund may be affected by changes in prevailing interest rates and by credit quality considerations. Changes in market rates of interest will generally affect a Fund's asset values as the prices of fixed rate securities generally increase when interest rates decline and decrease when interest rates rise. Prices of shorter-term securities generally fluctuate less in response to interest rate changes than longer-term securities.

An economic recession may adversely affect an issuer's financial condition and the market value of high yield debt securities issued by such entity. The issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. In the event of bankruptcy of an issuer, a Fund may experience losses and incur costs.

Issuers of non-investment grade debt may be highly leveraged and carry a greater risk of default. In addition, non-investment grade securities tend to be more volatile than higher rated fixed-income securities, so that adverse economic events may have a greater impact on the prices of non-investment grade debt securities than on higher rated fixed-income securities.

#### **Bond Downgrade Risk**

A Fund may invest in highly rated / investment grade bonds, however, where a bond is subsequently downgraded it may continue to be held in order to avoid a distressed sale. To the extent that a Fund does hold such downgraded bonds, there will be an increased risk of default on repayment, which in turn translates into a risk that the capital value of the Fund will be

affected. Investors should be aware that the yield or the capital value of the Fund (or both) could fluctuate.

#### **Sovereign Debt**

Sovereign debt refers to debt obligations issued or guaranteed by governments or their agencies and instrumentalities (each a "governmental entity"). Investments in sovereign debt may involve a degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the international monetary bodies, any constraints placed on it by inclusion in a common monetary policy, or any other constraints to which a governmental entity might be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and other foreign entities to reduce principal and interest arrears on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt, including a Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities.

Sovereign debt holders may also be affected by additional constraints relating to sovereign issuers which may include (i) the restructuring of such debt (including the reduction of outstanding principal and interest and or rescheduling of repayment terms) without the consent of the impacted Fund(s) (e.g. pursuant to legislative actions unilaterally taken by the sovereign issuer and/or decisions made by a qualified majority of the lenders); and (ii) the limited legal recourses available against the sovereign issuer in case of failure of or delay in repayment (for example there may be no bankruptcy proceedings available by which sovereign debt on which a government entity has defaulted may be recovered).

#### **Equity Risks**

The values of equities fluctuate daily and a Fund investing in equities could incur significant losses. The price of equities can be influenced by many factors at the individual company level, as well as by broader economic and political developments, including trends in economic growth, inflation and interest rates, corporate earnings reports, demographic trends and catastrophic events.

#### **Emerging Markets/Frontier Markets**

The following considerations, which apply to some extent to all international investments, are of particular significance in certain smaller emerging and frontier markets. Funds investing in equities (please refer to the respective investment objectives section of each relevant fund) may include investments in certain smaller emerging and frontier markets, which are typically those of poorer or less developed countries which exhibit lower levels of economic



and/or capital market development, and higher levels of share price and currency volatility.

The prospects for economic growth in a number of these markets are considerable and equity returns have the potential to exceed those in mature markets as growth is achieved. However, share price and currency volatility are generally higher in emerging and frontier markets. Some governments exercise substantial influence over the private economic sector and the political and social uncertainties that exist for many developing countries are particularly significant. Another risk common to most such countries is that the economy is heavily export oriented and, accordingly, is dependent upon international trade. The existence of overburdened infrastructures and inadequate financial systems also presents risks in certain countries, as do environmental problems which may be exacerbated by climate change.

Certain economies also depend to a significant degree upon exports of primary commodities and, therefore, are vulnerable to changes in commodity prices which, in turn, may be affected by a variety of factors.

In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities market and trade settlement, and imposition of foreign investment restrictions and exchange controls, and these could be repeated in the future. In addition to withholding taxes on investment income, some emerging and frontier markets may impose different capital gains taxes on foreign investors.

Generally accepted accounting, auditing and financial reporting practices in emerging and frontier markets may be significantly different from those in developed markets. Compared to mature markets, some emerging and frontier markets may have a low level of regulation, enforcement of regulations and monitoring of investors' activities. Those activities may include practices such as trading on material non-public information by certain categories of investor.

The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume, resulting in a lack of liquidity and high price volatility. There may be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors may adversely affect the timing and pricing of a Fund's acquisition or disposal of securities.

Practices in relation to the settlement of securities transactions in emerging and frontier markets involve higher risks than those in developed markets, in part because the Fund will need to use brokers and counterparties which are less well capitalised, and custody and registration of assets in some countries may be unreliable. Delays in settlement could result in investment opportunities being missed if a Fund is unable to acquire or dispose of a security. The Depositary is responsible for the proper selection and supervision of its correspondent banks in all relevant markets in accordance with Luxembourg law and regulation.

In certain emerging markets, registrars are not subject to effective government supervision nor are they always independent from issuers. Investors should therefore be aware that the Funds

concerned could suffer loss arising from these registration problems.

In certain emerging and frontier markets, registrars are not subject to effective government supervision nor are they always independent from issuers. The possibility of fraud, negligence, undue influence being exerted by the issuer or refusal to recognise ownership exists, which, along with other factors, could result in the registration of a shareholding being completely lost. Investors should therefore be aware that the Funds concerned could suffer loss arising from these registration problems, and as a result of archaic legal systems a Fund may be unable to make a successful claim for compensation.

While the factors described above may result in a generally higher level of risk with respect to the individual smaller emerging and frontier markets, these may be reduced when there is a low correlation between the activities of those markets and/or by the diversification of investments within the relevant Funds.

### **Emerging Markets – Tracking Error**

In relation to Funds that invest in emerging markets, the Fund performance compared to that of its Benchmark Index may be affected by the fact that the Fund invests in emerging market securities. In certain emerging markets, there may be limits concerning the manner and/or extent to which foreign investors can invest directly in securities in that market, and also taxes or other charges applicable to foreign investors which may render direct investment inefficient or uneconomical for Shareholders. This may affect the Fund's ability to invest in all of the securities that make up the Benchmark Index or hold the appropriate amount of these.

Furthermore, where accounts are opened in a market with a local sub-custodian for the first time, a significant amount of time may elapse before the account is operational. In certain situations, it may be possible for the Fund to invest in other transferable securities or utilise certain instruments and techniques, such as ADRs, GDRs or GDNs, which provide an equivalent exposure to the securities in these markets. There may be some circumstances where the Fund cannot gain exposure through an ADR, GDR or GDN. In these circumstances the Fund's tracking error may be impacted.

### **Restrictions on Foreign Investment**

Some countries prohibit or impose substantial restrictions on investments by foreign entities such as a Fund. As illustrations, certain countries require governmental approval prior to investments by foreign persons, or limit the amount of investment by foreign persons in a particular company, or limit the investment by foreign persons in a company to only a specific class of securities which may have less advantageous terms than securities of the company available for purchase by nationals. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. The manner in which foreign investors may invest in companies in certain countries, as well as limitations on such investments, may have an adverse impact on the operations of a Fund. For example, a Fund may be required in certain of such countries to invest initially through a local broker or other entity and then have the share purchases re-registered in the name of the Fund. Re-registration may in some instances not be able to occur on a timely basis, resulting in a delay during which a Fund may be denied certain of its rights as an investor, including rights as to dividends or to be

made aware of certain corporate actions. There also may be instances where a Fund places a purchase order but is subsequently informed, at the time of re-registration, that the permissible allocation to foreign investors has been filled, depriving the Fund of the ability to make its desired investment at the time. Substantial limitations may exist in certain countries with respect to a Fund's ability to repatriate investment income, capital or the proceeds of sales of securities by foreign investors. A Fund could be adversely affected by delays in, or a refusal to grant any required governmental approval for, repatriation of capital, as well as by the application to the Fund of any restriction on investments. A number of countries have authorised the formation of closed-end investment companies to facilitate indirect foreign investment in their capital markets. Shares of certain closed-end investment companies may at times be acquired only at market prices representing premiums to their net asset values. If a Fund acquires shares in closed-end investment companies, Shareholders would bear both their proportionate share of expenses in the Fund (including management fees) and, indirectly, the expenses of such closed end investment companies. A Fund may also seek, at its own cost, to create its own investment entities under the laws of certain countries and the Prospectus will be updated accordingly to reflect any such developments.

### Investments in Russia

For Funds that invest in or are exposed to investment in Russia, potential investors should also consider the following risk warnings which are specific to investing in or exposure to Russia:

- ▶ As a result of Russia's action in Europe, as at the date of this Prospectus Russia has been the subject of economic sanctions imposed by the United States, the European Union and other countries throughout the world. The scope and level of the sanctions may increase and there is a risk that this may adversely affect the Russian economy and result in a decline in the value and liquidity of Russian securities, a devaluation of the Russian currency and/or a downgrade in Russia's credit rating. These sanctions could also lead to Russia taking counter measures more broadly against Western and other countries. Depending on the form of action which may be taken by Russia and other countries, it could become more difficult for the Funds with exposure to Russia to continue investing in Russia and/or to liquidate Russian investments and expatriate funds out of Russia. Measures taken by the Russian government could include freezing or seizure of Russian assets of European residents which would reduce the value and liquidity of any Russian assets held by the Funds. If any of these events were to occur, the Directors may (at their discretion) take such action as they consider to be in the interests of Shareholders in Funds which have investment exposure to Russia, including (if necessary) suspending trading in the Funds (see the section entitled "Suspension and Deferrals" for more details).
- ▶ The laws and regulations relating to securities investments have been created on an ad-hoc basis and do not tend to keep pace with market developments leading to ambiguities in interpretation and inconsistent and arbitrary application of them. Monitoring and enforcement of applicable regulations is rudimentary.
- ▶ Rules regulating corporate governance either do not exist or are underdeveloped and offer little protection to minority Shareholders.

These factors may increase the volatility of any such Fund (depending on its degree of investment in Russia) and hence the risk of loss to the value of your investment.

### Investments in the PRC

Investments in the PRC are currently subject to certain additional risks, particularly regarding the ability to deal in securities in the PRC. Dealing in certain PRC securities is restricted to licensed investors and the ability of the investor to repatriate its capital invested in those securities may be limited at times. Due to issues relating to liquidity and repatriation of capital, the Company may determine from time to time that making direct investments in certain securities may not be appropriate for a UCITS. As a result, the Company may choose to gain exposure to PRC securities indirectly and may be unable to gain full exposure to the PRC markets.

### PRC Economic Risks

The PRC is one of the world's largest global emerging markets. The economy in the PRC, which has been in a state of transition from a planned economy to a more market orientated economy, differs from the economies of most developed countries and investing in the PRC may be subject to greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of market shut down, greater control of foreign exchange and more limitations on foreign investment policy than those typically found in a developed market. There may be substantial government intervention in the PRC economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. The PRC government and regulators may also intervene in the financial markets, such as by the imposition of trading restrictions, which may affect the trading of PRC securities. The companies in which the relevant Fund invests may be held to lower disclosure, corporate governance, accounting and reporting standards than companies in more developed markets. In addition, some of the securities held by the relevant Fund may be subject to higher transaction and other costs, foreign ownership limits, the imposition of withholding or other taxes, or may have liquidity issues which make such securities more difficult to sell at reasonable prices. These factors may have an unpredictable impact on the relevant Fund's investments and increase the volatility and hence the risk of a loss to the value of an investment in the relevant Fund.

As with any fund investing in an emerging market country, the relevant Fund investing in the PRC may be subject to greater risk of loss than a fund investing in a developed market country. The PRC economy has experienced significant and rapid growth in the past 20 years. However, such growth may or may not continue, and may not apply evenly across different geographic locations and sectors of the PRC economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth of the PRC economy. Furthermore, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse

impact on the securities markets in PRC and therefore on the performance of the relevant Fund.

These factors may increase the volatility of any such Fund (depending on its degree of investment in the PRC) and hence the risk of loss to the value of your investment.

#### **PRC Political Risks**

Any political changes, social instability and adverse diplomatic developments which may take place in, or in relation to, the PRC could result in significant fluctuation in the price of China A-Shares and/or China onshore bonds.

#### **Legal System of the PRC**

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have no precedent value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because of the limited volume of published cases and judicial interpretation and their non-binding nature, the interpretation and enforcement of these regulations involves significant uncertainties. Given the short history of the PRC system of commercial laws, the PRC regulatory and legal framework may not be as well developed as those of developed countries. Such regulations also empower the CSRC and SAFE to exercise discretion in their respective interpretation of the regulations, which may result in increased uncertainties in their application. In addition, as the PRC legal system develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on the relevant Fund's onshore business operations or the ability of the relevant Fund to acquire China A-Shares and/or China onshore bonds.

#### **Renminbi Currency and Conversion Risks**

The Renminbi, the lawful currency of the PRC, is not currently a freely convertible currency and is subject to exchange control imposed by the PRC government. Such control of currency conversion and movements in the Renminbi exchange rates may adversely affect the operations and financial results of companies in the PRC. Insofar as the relevant Fund may invest in the PRC, it will be subject to the risk of the PRC government's imposition of restrictions on the repatriation of funds or other assets out of the country, limiting the ability of the relevant Fund to satisfy payments to investors.

Non-Renminbi based investors are exposed to foreign exchange risk and there is no guarantee that the value of Renminbi against the investors' base currencies (for example USD) will not depreciate. Any depreciation of Renminbi could adversely affect the value of investor's investment in the Funds.

The exchange rate used for all relevant Fund transactions in Renminbi is in relation to the offshore Renminbi ("CNH"), not the onshore Renminbi ("CNY"). The value of CNH could differ, perhaps significantly, from that of CNY due to a number of factors including without limitation those foreign exchange control policies and repatriation restrictions applied by the PRC government from time-to-time as well as other external market forces. Any divergence between CNH and CNY may adversely impact investors.

Specific Risks Applicable to RQFII/QFII Investing

**Please refer to the section entitled "RQFII/QFII Investments" in the "Investment Objectives and Policies" section for an overview of the RQFII/QFII Scheme.**

**On 25 September 2020, the CSRC issued the Measures for the Administration of Domestic Securities and Futures Investment by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors and its implementing rules (collectively, the "New QFII Measures"), which, with effect from 1 November 2020, consolidated the previous QFII and RQFII/QFII programs into one. The new regime will be referred as the RQFII/QFII Regime.**

The RQFII/QFII Access Funds may invest directly in the PRC by investing in China A-Shares and/or China onshore bonds (as relevant) via the RQFII/QFII status of BAMNA or an affiliate in the BlackRock Group who is a RQFII/QFII Licence Holder

In addition to the risks set out under "Investments in the PRC" and other risks applicable to the RQFII/QFII Access Funds the following additional risks apply:

#### **RQFII/QFII Risk**

The application and interpretation of the regulations which regulate investments through RQFII/QFII regime in the PRC are relatively untested and there is no certainty as to how they will be applied as the PRC authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future. It is not possible to predict the future development of the RQFII/QFII system. Any restrictions on repatriation imposed in respect of the relevant RQFII/QFII Access Fund's RQFII/QFII investments may have an adverse effect on the RQFII/QFII Access Fund's ability to meet redemption requests. Any change in the RQFII/QFII system generally, including the possibility of the RQFII/QFII losing its RQFII/QFII status, may affect the relevant RQFII/QFII Access Fund's ability to invest in eligible securities in the PRC directly through the relevant RQFII/QFII. In addition, should the RQFII/QFII status be suspended or revoked, the relevant RQFII/QFII Access Fund's performance may be adversely affected as the relevant RQFII/QFII Access Fund may be required to dispose of its RQFII/QFII eligible securities holdings. The applicable laws, rules and regulations on RQFII/QFII are subject to change and such change may have potential retrospective effects.

#### **RQFII/QFII Investment Restrictions Risk**

Although the RQFII/QFII does not anticipate that RQFII/QFII investment restrictions will impact on the ability of the RQFII/QFII Access Funds to achieve their investment objectives, investors should note that the relevant PRC laws and regulations may limit the ability of a RQFII/QFII to acquire China A-Shares in certain PRC issuers from time to time. This may occur in a number of circumstances, such as (i) where an underlying foreign investor such as the RQFII/QFII holds in aggregate 10% of the total share capital of a listed PRC issuer (regardless of the fact that the RQFII/QFII may hold its interest on behalf of a number of different ultimate clients), and (ii) where the aggregated holdings in China A-Shares by all underlying foreign investors (including other QFIIs and RQFII/QFIIs and whether or not connected in any way to the RQFII/QFII Access Funds) already equal 30% of the total share capital of a listed PRC issuer. In the event that these limits are exceeded the relevant RQFII/QFIIs will be required to dispose of the China A-Shares in order to comply with the relevant



requirements and, in respect of (ii), each RQFII/QFII will dispose of the relevant China A-Shares on a "last in first out" basis. Such disposal will affect the capacity of the relevant RQFII/QFII Access Fund in making investments in China A-Shares through the RQFII/QFII.

### **Suspensions, Limits and other Disruptions affecting Trading of China A-Shares**

Liquidity for China A-Shares will be impacted by any temporary or permanent suspensions of particular stocks imposed from time to time by the Shanghai and/or Shenzhen stock exchanges or pursuant to any regulatory or governmental intervention with respect to particular investments or the markets generally. Any such suspension or corporate action may make it impossible for the relevant RQFII/QFII Access Fund to acquire or liquidate positions in the relevant stocks as part of the general management and periodic adjustment of the RQFII/QFII Access Fund's investments through the RQFII/QFII or to meet redemption requests. Such circumstances may also make it difficult for the Net Asset Value of the RQFII/QFII Access Fund to be determined and may expose the RQFII/QFII Access Fund to losses.

In order to mitigate the effects of extreme volatility in the market price of China A-Shares, the Shanghai and Shenzhen stock exchanges currently limit the amount of fluctuation permitted in the prices of China A-Shares during a single trading day. The daily limit is currently set at 10% and represents the maximum amount that the price of a security (during the current trading session) may vary either up or down from the previous day's settlement price. The daily limit governs only price movements and does not restrict trading within the relevant limit. However, the limit does not limit potential losses because the limit may work to prevent a liquidation of any relevant securities at the fair or probable realisation value for such securities which means that the relevant RQFII/QFII Access Fund may be unable to dispose of unfavourable positions. There can be no assurance that a liquid market on an exchange would exist for any particular China A-Share or for any particular time.

### **Counterparty Risk to the RQFII/QFII Custodian and other Depositories for PRC assets**

In the event that a RQFII/QFII Custodian is appointed by the Depository, any assets acquired through the RQFII/QFII regime will be maintained by the RQFII/QFII Custodian pursuant to the PRC regulations, in electronic form via the RQFII/QFII securities account(s) and any cash will be held in Renminbi cash account(s) (as defined under the section "RQFII/QFII Investments") with the RQFII/QFII Custodian. RQFII/QFII securities account(s) and Renminbi cash account(s) for the relevant RQFII/QFII Access Fund in the PRC are maintained in accordance with market practice. Whilst the assets held in such accounts are segregated and held separately from the assets of the RQFII/QFII and belong solely to the relevant RQFII/QFII Access Fund, it is possible that the judicial and regulatory authorities in the PRC may interpret this position differently in the future. The relevant RQFII/QFII Access Fund may also incur losses due to the acts or omissions of the RQFII/QFII Custodian in the execution or settlement of any transaction or in the transfer of any funds or securities.

Cash held by the RQFII/QFII Custodian in the Renminbi cash account(s) will not be segregated in practice but will be a debt owing from the RQFII/QFII Custodian to the relevant RQFII/QFII Access Fund as a depositor. Such cash will be co-mingled with cash belonging to other clients of the RQFII/QFII Custodian. In the event of insolvency of the RQFII/QFII Custodian, the relevant

RQFII/QFII Access Fund will not have any proprietary rights to the cash deposited in the cash account opened with the RQFII/QFII Custodian, and the RQFII/QFII Access Fund will become an unsecured creditor, ranking *pari passu* with all other unsecured creditors, of the RQFII/QFII Custodian. The RQFII/QFII Access Fund may face difficulties and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the relevant RQFII/QFII Access Fund will lose some or all of its cash.

### **Counterparty Risk to PRC broker(s)**

The RQFII/QFII selects brokers in the PRC ("PRC Broker(s)") to execute transactions for the relevant RQFII/QFII Access Fund in markets in the PRC. There is a possibility that the RQFII/QFII may only appoint one PRC Broker for each of the SZSE and the SSE, which may be the same broker. While up to three PRC Brokers can be appointed for each of the Shenzhen and Shanghai stock exchanges, as a matter of practice, it is likely that that only one PRC Broker will be appointed in respect of each stock exchange in the PRC as a result of the requirement in the PRC that securities are sold through the same PRC Broker through which they were originally purchased.

If, for any reason, the RQFII/QFII is unable to use the relevant broker in the PRC, the operation of the relevant RQFII/QFII Access Fund may be adversely affected. The RQFII/QFII Access Fund may also incur losses due to the acts or omissions of any of the PRC Broker(s) in the execution or settlement of any transaction or in the transfer of any funds or securities.

If a single PRC Broker is appointed, the relevant RQFII/QFII Access Fund may not pay the lowest commission available in the market. However, the RQFII/QFII shall, in the selection of PRC Brokers, have regard to factors such as the competitiveness of commission rates, size of the relevant orders and execution standards.

There is a risk that the relevant RQFII/QFII Access Fund may suffer losses from the default, insolvency or disqualification of a PRC Broker. In such event, the relevant RQFII/QFII Access Fund may be adversely affected in the execution of transactions through such PRC Broker. As a result, the Net Asset Value of the relevant RQFII/QFII Access Fund may also be adversely affected. To mitigate the Company's exposure to the PRC Broker(s), the RQFII/QFII employs specific procedures to ensure that each PRC Broker selected is a reputable institution and that the credit risk is acceptable to the Company.

### **Remittance and Repatriation of Renminbi**

Repatriations of Renminbi by RQFII/QFIIs are currently not subject to, any lock-up periods or prior regulatory approval; although authenticity and compliance reviews will be conducted and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII/QFII Custodian, to the extent that such RQFII/QFII Custodian has been appointed by the Depository. The repatriation process may be subject to certain requirements set out in the relevant regulations (e.g. submission of certain documents when repatriating the realised cumulative profits). Completion of the repatriation process may be subject to delay. There is no assurance that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the PRC rules and regulations may be applied retroactively. Any restrictions on repatriation imposed in respect of the relevant RQFII/QFII Access Fund's cash may have an adverse

effect on the RQFII/QFII Access Fund's ability to meet redemption requests.

Furthermore, if appointed by the depositary and as the RQFII/QFII Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the RQFII/QFII Custodian in case of non-compliance with the RQFII/QFII rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Shareholder as soon as practicable and after the completion of the repatriation of funds concerned. The actual time required for the completion of the relevant repatriation will be beyond the RQFII/QFII's control.

#### Specific Risks Applicable to investing via the Stock Connects

Please refer to the section entitled "Stock Connects" in the "Investment Objectives and Policies" section for an overview of the Stock Connects.

The following Fund (as at the date of this Prospectus) may invest in China A-Shares via the Stock Connects: iShares Emerging Markets Equity Index Fund (LU) (the "Stock Connect Fund(s)").

In addition to risks regarding "Investments in the PRC" and other risks applicable to the Stock Connect Funds the following additional risks apply:

#### Legal / Beneficial Ownership

The SSE and SZSE shares in respect of the Stock Connect Funds are held by the Depositary/ sub-custodian (if any appointed) in accounts in the Hong Kong Central Clearing and Settlement System ("CCASS") maintained by the HKSCC as central securities depositary in Hong Kong. HKSCC in turn holds the SSE and SZSE shares, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear for each of the Stock Connects. The precise nature and rights of the Stock Connect Funds as the beneficial owners of the SSE and SZSE shares through HKSCC as nominee is not well defined under PRC law. There is lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under PRC law and there have been few cases involving a nominee account structure in the PRC courts. Therefore the exact nature and methods of enforcement of the rights and interests of the Stock Connect Funds under PRC law is uncertain. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong it is not clear if the SSE and SZSE shares will be regarded as held for the beneficial ownership of the Stock Connect Funds or as part of the general assets of HKSCC available for general distribution to its creditors.

For completeness, the CSRC has provided information titled "FAQ on Beneficial Ownership under SH-HK Stock Connect" dated 15 May 2015 in relation to beneficial ownership – the relevant sections from this FAQ have been extracted and reproduced below:

***Do overseas investors enjoy proprietary rights in the SSE Securities acquired through the Northbound Trading Link as Shareholders? Are the concepts of "nominee holder" and "beneficial owner" recognized under Mainland law?***

*Article 18 of the Administrative Measures for Registration and Settlement of Securities (the "Settlement Measures") states that "securities shall be recorded in the accounts of the*

*securities holders, unless laws, administrative regulations or CSRC rules prescribe that the securities shall be recorded in accounts opened in the name of nominee holders". Hence, the Settlement Measures expressly provides for the concept of nominee shareholding. Article 13 of the Certain Provisions on Shanghai-Hong Kong Stock Connect Pilot Program (the "CSRC Stock Connect Rules") states that shares acquired by investors through the Northbound Trading Link shall be registered in the name of HKSCC and that "investors are legally entitled to the rights and benefits of shares acquired through the Northbound Trading Link". Accordingly, the CSRC Stock Connect Rules have expressly stipulated that, in Northbound trading, overseas investors shall hold SSE Securities through HKSCC and are entitled to proprietary interests in such securities as shareholders.*

***How do overseas investors bring legal action in the Mainland to realise their rights over the SSE Securities acquired through the Northbound Trading Link?***

*Mainland law does not expressly provide for a beneficial owner under the nominee holding structure to bring legal proceedings, nor does it prohibit a beneficial owner from doing so. As we understand, HKSCC, as the nominee holder of the SSE Securities in Northbound Trading Link, may exercise shareholder rights and take legal actions on behalf of overseas investors. In addition, Article 119 of the Civil Procedure Law of the People's Republic of China states that "the claimant in a legal action shall be an individual, legal person or any other organization that has a direct interest in the relevant case". As long as an overseas investor can provide evidential proof of direct interest as a beneficial owner, the investor may take legal actions in its own name in Mainland courts.*

#### Clearing and Settlement Risk

HKSCC and ChinaClear have established the clearing links and each has become a participant of the other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

As the national central counterparty of the PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote. In the remote event of a ChinaClear default, HKSCC's liabilities in SSE and SZSE shares under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC should in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Stock Connect Fund may suffer delay in the recovery process or may not fully recover its losses from ChinaClear.

#### Suspension Risk

Each of the SEHK, SSE and SZSE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant

regulator would be sought before a suspension is triggered. Where a suspension is effected, the relevant Stock Connect Fund's ability to access the PRC market will be adversely affected.

#### **Differences in Trading Day**

The Stock Connects only operate on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC market but the Stock Connect Funds cannot carry out any China A-Shares trading via the Stock Connects. The Stock Connect Funds may be subject to a risk of price fluctuations in China A-Shares during the time when any of the Stock Connects is not trading as a result.

#### **Restrictions on Selling Imposed by Front-end Monitoring**

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise, the SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Share sell orders of its participants (i.e., the stock brokers) to ensure there is no over-selling.

If a Stock Connect Fund intends to sell certain China A-Shares it holds, it must transfer those China A-Shares to the respective accounts of its broker(s) before the market opens on the day of selling ("**trading day**"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. If a Stock Connect Fund maintain its China A-Shares with a custodian which is a custodian participant or general clearing participant participating in the CCASS, the Stock Connect Fund may request such custodian to open a special segregated account ("**SPSA**") in CCASS to maintain its holdings in China A-Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique "Investor ID" by CCASS for the purpose of facilitating the Stock Connects system to verify the holdings of an investor such as the Stock Connect Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Stock Connect Fund's sell order, the relevant Stock Connect Fund will only need to transfer China A-Shares from its SPSA to its broker's account after execution and not before placing the sell order and the relevant Stock Connect Fund will not be subject to the risk of being unable to dispose of its holdings of China A-Shares in a timely manner due to failure to transfer China A-Shares to its brokers in a timely manner.

Alternatively, if a Stock Connect Fund maintains its China A-Shares with a custodian which is a custodian participant or general clearing participant participating in the CCASS, the Stock Connect Fund may request such custodian to open a special segregated account ("**SPSA**") in CCASS to maintain its holdings in China A-Shares under the enhanced pre-trade checking model. Each SPSA will be assigned a unique "Investor ID" by CCASS for the purpose of facilitating the Stock Connects system to verify the holdings of an investor such as the Stock Connect Fund. Provided that there is sufficient holding in the SPSA when a broker inputs the Stock Connect Fund's sell order, the relevant Stock Connect Fund will only need to transfer China A-Shares from its SPSA to its broker's account after execution and not before placing the sell order and the relevant Stock Connect Fund will not be subject to the risk of being unable to dispose of its holdings of China A-Shares in a timely manner due to failure to transfer China A-Shares to its brokers in a timely manner.

To the extent a Stock Connect Fund is unable to utilize the SPSA model, it would have to deliver China A-Shares to its brokers before the market opens on the trading day. Accordingly, if there are insufficient China A-shares in the Stock Connect Fund's account before the market opens on the trading day, the sell order will be rejected, which may adversely impact its performance.

#### **Settlement Mode under the SPSA model**

Under the normal Delivery Versus Payment (DVP) settlement mode, stock and cash settlement will take place on T+0 between clearing participants (i.e., brokers and custodian or a custodian participant) with a maximum window of four hours between stocks and cash movement. This applies to settlement in CNH only and on the condition that the brokers support same-day Chinese renminbi cash finality. Under the Real time Delivery Versus Payment (RDVP) settlement mode introduced in November 2017, stock and cash movement will take place real time but the use of RDVP is not mandatory. The clearing participants must agree to settle the transaction RDVP and indicate RDVP on the settlement instruction in a specific field. If either of the clearing participants are unable to settle the trades RDVP, there is a risk that the trades could either fail or revert to normal DVP based on amendment from both parties. If the trades are to revert to normal DVP, an amended instruction from the Stock Connect Fund must be provided before the published cut-off and matched with the broker's amended instruction before the market cut off; in the absence of such amended instructions, there is a risk the trades could fail and therefore may impact on the ability of the relevant Stock Connect Fund to track closely the performance of its Benchmark Index.

#### **Operational Risk**

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are permitted to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

The securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an on-going basis. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The relevant Stock Connect Fund's ability to access the China A-Share market (and hence to pursue its investment strategy) may be adversely affected.

#### **Regulatory Risk**

The Stock Connect is a novel concept. Because the Stock Connect rules are relatively recent, their interpretation and enforcement may involve significant uncertainty. In addition, the current regulations are subject to change which may have potential retrospective effects and there can be no assurance that the Stock Connect will not be abolished. New regulations may be issued from time to time by the regulators / stock exchanges in the PRC and Hong Kong in connection with operations, legal enforcement and cross-border trades under the Stock Connect. Stock Connect Funds may be adversely affected as a result of such changes.



### **Recalling of Eligible Stocks**

When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the relevant Stock Connect Funds, for example, if the Investment Adviser wishes to purchase a stock which is recalled from the scope of eligible stocks.

Specific risks associated with China Interbank Bond Market

**Please refer to the section entitled “China Interbank Bond Market” in the “Investment Objectives and Policies” section for an overview of the China Interbank Bond Market.**

In addition to risks regarding “Investments in the PRC”, the following additional risks apply:

### **Volatility and Liquidity Risk**

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The relevant Fund investing in such market is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the relevant Fund may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments. The debt securities traded in the CIBM may be difficult or impossible to sell, and this would affect the relevant CIBM Fund's ability to acquire or dispose of such securities at their intrinsic value.

### **Settlement Risk**

To the extent that the relevant Fund transacts in the CIBM, the relevant Fund may also be exposed to risks associated with settlement procedures and default of counterparties. The counterparty which has entered a transaction with the relevant Fund may default in its obligation to settle the transaction by delivery of the relevant security or by payment for value.

### **Risk of Default of Agents**

For investments via Bond Connect, the relevant filings, registration with PBOC and account opening have to be carried out via an onshore settlement agent, offshore custody agent, registration agent or other third parties (as the case may be). As such, the relevant Fund is subject to the risks of default or errors on the part of such third parties.

### **Regulatory Risks**

Investing in the CIBM via Bond Connect is also subject to regulatory risks. The CIBM is also subject to regulatory risks. The relevant rules and regulations on investment in the CIBM are subject to change which may have potential retrospective effect. In the event that the relevant Chinese authorities suspend account opening or trading on the CIBM, the relevant Fund's ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, the relevant Fund may suffer substantial losses as a result.

### **System Failure Risks for Bond Connect**

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fails to function properly, trading through Bond Connect may be disrupted. The relevant CIBM

Fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where the relevant CIBM Fund invests in the China Interbank Bond Market through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems

### **No Protection by Investor Compensation Fund**

Investment in SSE and SZSE shares via the Stock Connects is conducted through brokers, and is subject to the risks of default by such brokers' in their obligations. Investments of Stock Connect Funds are not covered by the Hong Kong's Investor Compensation Fund, which has been established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Since default matters in respect of SSE and SZSE shares via Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. Therefore the Stock Connect Funds are exposed to the risks of default of the broker(s) it engages in its trading in China A-Shares through the Stock Connects.

### **Taxation Risks**

There is currently no specific formal guidance by the PRC tax authorities on the treatment of income tax and other tax categories payable in respect of trading in China Interbank Bond Market by eligible foreign Institutional Investors via Bond Connect. Any changes in PRC tax law, future clarifications thereof, and/or subsequent retroactive enforcement by the PRC tax authorities of any tax may result in a material loss to the relevant Funds.

The Management Company will keep the provisioning policy for tax liability under review, and may, in its discretion from time to time, make a provision for potential tax liabilities, if in their opinion such provision is warranted, or as further clarified by the PRC authorities in notifications.

For further details on PRC taxes and associated risks, please refer to the “Taxation” section.

### **Excessive Trading Policy**

The Funds do not knowingly allow investments that are associated with excessive trading practices, as such practices may adversely affect the interests of all Shareholders. Excessive trading includes individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by excessively frequent or large trades.

Investors should, however, be aware that the Funds may be utilised by certain investors for asset allocation purposes or by structured product providers, which may require the periodic re-allocation of assets between Funds. This activity will not normally be classed as excessive trading unless the activity becomes, in the opinion of the Directors, too frequent or appears to follow a timing pattern.

As well as the general power of Directors to refuse subscriptions or conversions at their discretion, powers exist in other Sections of this Prospectus to ensure that Shareholder interests are protected against excessive trading. These include:

- ▶ fair value pricing – Appendix B paragraph 15.;

- ▶ price swinging – Appendix B paragraph 16.3;
- ▶ in specie redemptions – Appendix B paragraphs 22.-23.; and
- ▶ conversion charges – Appendix B paragraphs 18.-20..

In addition, where excessive trading is suspected, the Funds may:

- ▶ combine Shares that are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in excessive trading practices. Accordingly, the Directors reserve the right to reject any application for switching and/or subscription of Shares from investors whom they consider to be excessive traders;
- ▶ adjust the Net Asset Value per Share to reflect more accurately the fair value of the Funds' investments at the point of valuation. This will only take place if the Directors believe that movements in the market price of underlying securities mean that in their opinion, the interests of all Shareholders will be met by a fair price valuation; and
- ▶ levy a redemption charge of up to a maximum of 2% on the redemption proceeds to Shareholders whom the Directors, in their reasonable opinion, suspect of excessive trading. This charge will be made for the benefit of the Funds and affected Shareholders will be notified in their contract notes if such a fee has been charged.

## Benchmark Indices

The constituents of a Fund's Benchmark Index may change over time. Potential investors in a Fund may obtain a breakdown of the constituents held by the Fund from the website of the index provider (as referred to in the relevant benchmark index description) or from the Management Company, subject to any applicable restrictions under the licence which the Management Company has in place with the relevant benchmark index providers.

There is no assurance that a Fund's Benchmark Index will continue to be calculated and published on the basis described in this Prospectus or that it will not be amended significantly. The past performance of each Benchmark Index is not a guide to future performance.

The capitalisation of the companies (for equity funds) or minimum amount of qualifying bonds / fixed income securities (for fixed income funds) to which a Fund is exposed or invested is defined by the provider of the Fund's Benchmark Index. The constituents of a Fund's Benchmark Index may change over time.

The Directors may, if they consider it in the interests of the Company or any Fund, substitute another index for the Benchmark Index in certain circumstances including but not limited to:

- ▶ the weightings of constituent securities of the Benchmark Index would cause the Fund (if it were to follow the Benchmark Index closely) to be in breach of the 2010 Law and/or the rules relating to reporting status in the United Kingdom (see the heading Taxation – United Kingdom);
- ▶ the particular Benchmark Index or index series ceases to exist;

- ▶ a new index becomes available which supersedes the existing Benchmark Index;
- ▶ a new index becomes available which is regarded as the market standard for investors in the particular market and/or would be regarded as of greater benefit to the Shareholders than the existing Benchmark Index;
- ▶ it becomes difficult to invest in stocks comprised within the particular Benchmark Index;
- ▶ the Benchmark Index provider increases its charges to a level which the Directors consider too high;
- ▶ the quality (including accuracy and availability of data) of a particular Benchmark Index has, in the opinion of the Directors, deteriorated; or
- ▶ where an index becomes available which more accurately represents the likely tax treatment of the investing Fund in relation to the component securities in that index.

The Directors may change the name of a Fund, particularly if the Benchmark Index is changed or the name of the Benchmark Index changes.

Any change of a Benchmark Index and/or to the name of a Fund, as set out above, will be in accordance with the requirements of the CSSF and will be noted in the annual and semi-annual reports of the Company issued after any such change takes place.

Shareholders will be notified in advance, where possible, of any such changes.

## Risk Management

The Management Company employs a risk management process in respect of the Funds which enables it to monitor and manage the global exposure from financial derivative instruments ("**global exposure**") which each Fund gains.

The Management Company uses a methodology known as the "Commitment Approach" in order to measure the global exposure of the Funds and manage the potential loss to them due to market risk.

The Commitment Approach is a methodology that aggregates the underlying market or notional values of derivative instruments to determine the degree of global exposure of a Fund to derivative instruments.

Pursuant to the 2010 Law, the global exposure for a Fund must not exceed 100% of that Fund's Net Asset Value.

Derivatives will be used in accordance with the 2010 Law and the requirements of the CSSF (as further detailed in Appendix A).

## Investment Objectives and Policies

### Investment Objectives and Policies – General

Investors must read the Risk Considerations and Specific Risk Considerations Sections in this Prospectus before investing in any of the Funds. There can be no assurance that the objectives of each Fund will be achieved.

Each Fund is managed separately and in accordance with the investment and borrowing restrictions specified in Appendix A.

The Funds are index funds, which are funds whose investment objectives aim to match the performance of an index which represents a particular market or sector, for example the MSCI World Index, which represents large and mid-cap companies across developed markets worldwide.

The Funds invest directly in the equities or bonds / fixed income securities of the relevant Benchmark Index rather than gain exposure to the Benchmark Index exclusively through derivatives.

To achieve their investment objectives, the Funds may use certain investment techniques such as a replicating or an optimising technique. Using a replicating technique, the Fund will aim to replicate the composition of the Benchmark Index by investing in a portfolio of securities that as far as possible and practicable consist of the component securities of the Benchmark Index in similar proportions as their weightings in the Benchmark Index. Using an optimising technique, the Fund will strategically select a representative sample of the securities in the Benchmark Index to construct the portfolio. Whether the Fund uses a replicating or an optimising technique depends on a broad range of factors. Replicating the Benchmark Index may not always be possible, practicable or cost efficient (particularly in fixed income funds). The number of constituents in the Benchmark Index, liquidity of the constituents and size of the Fund's portfolio will directly affect a Fund's ability to replicate the Benchmark Index. For example, an index with a limited number of liquid government bonds should be more straight forward to replicate than an index with a large number of illiquid corporate bonds as the portfolio will only need to gain exposure to a limited number of liquid securities. Also, the Fund needs to be of sufficient size to invest in each of the constituents of its Benchmark Index in the correct proportions in order to replicate it. This may not always be possible for newly established Funds / Funds with limited assets under management.

A Fund may invest in highly rated / investment grade bonds / fixed income securities, however, where a bond / fixed income security is subsequently downgraded it may continue to be held in order to avoid a distressed sale.

To assist in achieving their investment objectives the Funds may hold ADRs / GDRs and securities that are not contained in the Benchmark Index (e.g., securities with matching risk profiles to those in the Benchmark Index).

At the discretion of the Investment Adviser, the Funds will enter into securities lending, repurchase and/or reverse repurchase agreements as set out in Appendix A.

### United Nations Convention on Cluster Munitions

The UN Convention on Cluster Munitions became binding international law on 1 August 2010 and prohibits the use, production, acquisition or transfer of cluster munitions. The Investment Advisers on behalf of the Company accordingly

arrange for the screening of companies globally for their corporate involvement in anti-personnel mines, cluster munitions and depleted uranium ammunition and armour. Where such corporate involvement has been verified, the Directors' policy is not to permit investment in securities issued by such companies by the Company and its Funds.

The Directors may create new Funds or issue further Share Classes. This Prospectus will be supplemented to refer to these new Funds or Classes.

### Environmental Social and Governance Integration

Environmental, Social and Governance (ESG) investing, is often conflated or used interchangeably with the term "sustainable investing." BlackRock has identified sustainable investing as being the overall framework and ESG as a data toolkit for identifying and informing our solutions. BlackRock has defined ESG Integration as the practice of incorporating material ESG information and sustainability risks into investment decisions in order to enhance risk-adjusted returns. BlackRock recognises the relevance of material ESG information across all asset classes and styles of portfolio management. The Investment Advisers may incorporate sustainability considerations in its investment processes across all investment platforms. ESG information and sustainability risks are included as a consideration in index selection, portfolio review and investment stewardship processes.

The Funds are managed with a focus on minimizing the performance tracking difference versus an underlying index. Our index platform offers Funds with sustainability objectives, which have either the objective to avoid certain issuers or gain exposure to issuers with better ESG ratings, an ESG theme, or to generate positive environmental or social impact (Sustainable Suite). BlackRock considers the suitability characteristics and risk assessments of the index provider and BlackRock may adapt its investment approach appropriately in line with the Fund's investment objective and policy. BlackRock also manages Funds that do not have these explicit sustainability objectives. Across all index Funds, ESG integration includes:

- ▶ Engagement with index providers on matters of index design and broader industry participation on ESG considerations
- ▶ Transparency and reporting, including methodology criteria and reporting on sustainability-related information
- ▶ Investment stewardship activities that are undertaken across all investment strategies invested in corporate equity issuers to advocate for sound corporate governance and business practices in relation to the material ESG factors that are likely to impact long-term financial performance.

Unless otherwise stated in Fund documentation and included within a Fund's investment objective and investment policy, ESG integration does not change a Fund's investment objective or constrain the Investment Advisers' investable universe, and there is no indication that an ESG or impact focused investment strategy or any exclusionary screens will be adopted by a Fund. Impact investments are investments made with the intention to generate positive, measurable social and /or environmental impact alongside a financial return. Similarly, ESG integration does not determine the extent to which a Fund may be impacted by sustainability risks. Please refer to Sustainability Risk in the risk factors section of this prospectus. For funds managed in reference

to indices which explicitly include sustainability objectives, the Risk and Quantitative Analysis group (RQA) conducts regular reviews with portfolio managers to ensure that both benchmark performance tracking and adherence to the sustainability objectives embedded in the benchmark's methodology are appropriately pursued.

BlackRock discloses portfolio-level ESG and sustainability related data that is publicly available on product pages for retail funds where permitted by law/regulation so current and prospective investors and investment advisors can view sustainability-related information for a Fund.

The investments underlying the Funds do not take into account the EU criteria for environmentally sustainable economic activities.

### Investment Stewardship

BlackRock undertakes investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of the Funds' assets for relevant asset classes. In our experience, sustainable financial performance and value creation are enhanced by sound governance practices, including risk management oversight, board accountability, and compliance with regulations. We focus on board composition, effectiveness and accountability as a top priority. In our experience, high standards of corporate governance are the foundations of board leadership and oversight. We engage to better understand how boards assess their effectiveness and performance, as well as their position on director responsibilities and commitments, turnover and succession planning, crisis management and diversity.

BlackRock takes a long-term perspective in its investment stewardship work informed by two key characteristics of our business: the majority of our investors are saving for long-term goals, so we presume they are long-term Shareholders; and BlackRock offers strategies with varying investment horizons, which means BlackRock has long-term relationships with its investee companies.

For further detail regarding BlackRock's approach to sustainable investing and investment stewardship please refer to the website at [www.blackrock.com/corporate/sustainability](http://www.blackrock.com/corporate/sustainability) and <https://www.blackrock.com/corporate/about-us/investment-stewardship#our-responsibility>

BlackRock currently intends to comply with transparency requirements relating to adverse sustainability impacts on the Fund within the timeframe set out in the SFDR Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector.

### Consideration of Principal Adverse Impacts ("PAIs")

The Investment Adviser has access to a range of data sources, including PAI data, when making decisions on selection of investments. However, whilst BlackRock considers ESG risks for all portfolios and these risks may coincide with environmental or social themes associated with the PAIs, the Funds do not commit to considering PAIs in driving the selection of their investments.

### Taxonomy Regulation

The investments underlying these Funds do not take into account the EU criteria for environmentally sustainable economic activities.

### QFII/RQFII/QFII Investments

Under current PRC law, subject to minor exceptions, investors based in certain jurisdictions outside the PRC may apply to the CSRC for status as a QFII/RQFII/QFII. Once an entity is licensed as a RQFII/QFII, it may register with the SAFE, and invest directly in eligible PRC securities. BAMNA has been licensed as a RQFII/QFII and the RQFII/QFII Access Funds may obtain access to eligible securities within the PRC directly and invest directly in RQFII/QFII eligible securities investment via the RQFII/QFII status of BAMNA. There may be additional BlackRock entities licensed as RQFII/QFII's from time to time which may also enable the RQFII/QFII Access Funds to invest directly in RQFII/QFII eligible securities investment.

In respect of the RQFII/QFII Access Funds which are authorised by the SFC, the Management Company will obtain an opinion from PRC legal counsel ("**PRC Legal Opinion**") before the RQFII/QFII Access Funds invest through the RQFII/QFII regime. The Management Company will ensure that the PRC Legal Opinion will, in respect of each of the RQFII/QFII Access Funds, contain the following as a matter of PRC laws:

- ▶ securities account(s) opened with the relevant depositories and maintained by the RQFII/QFII Custodian and the Renminbi special deposit account(s) with the RQFII/QFII Custodian (respectively, the "**RQFII/QFII securities account(s)**") and the "**Renminbi cash account(s)**") have been opened in the joint names of the RQFII/QFII and the relevant RQFII/QFII Access Fund for the sole benefit and use of the RQFII/QFII Access Fund in accordance all applicable laws and regulations of the PRC and with approval from all competent authorities in the PRC;
- ▶ the assets held/credited in the RQFII/QFII securities account(s) of the relevant RQFII/QFII Access Fund (i) belong solely to the RQFII/QFII Access Fund, and (ii) are segregated and independent from the proprietary assets of the RQFII/QFII (as the RQFII/QFII Licence Holder), the Depository or the RQFII/QFII Custodian and any PRC Broker(s), and from the assets of other clients of the RQFII/QFII (as RQFII/QFII Licence Holder), the Depository, the RQFII/QFII Custodian and any PRC Broker(s);
- ▶ the assets held/credited in the Renminbi cash account(s) (i) become an unsecured debt owing from the RQFII/QFII Custodian to the relevant RQFII/QFII Access Fund, and (ii) are segregated and independent from the proprietary assets of the RQFII/QFII (as RQFII/QFII Licence Holder) and any PRC Broker(s), and from the assets of other clients of the RQFII/QFII (as RQFII/QFII Licence Holder) and any PRC Broker(s);
- ▶ the Company, for and on behalf of the relevant RQFII/QFII Access Fund, is the only entity which has a valid claim of ownership over the assets in the RQFII/QFII securities account(s) and the debt in the amount deposited in the Renminbi cash account(s) of the RQFII/QFII Access Fund;
- ▶ if the RQFII/QFII or any PRC Broker(s) is liquidated, the assets contained in the RQFII/QFII securities account(s) and Renminbi cash account(s) of the relevant RQFII/QFII Access Fund will not form part of the liquidation assets of the RQFII/QFII or such PRC Broker(s) in liquidation in the PRC; and



- ▶ if the RQFII/QFII Custodian is liquidated, (i) the assets contained in the RQFII/QFII securities account(s) of the relevant RQFII/QFII Access Fund will not form part of the liquidation assets of the RQFII/QFII Custodian in liquidation in the PRC, and (ii) the assets contained in the Renminbi cash account(s) of the relevant RQFII/QFII Access Fund will form part of the liquidation assets of the RQFII/QFII Custodian in liquidation in the PRC and the RQFII/QFII Access Fund will become an unsecured creditor for the amount deposited in the Renminbi cash account(s).

**Starting from 1 November 2020 when the New QFII Measures took effect, each QFII/RQFII/QFII License holder is able to select whether to use foreign convertible currencies or RMB to make investment under the QFII/RQFII/QFII regime.**

#### **RQFII/QFII/QFII Custodian**

The below section only applies where the Depositary has appointed an RQFII/QFII Custodian.

If, the Depositary has appointed the RQFII/QFII Custodian to act as its sub-custodian for the purpose of safekeeping the investments of its customers in certain agreed markets, including the PRC (the “**Global Custody Network**”) through a sub-custody agreement.

According to the current RQFII/QFII regulations, a RQFII/QFII is allowed to appoint multiple RQFII/QFII Custodians.

Notwithstanding that the Depositary has, pursuant to its obligations as a UCITS custodian, established the Global Custody Network for the purpose of safe-keeping the assets of its clients, including the Company, held in the PRC (as described above), RQFII/QFII rules separately require that every RQFII/QFII must appoint local RQFII/QFII custodian(s) for the purposes of safe-keeping the investments and holding the cash in connection with the RQFII/QFII regime and for the purpose of coordinating relevant foreign exchange requirements. Therefore, in order to satisfy the requirements of the RQFII/QFII rules, the relevant RQFII/QFII will enter into a separate agreement (the “**RQFII/QFII Custodian Agreement**”) with the RQFII/QFII Custodian appointing it to act as the local custodian of the relevant RQFII/QFII Access Fund’s assets acquired through the RQFII/QFII regime.

In accordance with the UCITS requirements, the Depositary has additionally confirmed that it shall provide for the safekeeping of the Fund’s assets in PRC through its Global Custody Network, and that such safekeeping is in accordance with the conditions set down by the CSSF which provides that there must be legal separation of non-cash assets held under custody and that the Custodian through its delegates must maintain appropriate internal control systems to ensure that records clearly identify the nature and amount of assets under custody, the ownership of each asset and where documents of title to each asset are located.

#### **Stock Connects**

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEX, SSE and ChinaClear and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEX, SZSE and ChinaClear. The aim of Stock Connect is to achieve mutual stock market access between the PRC and Hong Kong.

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link under Shanghai-Hong Kong Stock Connect. Under the Northbound Shanghai Trading Link, Hong Kong and overseas investors (including the Stock Connect Funds), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible China A-Shares listed on the SSE by routing orders to SSE. Under the Southbound Hong Kong Trading Link under Shanghai-Hong Kong Stock Connect, investors in the PRC will be able to trade certain stocks listed on the SEHK.

Under the Shanghai-Hong Kong Stock Connect, the Stock Connect Funds, through their Hong Kong brokers may trade certain eligible shares listed on the SSE. These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices, but which have corresponding H-Shares listed on SEHK, except the following:

- ▶ SSE-listed shares which are not traded in RMB; and
- ▶ SSBE-Listed shares which are included in the “risk alert board”.

It is expected that the list of eligible securities will be subject to review.

The trading is subject to rules and regulations issued from time to time.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect. Under the Northbound Shenzhen Trading Link, Hong Kong and overseas investors (including the Stock Connect Funds, if applicable), through their Hong Kong brokers and a securities trading service company established by SEHK, may be able to trade eligible China A-Shares listed on the SZSE by routing orders to SZSE. Under the Southbound Hong Kong Trading Link under Shenzhen-Hong Kong Stock Connect investors in the PRC will be able to trade certain stocks listed on the SEHK.

Under the Shenzhen-Hong Kong Stock Connect, the Stock Connect Funds through their Hong Kong brokers may trade certain eligible shares listed on the SZSE. These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed shares of companies which have issued both China A-Shares and H Shares. At the initial stage of the Northbound Shenzhen Trading Link, investors eligible to trade shares that are listed on the ChiNext Board of SZSE under the Northbound Shenzhen Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong rules and regulations.

It is expected that the list of eligible securities will be subject to review.

The trading is subject to rules and regulations issued from time to time.

HKSCC, a wholly-owned subsidiary of HKEX, and ChinaClear will be responsible for the clearing, settlement and the provision of



depository, nominee and other related services of the trades executed by their respective market participants and investors. The China A-Shares traded through Stock Connect are issued in scripless form, and investors will not hold any physical China A-Shares.

Although HKSCC does not claim proprietary interests in the SSE and SZSE securities held in its omnibus stock accounts in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the Shareholders when it handles corporate actions in respect of such SSE and SZSE securities.

In accordance with the UCITS requirements, the Depository shall provide for the safekeeping of the Fund's assets in the PRC through its Global Custody Network. Such safekeeping is in accordance with the conditions set down by the CSSF which provides that there must be legal separation of non-cash assets held under custody and that the Depository through its delegates must maintain appropriate internal control systems to ensure that records clearly identify the nature and amount of assets under custody, the ownership of each asset and where documents of title to each asset are located.

Under the Stock Connects, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE securities and SZSE securities. Further information about the trading fees and levies is available online at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm)

#### **China Interbank Bond Market**

The CIBM Funds can invest in the China Interbank Bond Market via the Foreign Access Regime and/or the Bond Connect.

#### *Investment in China Interbank Bond Market via Foreign Access Regime*

Pursuant to the "Announcement (2016) No 3" issued by the PBOC on 24 February 2016, foreign institutional investors can invest in China Interbank Bond Market ("**Foreign Access Regime**") subject to other rules and regulations as promulgated by the Mainland Chinese authorities.

Under the prevailing regulations in Mainland China, foreign institutional investors who wish to invest directly in China Interbank Bond Market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

#### *Investment in China Interbank Bond Market via Northbound Trading Link under Bond Connect*

Bond Connect is an initiative launched in July 2017 for mutual bond market access between Hong Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre ("**CFETS**"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and HKEX and Central Money markets Unit.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of

Bond Connect ("**Northbound Trading Link**"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

The Northbound Trading Link refers to the trading platform that is located outside of Mainland China and is connected to CFETS for eligible foreign investor to submit their trade requests for bonds circulated in the China Interbank Bond Market through Bond Connect. HKEX and CFETS will work together with offshore electronic bond trading platforms to provide electronic trading services and platforms to allow direct trading between eligible foreign investors and approved onshore dealer(s) in Mainland China through CFETS.

Eligible foreign investors may submit trade requests for bonds circulated in the China Interbank Bond Market through the Northbound Trading Link provided by offshore electronic bond trading platforms (such as Tradeweb and Bloomberg), which will in turn transmit their requests for quotation to CFETS. CFETS will send the requests for quotation to a number of approved onshore dealer(s) (including market makers and others engaged in the market making business) in Mainland China. The approved onshore dealer(s) will respond to the requests for quotation via CFETS and CFETS will send their responses to those eligible foreign investors through the same offshore electronic bond trading platforms. Once the eligible foreign investor accepts the quotation, the trade is concluded on CFETS.

On the other hand, the settlement and custody of bond securities traded in the China Interbank Bond Market under Bond Connect will be done through the settlement and custody link between the Central Money-markets Unit, as an offshore custody agent, and the China Central Depository & Clearing Co., Ltd and Shanghai Clearing House, as onshore custodian and clearing institutions in Mainland China. Under the settlement link, China Central Depository & Clearing Co., Ltd or Shanghai Clearing House will effect gross settlement of confirmed trades onshore and the Central Money markets Unit will process bond settlement instructions from Central Money markets Unit members on behalf of eligible foreign investors in accordance with its relevant rules.

Since the introduction in August 2018 of Delivery Versus Payment (DVP) settlement in respect of Bond Connect, the movement of cash and securities is carried out simultaneously on a real time basis. Pursuant to the prevailing regulations in Mainland China, the Central Money markets Unit, being the offshore custody agent recognised by the Hong Kong Monetary Authority open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (i.e., the China Securities Depository & Clearing Co., Ltd and Shanghai Clearing House). All bonds traded by eligible foreign investors will be registered in the name of Central Money markets Unit, which will hold such bonds as a nominee owner.

## Investment Objectives and Policies of the Funds

**Important Note: please note that the liquidity of the China Interbank Bond Market is particularly unpredictable. Investors should read the “Liquidity Risk” and “Specific risks associated with China Interbank Bond Market” sections of the “Risk Considerations” section of this Prospectus prior to investing in the CIBM Funds**

### The Equity Funds

#### **iShares World Equity Index Fund (LU)**

The investment objective of the Fund is to match the performance of the MSCI World Index, the Fund’s Benchmark Index.

The Fund will invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the Benchmark Index, in similar proportions to their weightings in the Benchmark Index.

The Fund aims to replicate the composition of the Benchmark Index; however, it may not always be possible or practicable to hold every security in their exact weighting as in the Benchmark Index.

The MSCI World Index is a free float-adjusted index which represents large and mid-capitalisation companies in developed countries globally. It currently comprises 23 developed markets which include constituents from Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US. The Benchmark Index rebalances on a quarterly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider’s website at <http://www.msci.com/products/indices/licensing/constituents.html>.

#### **iShares Europe Equity Index Fund (LU)**

The investment objective of the Fund is to match the performance of the MSCI Europe Index, the Fund’s Benchmark Index.

The Fund will invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the Benchmark Index, in similar proportions to their weightings in the Benchmark Index.

The Fund aims to replicate the composition of the Benchmark Index; however, it may not always be possible or practicable to hold every security in their exact weighting as in the Benchmark Index.

The MSCI Europe Index is a free float-adjusted index which represents large and mid-capitalisation companies across developed markets in Europe. It currently comprises 15 developed markets as follows: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. The Benchmark Index rebalances on quarterly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider’s website at <http://www.msci.com/products/indices/licensing/constituents.html>.

#### **iShares Japan Equity Index Fund (LU)**

The investment objective of the Fund is to match the performance of the MSCI Japan Index, the Fund’s Benchmark Index.

The Fund will invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the Benchmark Index, in similar proportions as their weightings in the Benchmark Index.

The Fund aims to replicate the composition of the Benchmark Index; however, it may not always be possible or practicable to hold every security in their exact weighting as in the Benchmark Index.

The MSCI Japan Index is a free float-adjusted index which represents large and mid-capitalisation companies in the Japan market. The Benchmark Index rebalances on quarterly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider’s website at <http://www.msci.com/products/indices/licensing/constituents.html>

#### **iShares Pacific ex Japan Equity Index Fund (LU)**

The investment objective of the Fund is to match the performance of the MSCI Pacific ex Japan Index, the Fund’s Benchmark Index.

The Fund will invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the Benchmark Index, in similar proportions to their weightings in the Benchmark Index.

The Fund aims to replicate the composition of the Benchmark Index; however, it may not always be possible or practicable to hold every security in their exact weighting as in the Benchmark Index.

The MSCI Pacific ex Japan Index is a free float-adjusted index which represents large and mid-capitalisation companies across developed markets in the Pacific region (excluding Japan). It currently comprises: Australia, Hong Kong, New Zealand and Singapore. The Benchmark Index rebalances on quarterly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider’s website at <http://www.msci.com/products/indices/licensing/constituents.html>.

#### **iShares North America Equity Index Fund (LU)**

The investment objective of the Fund is to match the performance of the MSCI North America Index, the Fund’s Benchmark Index.

The Fund will invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the Benchmark Index, in similar proportions to their weightings in the Benchmark Index.

The Fund aims to replicate the composition of the Benchmark Index; however, it may not always be possible or practicable to hold every security in their exact weighting as in the Benchmark Index.

The MSCI North America Index is a free float-adjusted index which represents large and mid-capitalisation companies in the US and Canada markets. The Benchmark Index rebalances on quarterly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider’s website at <http://www.msci.com/products/indices/licensing/constituents.html>.

### **iShares Emerging Markets Equity Index Fund (LU)**

The investment objective of the Fund is to match the performance of the MSCI Emerging Markets Index, the Fund's Benchmark Index.

The Fund will invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the Benchmark Index in similar proportions to their weightings in the Benchmark Index.

The Fund aims to replicate the composition of the Benchmark Index; however, it may not always be possible or practicable to hold every security in their exact weighting as in the Benchmark Index.

The Fund may hold ADRs and GDRs.

The MSCI Emerging Markets Index is a free float-adjusted index which represents large and mid-capitalisation companies across emerging markets globally. It currently comprises markets including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. The Benchmark Index rebalances on quarterly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider's website at <http://www.msci.com/products/indices/licensing/constituents.html>.

### **The Fixed Income Funds**

#### **iShares Emerging Markets Government Bond Index Fund (LU)**

The investment objective of the Fund is to match the performance of the J.P. Morgan EMBI Global Diversified Custom Defaults Index, the Fund's Benchmark Index.

The Fund will invest in a portfolio of bonds / fixed income securities that as far as possible and practicable consist of the component securities of the Benchmark Index. The Fund will strategically select a representative sample of the securities in the Benchmark Index to construct the portfolio. The fixed income securities include both investment grade (i.e., meet a specified level of creditworthiness) and sub-investment grade securities (i.e., have a relatively low credit rating credit or are unrated but deemed to be of comparable quality with sub-investment grade fixed income securities).

The J.P. Morgan EMBI Global Diversified Custom Defaults Index is based on the long-established flagship J.P. Morgan EMBI Global Diversified (EMBIGD) and follows its methodology closely, while offering a more accessible universe by limiting the eligibility of non-performing issuers. The Benchmark Index represents USD denominated bonds / fixed income securities issued by emerging market sovereign and quasi-sovereign entities. Quasi-sovereign entities must be 100% guaranteed or 100% owned by the government. The Benchmark Index is comprised of only those countries that meet J.P. Morgan's criteria for an emerging market and is diversified to limit the weights of larger countries. The Benchmark Index rebalances on monthly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider's website at <http://www.jpmorgan.com/pages/jpmorgan/investbk/solutions/research/indices/composition>.

### **iShares Global Government Bond Index Fund (LU)**

The investment objective of the Fund is to match the performance of the FTSE World Government Bond Index, the Fund's Benchmark Index.

The Fund will invest in a portfolio of bonds / fixed income securities that as far as possible and practicable consist of the component securities of the Benchmark Index. The Fund will strategically select a representative sample of the securities in the Benchmark Index to construct the portfolio.

The FTSE World Government Bond Index is an index representing government bond markets globally. At the date of this Prospectus, this includes the government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Israel, Italy, Japan, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. At the time of inclusion in the Benchmark Index, the securities will be rated at least investment grade by an internationally recognised rating agency. The Benchmark Index rebalances on monthly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider's website at <https://www.yieldbook.com/m/indices/reg/>.

The Fund is a CIBM Fund, and its total assets may gain direct exposure to onshore bonds distributed in Mainland China in the CIBM via the Foreign Access Regime and/or Bond Connect and/or other means as may be permitted by the relevant regulations from time to time.

#### **iShares Euro Aggregate Bond Index Fund (LU)**

The investment objective of the Fund is to match the performance of the Bloomberg Barclays Euro Aggregate Bond Index, the Fund's Benchmark Index.

The Fund will invest in a portfolio of bonds / fixed income securities that as far as possible and practicable consist of the component securities of the Benchmark Index. The Fund will strategically select a representative sample of the securities in the Benchmark Index to construct the portfolio.

The Bloomberg Barclays Euro Aggregate Bond Index is an index representing fixed-rate Euro denominated securities. Inclusion in the Benchmark Index is based on the currency of the issue, and not the domicile of the issuer. The principal sectors in the Benchmark Index are treasury, corporate, government-related and securitised. At the time of inclusion in the Benchmark Index, the securities will be rated at least investment grade by an internationally recognised rating agency. The Benchmark Index rebalances on a monthly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider's website at <http://index.barcap.com/index.dxml?pagelid=4377>.

#### **iShares Euro Government Bond Index Fund (LU)**

The investment objective of the Fund is to match the performance of the FTSE EMU Government Bond Index, the Fund's Benchmark Index.

The Fund will invest in a portfolio of bonds / fixed income securities that as far as possible and practicable consist of the component securities of the Benchmark Index. The Fund will strategically

select a representative sample of the securities in the Benchmark Index to construct the portfolio.

The FTSE EMU Government Bond Index is a market capitalisation weighted index representing the Euro denominated EMU government bond markets. At the time of inclusion in the Benchmark Index, the securities will be rated at least investment grade by an internationally recognised rating agency. The Benchmark Index rebalances on a monthly basis. Further details regarding the Benchmark Index (including its constituents) are available on the index provider's website at <https://www.yieldbook.com/m/indexes/reg/>.

#### Reference to Index Provider Website

In accordance with CSSF requirements, the Company and the Funds are required to provide details of the relevant Fund's Benchmark Index (including the index constituents). The Company has included details of the relevant index provider's website ("Website") to enable Shareholders to obtain these further details. The Company and the Funds have no responsibility for each Website and are not involved in any way in sponsoring, endorsing or otherwise involved in the establishment or maintenance of each Website or the contents thereof.

#### Regulation (EU) 2016/1011 of the European Parliament and of the Council (the "Benchmark Regulation")

In respect of those Funds that track a benchmark index, or are managed by reference to a benchmark index, or use a benchmark index to compute a performance fee, the Company works with the applicable benchmark administrators for the benchmark indices of such Funds to confirm that the benchmark administrators are, or intend to get themselves, included in the register maintained by ESMA under the Benchmark Regulation.

Benchmark administrators who benefit from the transitional arrangements afforded under the Benchmark Regulation may not appear yet on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. The transitional arrangements provided under the Benchmark Regulation have been extended until 31 December 2021 with respect to the use of benchmarks provided by third country administrators, and benchmarks which have been declared as critical by the European Commission.

The list of benchmark administrators that are included in the Benchmark Regulation Register is available on ESMA's website at [https://registers.esma.europa.eu/publication/searchRegister?core=esma\\_registers\\_bench\\_entities](https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_bench_entities).

As at the date of this Prospectus, the following benchmark administrators of the Benchmark Indices are included in the Benchmark Regulation Register:

- ▶ MSCI Limited
- ▶ FTSE International Limited

The MSCI indices referred to in the Prospectus are all administered by MSCI Limited.

- ▶ Bloomberg Index Services Limited
- ▶ J.P. Morgan Securities LLC

The Company will monitor the Benchmark Regulation Register and, if there are any changes, this information will be updated in the Prospectus at the next opportunity.

The Company has in place and maintains robust written plans setting out the actions that it would take in the event that a benchmark is materially changed or ceases to be provided and these are available on request and free of charge at the registered office of the Management Company.

Pursuant to these written plans, where the Management Company is notified by the benchmark administrator of a material change or cessation of a Benchmark Index, the Management Company will assess the impact of a material change to the Benchmark Index on the relevant Fund and, where it determines appropriate or in the event of the cessation of a Benchmark Index, consider substituting another index for the Benchmark Index. Prior Shareholder approval will be sought in advance where a change of the Benchmark Index constitutes a change to the investment objective and/or a material change to the investment policy of a Fund. Where the Management Company is unable to substitute another index for the Benchmark Index, the Directors may resolve to seek the winding up of the Fund to the extent reasonable and practicable.

#### Investment Thresholds for Stock Connect Funds

The Stock Connect Funds (set out under "Specific Risks Applicable to investing via the Stock Connects" above) may invest no more than 10% of the relevant Fund's total assets in the PRC via the Stock Connects.

#### China Interbank Bond Market

*Investment in China Interbank Bond Market via Northbound Trading Link under Bond Connect.*

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong-Kong and Mainland China established by China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and HKEX and Central Money markets Unit.

Under the prevailing regulations in Mainland China, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of Bond Connect ("Northbound Trading Link"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

The Northbound Trading Link refers to the trading platform that is located outside of Mainland China and is connected to CFETS for eligible foreign investor to submit their trade requests for bonds circulated in the China Interbank Bond Market through Bond Connect. HKEX and CFETS will work together with offshore electronic bond trading platforms to provide electronic trading services and platforms to allow direct trading between eligible foreign investors and approved onshore dealer(s) in Mainland China through CFETS.



Eligible foreign investors may submit trade requests for bonds circulated in the China Interbank Bond Market through the Northbound Trading Link provided by offshore electronic bond trading platforms (such as Tradeweb and Bloomberg), which will in turn transmit their requests for quotation to CFETS. CFETS will send the requests for quotation to a number of approved onshore dealer(s) (including market makers and others engaged in the market making business) in Mainland China. The approved onshore dealer(s) will respond to the requests for quotation via CFETS and CFETS will send their responses to those eligible foreign investors through the same offshore electronic bond trading platforms. Once the eligible foreign investor accepts the quotation, the trade is concluded on CFETS.

On the other hand, the settlement and custody of bond securities traded in the China Interbank Bond Market under Bond Connect will be done through the settlement and custody link between the Central Money-markets Unit, as an offshore custody agent, and the China Central Depository & Clearing Co., Ltd and Shanghai Clearing House, as onshore custodian and clearing institutions in Mainland China. Under the settlement link, China Central Depository & Clearing Co., Ltd or Shanghai Clearing House will effect gross settlement of confirmed trades onshore and the Central Money markets Unit will process bond settlement instructions from Central Money markets Unit members on behalf of eligible foreign investors in accordance with its relevant rules.

Pursuant to the prevailing regulations in Mainland China, the Central Money markets Unit, being the offshore custody agent recognised by the Hong Kong Monetary Authority open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (i.e., the China Securities Depository & Clearing Co., Ltd and Interbank Clearing Company Limited). All bonds traded by eligible foreign investors will be registered in the name of Central Money markets Unit, which will hold such bonds as a nominee owner.

### Anticipated Tracking Error of the Funds

Tracking error is the annualised standard deviation of the difference in monthly returns between a Fund and its Benchmark Index. Anticipated tracking error is based on the expected volatility of differences between the returns of the relevant Fund and the returns of its Benchmark Index. One of the primary drivers of tracking error is the difference between fund holdings and index constituents. Cash management and trading costs from rebalancing can also have an impact on tracking error as well as the return differential between the Fund and the Benchmark Index. The impact can be either positive or negative depending on the underlying circumstances.

In addition to the above, the Company and/or the relevant Fund may also have a tracking error due to withholding tax suffered by the Company and/or the Fund on any income received from its investments. The level and quantum of tracking error arising due to withholding taxes depends on various factors such as any claims filed by the Company and/or the Fund with the relevant tax authorities, any benefits obtained by the Company and/or the Fund under a tax treaty or any securities lending activities carried out by the Company and/or the Fund.

A Fund's tracking error may be affected if the times at which a Fund and its Benchmark Index are priced are different. Where the Benchmark Index is valued at the time the relevant markets close for business and a Fund is valued at an earlier time, the tracking

error of that Fund may appear to be higher than if the Fund and the Benchmark Index were priced at the same time. This is particularly relevant for the fixed income Funds, however, less so for the equity Funds for which the relevant index provider issues a price of the relevant Benchmark Index at the same time as the equity Fund's valuation point. In addition, as the Net Asset Value of a Fund taken at its valuation point includes the effect of swing pricing (see Appendix B paragraph 16.3), the tracking error figures set out below may be impacted in future depending on the significance of any adjustment in the Net Asset Value in order to reduce the effect of "dilution" on that Fund.

A Fund's tracking error may also be affected at times when the local stock exchanges or regulated markets in respect of a particular Fund are closed for trading and settlement due to public holidays. During such times, the relevant Funds will not be able to obtain access to such market(s) directly and will either hold the cash received from any subscriptions until the relevant market(s) are open or will obtain exposure to the relevant market(s) indirectly using proxy instruments. Both approaches may increase a Fund's tracking error. Alternatively, the tracking error of a Fund may be affected if there is a public holiday in Luxembourg, as the Net Asset Value of the Funds will remain the same, despite movements in the underlying markets.

Shareholders should note that the actual performance of a Fund will not necessarily be aligned with the anticipated tracking error for the Fund as detailed below. This is because anticipated tracking error is calculated on the basis of historical data and therefore will not necessarily capture factors which may positively or negatively impact a Fund's actual performance versus the Benchmark Index. Such factors might include, by way of example, an increase in income generated by way of stock lending or a new tax levied on securities held by a Fund. The anticipated tracking error of each Fund is not a guide to future performance.

### Equity Funds

The table below displays the anticipated tracking error, in normal market conditions, of each of the Funds listed therein.

Fund	Anticipated tracking error (Calculated using the performance of the Fund against the performance of the Benchmark Index at the Fund's valuation point)
iShares World Equity Index Fund (LU)	Up to 0.45%
iShares Europe Equity Index Fund (LU)	Up to 0.45%
iShares Japan Equity Index Fund (LU)	Up to 1.50%
iShares Pacific ex Japan Equity Index Fund (LU)	Up to 0.45%
iShares North America Equity Index Fund (LU)	Up to 0.45%
iShares Emerging Markets Equity Index Fund (LU)	Up to 1.00%

### Fixed Income Funds

Taking into account the paragraph above relating to the impact on tracking error in a Fund where the times at which a Fund and its Benchmark Index are priced are different and in order to provide an accurate reflection of the way in which the fixed income Funds are managed, the table below displays the anticipated tracking error figures of the fixed income Funds, in normal market

conditions, using two different performance data points. The first column in the table displays the anticipated tracking error of each Fund based on the Funds' performance at their valuation point (whereby a formal Net Asset Value is calculated, and a dealing price produced) against the closing performance of the Benchmark Index. Due to the discrepancy in timing between the valuation point for these Funds and the Benchmark Index's closing price (as described above), there may be movements in the Benchmark Index which are being tracked by the relevant Fund which have not been captured within the anticipated tracking error figure.

Accordingly, in order to provide a truer reflection of the way in which these Funds are managed, the figures shown in the second column are based on the close of business informal valuation of each Fund as against the closing performance of the Benchmark Index.

<b>Fund</b>	<b>Anticipated tracking error</b> <i>(Calculated using the performance of the Fund at its Valuation Point against the performance of the Benchmark Index)</i>	<b>Anticipated tracking error</b> <i>(Calculated using the performance of the Fund at close as against the closing performance of the Benchmark Index) *</i>
iShares Euro Government Bond Index Fund (LU)	Up to 0.250%	0.075%
iShares Euro Aggregate Bond Index Fund (LU)	Up to 0.600%	0.200%
iShares Emerging Markets Government Bond Index Fund (LU)	Up to 1.200%	0.400%
iShares Global Government Bond Index Fund (LU)	Up to 0.450%	0.150%

\* Please note that investors cannot subscribe for Shares, or redeem their Shares, in the Funds at the valuation used at the close of the Benchmark Index. Shares in the Funds will be valued and priced in accordance with Appendix B (Net Asset Value and Price Determination) of this prospectus.

## Classes and Form of Shares

Shares offered in any Fund shall be divided into different Classes as follows: Class A, Class N, Class D, Class F, Class I and Class X representing six different charging structures. All Classes of Shares shall be issued in registered form and no temporary documents of title or share certificates will be issued.

Shares are further divided into Distributing and Non-Distributing Share Classes. For example, Class A (Distributing), Class A (Non-Distributing), Class D (Distributing) and Class D (Non-Distributing). Non-Distributing Shares do not pay dividends, whereas Distributing Shares pay dividends. See Section "Dividends" for further information.

Non-Distributing Shares of any Class are also referred to using the number 2 e.g., Class A2.

Distributing Shares of any Class are also referred to using the number 7 e.g., Class A7.

1. Class A Shares are offered for subscription to all investors.
2. Class N Shares shall be issued at the discretion of the Management Company.

3. Class D Shares shall be issued at the discretion of the Management Company (taking into account local regulations), Class D Shares are intended for providers of independent advisory services or discretionary investment management, or other distributors who: (i) provide investment services and activities as defined by the MiFID II; and (ii) have separate fee arrangements with their clients in relation to those services and activities provided; and (iii) do not receive any other fee, rebate or payment from the relevant Fund in relation to those services and activities.
4. Class F Shares are offered for subscription to investors only through distributors and other intermediaries whom, for example, have separate fee arrangements with their clients. They are only available at the Management Company's discretion.
5. Class I Shares are reserved for subscription to investors who satisfy the eligibility and suitability requirements of Institutional Investors. They are only available at the Management Company's discretion.
6. Class X Shares are reserved for subscription to investors who satisfy the eligibility and suitability requirements of Institutional Investors. They are only available at the discretion of the Investment Advisers and their affiliates.

## Hedged Share Classes

The hedging strategies applied to Hedged Share Classes will vary on a Fund-by-Fund basis. Funds will apply a hedging strategy which aims to mitigate currency risk between the Net Asset Value of the Fund and the currency of the Hedged Share Class, while taking account of practical considerations including transaction costs. Any over-hedged position arising in a Hedged Share Class is not permitted to exceed 105% of the net asset value of that Share Class and any under-hedged position is not permitted to fall short of 95% of the net asset value of that Share Class.

## General

Investors purchasing any Share Class through a distributor will be subject to the distributor's normal account opening requirements. Title to registered shares is evidenced by entries in the Company's Share register. Shareholders will receive confirmation notes of their transactions. Registered share certificates are not issued.

## Dealing in Fund Shares

### Daily Dealing

Dealing in Shares can normally be effected daily on any day that is a Dealing Day for the relevant Fund. Except where provided otherwise below, orders for subscription, redemption and conversion of Shares should be received by the Transfer Agent before 12 noon Luxembourg time on the relevant Dealing Day (the "Cut-Off Point"). Except where provided otherwise below, such orders shall be processed on that day and the prices applied will be those calculated in the afternoon of that day. Any dealing orders received by the Transfer Agent or the local Investor Servicing teams after the Cut-Off Point will be dealt with on the next Dealing Day. At the discretion of the Company, dealing orders transmitted by a paying agent, a correspondent bank or other entity aggregating deals on behalf of its underlying clients before the Cut-Off Point but only received by the Transfer Agent or the local Investor Servicing teams after the Cut-Off Point may be treated as if they had been received before the Cut-Off Point. At the discretion of the Company, prices applied to orders backed by uncleared

funds may be those calculated in the afternoon of the day following receipt of cleared funds. Further details and exceptions are described under the Sections “Application for Shares”, “Redemption of Shares” and “Conversion of Shares” below. Once given, applications to subscribe and instructions to redeem or convert are irrevocable except in the case of suspension or deferral (see paragraphs 28. to 31. of Appendix B) and cancellation requests received before 12 noon Luxembourg time.

Orders placed through distributors rather than directly with the Transfer Agent or the local Investor Servicing teams may be subject to different procedures which may delay receipt by the Transfer Agent or the local Investor Servicing teams. Investors should consult their distributor before placing orders in any Fund.

Where Shareholders subscribe for or redeem Shares having a specific value, the number of Shares dealt in as a result of dividing the specific value by the applicable Net Asset Value per Share is rounded to two decimal places<sup>1</sup>. Such rounding may result in a benefit to the Fund or the Shareholder.

### **Non-Dealing Days**

Some Business Days will not be Dealing Days for certain Funds where, for example, a substantial amount of such Fund’s portfolio is traded in market(s) which are closed. In addition, the day immediately preceding such a relevant market closure may be a non-Dealing Day for such Funds, in particular where the Cut-Off Point occurs at a time when the relevant markets are already closed to trading, so that the Funds will be unable to take appropriate actions in the underlying market(s) to reflect investments in or divestments out of Fund Shares made on that day. A list of the Business Days which will be treated as non-Dealing Days for certain Funds from time to time can be obtained from the Management Company upon request and is also available in the Library section at <http://www.blackrockinternational.com/intermediaries/en-zz/library/index>. This list is subject to change.

### **General**

Confirmation notes and other documents sent by post will be at the risk of the investor.

### **Prices of Shares**

All prices are determined after the deadline for receipt of dealing orders 12 noon Luxembourg time on the Dealing Day concerned. Prices are quoted in the Dealing Currency(ies) of the relevant Fund. In the case of those Funds for which two or more Dealing Currencies are available, if an investor does not specify his choice of Dealing Currency at the time of dealing then the Base Currency of the relevant Fund will be used.

The previous Dealing Day’s prices for Shares may be obtained during business hours from the local Investor Servicing teams and are also available from the BlackRock website. They will also be published in such countries as required under applicable law and at the discretion of the Directors in a number of newspapers or electronic platforms worldwide. The Company cannot accept any responsibility for error or delay in the publication or non-publication of prices. Historic dealing prices for all Shares are available from the Fund Accountant or the local Investor Servicing teams.

### **Class A, Class N, Class D, Class F, Class I, and Class X Shares**

Class A, Class N, Class D, Class F, Class I, and Class X Shares may normally be acquired or redeemed at their Net Asset Value. Prices may include or have added to them, as appropriate: (i) an initial charge and (ii) in limited circumstances, adjustments to reflect fiscal charges and dealing costs (see paragraph 16.3 of Appendix B).

### **Application for Shares**

#### **Applications**

Initial applications for Shares must be made to the Transfer Agent or the local Investor Servicing teams on the Application Form. Certain distributors may allow underlying investors to submit applications through them for onward transmission to the Transfer Agent or the local Investor Servicing teams. All initial applications for Shares must be made by completing the Application Form and returning it to the Transfer Agent by fax or the local Investor Servicing teams via email, followed by original via post. Failure to provide the original Application Form along with all requested AML documentation will delay the completion of the transaction and consequently the ability to effect subsequent dealings in the Shares concerned. Subsequent applications for Shares may be made electronically through a ‘straight through process’ (STP), written or by fax (followed by original via post) and the Management Company may, in its sole discretion, accept individual dealing orders submitted via other forms of electronic communication.

Investors who do not specify a Share Class in the application will be deemed to have requested Class A Non-Distributing Shares. All application forms and other dealing orders must contain all required information, including (but not limited to) Share Class specific information such as the International Securities Identification Number (ISIN) of the Share Class the investor wishes to deal in. Where the ISIN quoted by the investor is different from any other Share Class specific information provided by the investor with respect to such order, the quoted ISIN shall be decisive, and the Management Company and the Transfer Agent may process the order accordingly taking into account the quoted ISIN only.

Applications for registered shares should be made for Shares having a specified value and fractions of Shares will be issued where appropriate.

The Directors reserve the right to reject any application for Shares or to accept any application in part only. In addition, issues of Shares of any or all Funds may be deferred until the next Dealing Day or suspended, where the aggregate value of orders for all Share Classes of that Fund exceeds a particular value (currently fixed by the Directors at 5% by approximate value of the Fund concerned) and the Directors consider that to give effect to such orders on the relevant Dealing Day would adversely affect the interests of existing Shareholders. This may result in some Shareholders having subscription orders deferred on a particular Dealing Day, whilst others do not. Applications for Shares so deferred will be dealt with in priority to later requests.

In order to protect the interests of all Shareholders in the relevant Fund, where the aggregate value of any application(s) for Shares by a single investor (or associate investors) exceeds 10% of the Net Asset Value of the Fund concerned, the investor(s) must submit a subscription form (for a subsequent investment into a Fund or an initial application for Shares) to the Transfer Agent or

<sup>1</sup> The Articles permit the Directors to change the rounding to “up to four decimal places” and Shareholders will be notified of any such change

the local Investor Servicing teams by the Cut-Off Point at least one Business Day in advance of the required Dealing Day. For the avoidance of doubt, the price of Shares concerned may be calculated on the day of the required Dealing Day and not on the day notice is served. Upon receipt and acceptance of the application/subscription form(s) by the Transfer Agent or the local Investor Servicing teams, such application(s) shall be irrevocable, and the applicant shall indemnify the relevant Fund and the Management Company for any losses, costs or expenses suffered as a result of it failing to make settlement in accordance with the requirements under "Settlement" and "Default in Settlement" below.

Investors acknowledge and authorise that their personal data and any other information (including information relating to their investments in the Company) supplied to or received by, the Company, the Management Company, the BlackRock Group and/or the Transfer Agent may be stored, processed, transferred and/or disclosed by any of these entities to: (i) any other member(s) of the BlackRock Group and any of their respective agents, delegates and/or service providers and/or any other member(s) of the JP Morgan Group (in each case including where any of the aforementioned entities is located outside Luxembourg or in countries outside the European Economic Area having lower standards of protection for personal data and/or statutory confidentiality) and/or (ii) to any of the Transfer Agent's agents, delegates and/or service providers within the European Economic Area, in each case, by using electronic communications, gateways and/or computing systems operated by any of such entities and solely for the purposes of enabling the Company, the Management Company and/or the Transfer Agent (as appropriate), to: (a) provide administration, transfer agency, paying agency or any ancillary or related services requested by the Company and/or for which investors have applied or may apply in the future, and (b) to comply with any applicable laws, regulations, regulatory requirements, internal risk-management or compliance policies or any orders issued by a court, regulatory or governmental authority in any jurisdiction where the investor's data may be stored or processed. Accordingly, the investor's information will be held in confidence and not shared without the investor's permission other than as described above.

Investors further acknowledge that this authorisation is also granted in the context of the Luxembourg statutory confidentiality and personal data protection obligations of the Transfer Agent and, by subscribing Shares in the Company, waive such confidentiality and personal data protection in respect of the holding, processing and transfer of their data by the Transfer Agent and only to the extent necessary pursuant to paragraphs (a) and (b) above. Should the investor wish to amend or revoke its authorisation in this respect it shall notify the Transfer Agent of its intention in writing.

Investors may at any time request information about the companies within the BlackRock Group and/or the JP Morgan Group and the countries in which they operate as well as a copy of the information held in relation to them and request any errors to be corrected.

### **Settlement**

For all Shares, settlement in cleared funds net of bank charges must be made within three Business Days of the relevant Dealing Day unless otherwise specified in the contract note in cases where the standard settlement date is a public holiday for the currency of

settlement. If timely settlement is not made (or a completed application form is not received for an initial subscription) the relevant allotment of Shares may be cancelled and an applicant may be required to compensate the relevant distributor and/or the Company (see paragraph 25. of Appendix B).

Payment instructions are summarised at the back of this Prospectus. Payments made by cash or cheque will not be accepted.

Settlement should normally be made in the Dealing Currency for the relevant Fund or, if there are two or more Dealing Currencies for the relevant Fund, in the one specified by the investor. An investor may, by prior arrangement with the Transfer Agent or the local Investor Servicing teams, provide the Transfer Agent with any major freely convertible currency and the Transfer Agent will arrange the necessary currency exchange transaction. Any such currency exchange will be effected at the investor's risk and cost.

The Management Company may, at its discretion, accept subscriptions in specie, or partly in cash and in specie, subject always to the minimum initial subscription amounts and the additional subscription amounts and provided further that the value of such subscription in specie (after deduction of any relevant charges and expenses) equals the subscription price of the Shares. Such securities will be valued on the relevant Dealing Day and, in accordance with Luxembourg law, may be subject to a special report of the Auditor. Further details of redemptions in specie are set out in paragraphs 22. and 23. of Appendix B.

### **Minimum Subscription**

The minimum initial subscription amounts are as follows (or the approximate equivalents in the relevant Dealing Currency):

Class A Shares: USD5,000, Class D Shares: USD100,000, Class F Shares: USD500,000, Class I Shares, Class X Shares: USD10 million and Class N Shares: USD50 million.

The minimum for additions to existing holdings of Class A Shares, Class D Shares, Class F Shares, Class I Shares and Class X Shares is USD1,000 or the approximate equivalent.

The minimum for additions to existing holdings of Class N Shares is USD5 million or the approximate equivalent.

These minima (initial subscriptions and additions) may be varied for any particular case or distributor or generally. Details of the current minima are available from the local Investor Servicing teams.

### **Compliance with Applicable Laws and Regulations**

Investors who wish to subscribe for Shares must provide the Transfer Agent and/or the Management Company and/or Depository with all necessary information which they may reasonably require to verify the identity of the investor in accordance with applicable Luxembourg regulations on the prevention of the use of the financial sector for money laundering purposes and in particular in accordance with CSSF circular 13/556 as amended, restated or supplemented from time to time and in order to comply with screening requirements issued by any regulatory, governmental or other official authorities in respect of applicable international financial sanctions. Failure to do so may result in the Management Company rejecting a subscription order.



Furthermore, as a result of any other applicable laws and regulations, including but not limited to, other relevant anti-money laundering legislation, requirements in respect of applicable international financial sanctions, tax laws and regulatory requirements, investors may be required, in certain circumstances, to provide additional documentation to confirm their identity or provide other relevant information pursuant to such laws and regulations, as may be required from time to time, even if an existing investor. Any information provided by investors will be used only for the purposes of compliance with these requirements and all documentation will be duly returned to the relevant investor. Until the Transfer Agent and/or the Management Company and/or the Depositary receives the requested documentation or additional information, subsequent redemption requests may be rejected or there may be a delay in processing these and the Management Company reserves the right in all cases to withhold redemption proceeds until such a time as the required documentation or additional information is received.

The Transfer Agent shall at all times comply with any obligations imposed by any applicable laws, rules and regulations with respect to money laundering prevention and, in particular, with the law of 12 November 2004 on the fight against money laundering and terrorist financing and CSSF Circular 13/556 of 16 January 2013, as amended, restated or supplemented from time to time. The Transfer Agent shall furthermore adopt procedures designed to ensure, to the extent applicable, that it and its agents shall comply with the foregoing undertaking. Moreover, the Transfer Agent is legally responsible for identifying the origin of monies transferred, provided that such duties may be delegated, always subject to the responsibility and control of the Transfer Agent, to investment professionals and financial sector institutions required to enforce an identification procedure equal to that required under Luxembourg law. The Transfer Agent as well as the Depositary acting on behalf of the Company may require at any time additional documentation relating to the admission of an investor as a Shareholder.

## Redemption of Shares

### Applications to Redeem

Instructions for the redemption of registered Shares should normally be given electronically through an approved 'straight through process' (STP) provider or in writing the Transfer Agent. Otherwise by fax (followed by original via post) to the Transfer Agent and the Management Company may, at its sole discretion, accept individual dealing orders submitted via other forms of electronic communication. Instructions given by fax must be followed in each case by an email or a phone call to the local Investor Services teams on the same day before cut off, making sure fax Instruction has been received by the Transfer Agent. Certain distributors may allow underlying investors to submit instructions for redemptions through them for onward transmission to the Transfer Agent. They may also be given to the Transfer Agent in original or by fax followed by confirmation via phone or email to the local Investor Servicing teams unless a coverall renunciation and fax indemnity including instructions to pay the redemption proceeds to a specified bank account has been agreed. Failure to provide written confirmations may delay settlement of the transaction (see also paragraph 25. of Appendix B). Written redemption requests (or written confirmations of such requests) must include the full name(s) and address of the holders, the name of the Fund, the Class (including whether it is the Distributing or Non-Distributing Share Class), the value or number of Shares to be redeemed and full settlement instructions and must

be signed by all holders. If a redemption order is made for a cash amount or for a number of Shares to a higher value than that of the applicant's account, then this order will be automatically treated as an order to redeem all of the Shares on the applicant's account.

In order to protect the interests of all Shareholders in the relevant Fund, where the aggregate value of an instruction for the redemption of Shares by a single investor (or associate investors) exceeds 10% of the Net Asset Value of the Fund concerned, the investor(s) must submit an instruction for the redemption of Shares to the Transfer Agent or the local Investor Servicing teams by the Cut-Off Point at least one Business Day in advance of the required Dealing Day. For the avoidance of doubt, the price of Shares concerned may be calculated on the day of the required Dealing Day and not on the day notice is served. Upon receipt and acceptance of the instruction(s) for the redemption of Shares by the Transfer Agent or the local Investor Servicing teams, such instruction(s) shall be irrevocable. In the event that it is necessary to defer the redemption request, in accordance with paragraphs 28. to 31. of Appendix B, notice of this fact shall be given to the Shareholder concerned upon receipt of the instruction for redemption, in advance of the Valuation Point on that Business Day.

Redemptions may be suspended or deferred as described in paragraphs 28. to 31. of Appendix B.

### Settlement

Subject to paragraph 21. of Appendix B, redemption payments will normally be despatched in the relevant Dealing Currency on the third Business Day after the relevant Dealing Day, provided that the relevant documents (as described above and any applicable money laundering prevention or international financial sanctions information) have been received. On written request to the Transfer Agent or the local Investor Servicing teams, payment may be made in such other currency as may be freely purchased by the Transfer Agent with the relevant Dealing Currency and such currency exchange will be effected at the Shareholder's cost.

Redemption payments for Shares are made by telegraphic transfer to the Shareholder's bank account at the Shareholder's cost. Investors with bank accounts in the European Union must provide the IBAN (International Bank Account Number) and BIC (Bank Identifier Code) of their account.

The Management Company may, subject to the prior consent of a Shareholder and to the minimum dealing and holding amounts, effect a payment of redemption proceeds in specie. Such redemption in specie will be valued on the relevant Dealing Day and, in accordance with Luxembourg law, may be subject to a special report of the Auditor. Further details of redemptions in specie are set out in paragraphs 22. and 23. of Appendix B.

## Conversion of Shares

### Switching Between Funds and Share Classes

Shareholders may request conversions of their shareholdings between the same Share Classes of the various Funds and thereby alter the balance of their portfolios to reflect changing market conditions.

Shareholders may also request conversion from one Share Class in a Fund to another Share Class of either the same Fund or a different Fund or between Distributing and Non-Distributing Shares

of the same Class or between Hedged Share Classes and un-hedged Shares of the same Class (where available).

In addition, Shareholders may convert between any Class of UK Reporting Fund status Shares in one currency and the equivalent class of Distributing Shares in non-UK Reporting Fund status shares of the same currency. Investors should note that a conversion between a Share Class which has UK Reporting Fund status and a Share Class which does not have UK Reporting Fund status may cause the Shareholder to be subject to an “offshore income gain” on the eventual disposal of their interest in the Fund. If this is the case, any capital gain realised by investors on disposal of their investment (including any capital gain accruing in relation to the period where they held the UK Reporting Fund Share Class) may be subject to tax as income at their appropriate income tax rate. Investors should seek their own professional tax advice in this regard.

Shareholders should note that a conversion between Shares held in different Funds may give rise to an immediate taxable event.

As tax laws differ widely from country to country, investors should consult their tax advisers as to the tax implications of such a conversion in their individual circumstances.

Shareholders may request conversions of the whole or part of their shareholding provided that the Shareholder satisfies the conditions applicable to investment in the Share Class being converted into (see “Classes and Form of Shares” above). Such conditions include but are not limited to:

- ▶ satisfying any minimum investment requirement;
- ▶ demonstrating that they qualify as an eligible investor for the purposes of investing in a particular Share Class;
- ▶ the suitability of the charging structure of the Share Class being converted into; and
- ▶ satisfying any conversion charges that may apply,

provided that the Management Company may, at its discretion, elect to waive any of these requirements where it deems such action reasonable and appropriate under the circumstances.

For holders of all Share Classes, there is normally no conversion charge by the Management Company. However, conversion charges may apply in some circumstances – see paragraphs 18. to 20. of Appendix B.

Conversion and investment into and out of certain Share Classes is at the discretion of the Management Company. At the Management Company’s discretion and provided always that the investor is an Institutional Investor, conversion from any Share Class into Class I and Class X Shares is permitted.

The Management Company may, at its discretion, refuse conversions in order to ensure that the Shares are not held by or on behalf of any person who does not meet the conditions applicable to investment in that Share Class, or who would then hold the Shares in circumstances which could give rise to a breach of law, or requirements of any country, government or regulatory authority on the part of that person or the Company or give rise to adverse tax or other pecuniary consequences for the Company,

including a requirement to register under any securities or investment or similar laws or requirements of any country or authority.

### **Instructions to Convert**

Instructions for the conversion of registered shares should normally be given by instructing the Transfer Agent or the local Investor Servicing teams in writing or by fax (in a format acceptable to the Company) electronically through an approved ‘straight through process’ (STP) provider. If this option is unavailable then this can be completed by fax (followed by original via post) to the Transfer Agent and the Management Company may, at its sole discretion, accept individual conversion orders submitted via other forms of electronic communication. Instructions given by fax must be followed in each case by an email or a phone call to the local Investor Services teams on the same day before cut off, making sure fax instruction has been received by the Transfer Agent. Failure to provide adequate original confirmation may delay the conversion. Certain distributors may allow underlying investors to submit instructions for conversions through them for onward transmission to the Transfer Agent or the local Investor Servicing teams. Instructions may also be given by fax or in writing in original to the Transfer Agent or the local Investor Servicing teams. Written conversion requests (or written original confirmations of such requests) must include the full name(s) and address of the holder(s), the name of the Fund, the Class (including whether it is the Distributing or Non-Distributing Share class), the value or number of Shares to be converted and the Fund to be converted into (and the choice of Dealing Currency of the Fund where more than one is available) and whether or not they are UK Reporting Fund status Shares.

In order to protect the interests of all Shareholders in the relevant Fund, where the aggregate value of an instruction for the conversion of registered Shares by a single investor (or associate investors) exceeds 10% of the Net Asset Value of the Fund concerned, the investor(s) must submit the instruction(s) to the Transfer Agent or the local Investor Servicing teams by the Cut-Off Point at least one Business Day in advance of the required Dealing Day on which conversion is desired. For the avoidance of doubt, the price of Shares concerned may be calculated on the day of the required Dealing Day and not on the day notice is served. Upon receipt and acceptance of the instruction for the conversion of registered shares by the Transfer Agent or the local Investor Servicing teams, such instruction shall be irrevocable. Where the Funds to which a conversion relates have different Dealing Currencies, currency will be converted at the relevant rate of exchange on the Dealing Day on which the conversion is effected.

Conversions may be suspended or deferred as described in paragraphs 28. to 31. of Appendix B and an order for conversion into a Fund constituting over 10% of such Fund’s value may not be accepted, as described in paragraph 30. of Appendix B.

### **Transfer of Shares**

Shareholders holding Shares of any Class through a distributor or other intermediary may request that their existing holdings be transferred to another distributor or intermediary which has an agreement with the Principal Distributor.

### **Minimum Dealing and Holding Sizes**

The Company may refuse to comply with redemption, conversion or transfer instructions if they are given in respect of part of a holding in the relevant Share Class which has a value of less than

USD1,000 or the approximate equivalent in the relevant Dealing Currency or if to do so would result in such a holding of less than USD5,000 (except for Class I and Class X Shares where there is no on-going minimum holding size once the initial subscription amount has been made). These minima may be varied for any particular case or distributor or generally. Details of any variations to the current minima shown above are available from the local Investor Servicing teams.

If as a result of a withdrawal, switch or transfer a small balance of Shares, meaning an amount of USD5 (or its currency equivalent) or less, is held by a Shareholder, the Management Company shall have absolute discretion to realise this small balance and donate the proceeds to a UK registered charity selected by the Management Company.

## Dividends

### Dividend Policy

Distributions will not be made to the Shareholders of the Non-Distributing Share Classes. The investment income and other profits will be accumulated and reinvested on behalf of these Shareholders.

For the Distributing Share Classes, the policy is to distribute substantially all the investment income for the period after deduction of expenses.

The Directors may also determine if and to what extent dividends may include distributions from both net realised and net unrealised capital gains. Where Distributing Share Classes pay dividends that include net realised capital gains or net unrealised capital gains, dividends may include initially subscribed capital. Shareholders should note that dividends distributed in this manner may be taxable as income, depending on the local tax legislation, and should seek their own professional tax advice in this regard.

### Distributing Share Classes

The Directors intend to declare dividends on the Distributing Share Classes out of the net revenue of the relevant Fund (i.e., all interest, dividends and other income less the Fund's accrued expenses) for that financial year.

Dividends will normally be declared with a view to being paid semi-annually. The dividend payment frequency for each Fund is as follows:

Fund	Distributing Share Classes	Frequency
iShares World Equity Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares Europe Equity Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares Japan Equity Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares Pacific ex Japan Equity Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares North America Equity Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)

Fund	Distributing Share Classes	Frequency
iShares Emerging Markets Equity Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares Euro Government Bond Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares Euro Aggregate Bond Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares Emerging Markets Government Bond Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)
iShares Global Government Bond Index Fund (LU)	Class A, Class D, Class F, Class N, Class I, Class X	Semi-Annually (March and September)

Where a Fund has UK Reporting Fund status and reported income exceeds distributions made then the surplus shall be treated as a deemed dividend and will be taxed as income, subject to the tax status of the investor.

For those Funds which offer UK Reporting Fund status Share Classes, the frequency at which the dividend payment is generally made is determined by the Fund type as described in the Section "Classes and Form of Shares".

Distributing Shares with alternative payment frequencies may be introduced at the Directors' discretion. Confirmation of additional distribution frequencies and the date of their availability can be obtained from the Company's registered office and the local Investor Servicing teams.

The Company may operate income equalisation arrangements with a view to ensuring that the level of net income accrued within a Fund and attributable to each Share is not affected by the issue, conversion or redemption of those Shares during an accounting period.

Where an investor buys Shares during an accounting period, the price at which those Shares were bought may be deemed to include an amount of net income accrued since the date of the last distribution. The result is that, in relation to these Shares, the first distribution which an investor receives following purchase may include a repayment of capital. Non-Distributing Shares do not distribute income and so should not be impacted in the same way.

Where an investor sells Shares during an accounting period the redemption price may be deemed to include an amount of net income accrued since the date of the last distribution. Non-Distributing Shares do not distribute income and so should not be impacted in the same way.

The list of Funds' operating income equalisation arrangements and the income element included will be made available upon request from the Company's registered office.

A list of Dealing Currencies, Hedged Share Classes, Distributing and Non-Distributing Share Classes and UK Reporting Fund status Classes is available from the Company's registered office and the local Investor Servicing teams.

## Fees, Charges and Expenses

### **Please see Appendix E for a summary of fees and charges.**

Further information on fees, charges and expenses is given in Appendix C, and the following information must be read in conjunction with Appendix C.

#### **Management Fees**

The Company will pay the Management Fee at an annual rate as shown in Appendix E. The level of management fee varies according to which Fund and Share Class the investor buys. These fees accrue daily, are based on the Net Asset Value of the relevant Fund (reflecting, when applicable, any adjustment to the Net Asset Value of the relevant Fund, as described in paragraph 16.3 of Appendix B) and are paid monthly. Certain costs and fees are paid out of the management fee, including the fees of the Investment Advisers.

#### **Securities Lending Fees**

The securities lending agent, BlackRock Advisors (UK) Limited, receives remuneration in relation to its activities. Such remuneration amounts to 37.5% of the gross revenue from the securities lending activities, with all direct and indirect costs borne out of BlackRock's share, and will pay any third party operational and administrative costs associated with, and incurred in respect of, such activity, out of its fee. All revenue generated from securities lending activities net of the securities lending agent's fee will be returned to the Company. The relevant Funds receive 62.5% of the gross revenue from the securities lending activities. The securities lending agent is a related party to the Management Company.

The fee of the securities lending agent represents direct costs (and if relevant indirect operational costs/fees) of the Company's securities lending activities. To the extent that the securities lending costs payable to third parties exceed the fee received by the securities lending agent, the securities lending agent will discharge any excess amounts out of its own assets. Full financial details of the amounts earned, and expenses incurred with respect to securities lending for the Funds, including fees paid or payable, will also be included in the annual and semi-annual financial statements. The securities lending arrangements and associated costs will be reviewed at least annually.

#### **Annual Service Charge**

The Company pays an Annual Service Charge to the Management Company.

The level of Annual Service Charge may vary at the Directors' discretion, as agreed with the Management Company, and will apply at different rates across the various Funds and Share Classes issued by the Company. However, it has been agreed between the Directors and the Management Company that the Annual Service Charge currently paid shall not exceed 0.15% per annum. It is accrued daily, based on the Net Asset Value of the relevant Share Class (reflecting, when applicable, any adjustment to the Net Asset Value of the relevant Fund, as described in paragraph 16.3 of Appendix B) and paid monthly.

The Directors and the Management Company set the level of the Annual Service Charge at a rate which aims to ensure that the total expense ratio of each Fund remains competitive when compared across a broad market of similar investment products available to Shareholders in the Funds, taking into account a number of criteria

such as the market sector of each Fund and the Fund's performance relative to its peer group.

The Annual Service Charge is used by the Management Company to meet all fixed and variable operating and administrative costs and expenses incurred by the Company, with the exception of the Depository fees, securities lending fees, any fees arising from borrowings (including for the avoidance of doubt fees to professional advisers and any commitment fee that may be due to the lender), any costs relating to EU and non-EU withholding tax reclaims (plus any taxes or interest thereon) and any taxes at an investment or Company level. Any costs relating to EU and non-EU withholding tax reclaims will be allocated between the relevant Funds on a fair and equitable basis.

These operating and administrative expenses include all third party expenses and other recoverable costs incurred by or on behalf of the Company from time to time, including but not limited to, fund accounting fees, transfer agency fees (including sub-transfer agency and associated platform dealing charges), all professional costs, such as consultancy, legal, tax advisory and audit fees, Directors' fees (for those Directors who are not employees of the BlackRock Group), travel expenses, reasonable out-of-pocket expenses, printing, publication, translation and all other costs relating to Shareholder reporting, regulatory filing and licence fees, correspondent and other banking charges, software support and maintenance, operational costs and expenses attributed to the Investor Servicing teams and other global administration services provided by various BlackRock Group companies.

The Management Company bears the risk of ensuring that the Fund's total expense ratio remains competitive. Accordingly, the Management Company is entitled to retain any amount of the Annual Service Charge paid to it which is in excess of the actual expenses incurred by the Company during any period whereas any costs and expenses incurred by the Company in any period which exceed the amount of Annual Service Charge that is paid to the Management Company, shall be borne by the Management Company or another BlackRock Group company.

#### **Other Fees**

The Company also pays the fees of the Depository. This fee is normally allocated between the relevant Funds (plus any taxes thereon) on a fair and equitable basis at the Directors' discretion.

#### **Initial Charge**

On application for Shares an initial charge, payable to the Principal Distributor, of up to 5% may be added to the price of Class A Shares, Class N Shares, Class D Shares and Class F Shares.

#### **Conversion Charges**

Conversion charges may be applied by selected distributors. See paragraphs 18. to 20. of Appendix B for further details.

#### **Redemption Charges**

A redemption charge up to a maximum of 2% of the redemption proceeds can be charged to a Shareholder at the discretion of the Directors where the Directors, in their reasonable opinion, suspect that Shareholder of excessive trading as described in the Section "Excessive Trading Policy". This charge will be made for the benefit of the Funds, and Shareholders will be notified in their contract notes if such a fee has been charged.



## General

Over time, the different charging structures summarised above may result in different Share Classes of the same Fund, which were bought at the same time, producing different investment returns. In this context investors may also wish to consider the services provided by their distributor in relation to their Shares.

The Management Company may pay fees and charges to the Principal Distributor, which in turn may pay fees to other distributors as described in Appendix C where permitted by applicable local laws.

## Taxation

The following summary is based on current law and practice, which is subject to change.

**Shareholders should inform themselves of, and when appropriate consult their professional advisers on, the possible tax consequences of subscribing for, buying, holding, redeeming, converting or selling shares or the effects of any equalisation policy relevant in respect of shares, under the laws of their country of citizenship, residence or domicile. Investors should note that the levels and bases of, and relief from, taxation can change.**

## Luxembourg

Under present Luxembourg law and practice, the Company is not liable to any Luxembourg income or capital gains tax, nor are dividends paid by the Company subject to any Luxembourg withholding tax.

Under Luxembourg tax law in force at the time of this Prospectus, Shareholders are not subject to any capital gains, income, withholding, estate, inheritance or other taxes in Luxembourg (except for those domiciled, resident or having a permanent establishment in Luxembourg). Non-resident Shareholders are not subject to tax in Luxembourg on any capital gain realized from January 1, 2011, upon disposal of Shares held in the Company.

### *Luxembourg Taxe d'abonnement*

#### **The Funds are exempt from *taxe d'abonnement*.**

The sole objective of each Fund is to match / replicate the performance its Benchmark Index and all Share Classes of the Company are listed on the Euro MTF. Therefore, in accordance with the 2010 Law, which provides an exemption from *taxe d'abonnement* to funds and classes structured in this manner, it is expected that the Share Classes should be exempt from this annual subscription tax (which otherwise would be applied at 0.05% of the Fund's Net Asset Value for Class A, Class N, Class D and Class F Shares and at 0.01% of the Fund's Net Asset Value for Class I and Class X Shares).

## United Kingdom

The Company is not resident in the UK for tax purposes and it is the intention of the Directors to continue to conduct the affairs of the Company so that it does not become resident in the UK. Accordingly, it should not be subject to UK taxation (except in respect of income for which every investor is inherently subject to UK tax). Any gain realised by a UK resident Shareholder on disposal of Shares in the Company that have not obtained UK Reporting Fund status would be expected to be an 'offshore income gain' subject to tax as income. UK residents are likely to be

subject to income tax on any dividends declared in respect of such shares in the Company, even if they elect for such dividends to be reinvested.

Dividends from offshore funds received by investors subject to UK income tax will be taxed as dividends in the hands of the investor provided that the fund does not at any time during the distribution period hold more than 60% of its assets in interest-bearing (or economically similar) form. From 6 April 2016, there is no longer a notional 10% tax credit on dividend distributions. Instead, a £5,000 tax free dividend allowance has been introduced for UK individuals. Dividends received in excess of this threshold will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

If the fund holds more than 60% of its assets in interest-bearing (or economically similar) form, any distribution received by UK investors who are subject to income tax will be treated as a payment of yearly interest. The tax rates applying will be those applying to interest (section 378A ITTOIA 2005).

The attention of individuals resident in the UK is drawn to sections 714 to 751 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad and may render them liable to taxation in respect of undistributed income and profits of the Company.

The provisions of section 13 TCGA 1992 may apply to a holding in the Company. Where at least 50% of the Shares are held by five or fewer participators, then any UK person who (together with connected parties) holds more than 25% of the Shares may be taxed upon his proportion of the chargeable gain realised by the Fund as calculated for UK tax purposes.

On the death of a UK resident and domiciled individual shareholder, the shareholder's estate (excluding the UK Reporting Fund status Share Classes) may be liable to pay income tax on any accrued gain. Inheritance tax may be due on the value of the holding after deduction of income tax and subject to any available inheritance tax exemptions.

A UK corporate shareholder may be subject to UK taxation in relation to its holdings in the Fund. It may be required to apply fair value accounting basis in respect of its shareholding in accordance with provisions of Chapter 3 Part 6 Corporation Tax Act 2009 and any increases or decreases in value of the Shares may be taken into account as receipts or deductions for corporation tax purposes.

Corporate Shareholders resident in the UK for taxation purposes should note that the "controlled foreign companies" legislation contained in Part 9A of TIOPA 2010 could apply to any UK resident company which is, either alone or together with persons connected or associated with it for taxation purposes, deemed to be interested in 25 per cent or more of any chargeable profits of a non-UK resident company, where that non-UK resident company is controlled by residents of the UK and meets certain other criteria (broadly that it is resident in a low tax jurisdiction). "Control" is defined in Chapter 18, Part 9A of TIOPA 2010. A non-UK resident company is controlled by persons (whether companies, individuals or others) who are resident in the UK for taxation purposes or is controlled by two persons taken together, one of whom is resident in the UK for tax purposes and has at least 40 per cent of the

interests, rights and powers by which those persons control the non-UK resident company, and the other of whom has at least 40 per cent and not more than 55 per cent of such interests, rights and powers. The effect of these provisions could be to render such Shareholders liable to UK corporation tax in respect of the income of the Fund.

It is the intention of the Company that assets held by the Funds will generally be held for investment purposes and not for the purposes of trading. Even if Her Majesty's Revenue & Customs ("HMRC") successfully argued that a Fund is trading for UK tax purposes, it is expected that the conditions of the Investment Management Exemption ("IME") should be met, although no guarantee is given in this respect. Assuming that the requirements of the IME are satisfied, the Fund should not be subject to UK tax in respect of the profits / gains earned on its investments (except in respect of income for which every investor is inherently subject to UK tax). This is on the basis that the investments held by the Funds meet the definition of a "specified transaction" as defined in The Investment Manager (Specified Transactions) Regulations 2009. It is expected that the assets held by the Company should meet the definition of a "specified transaction", although no guarantee is given in this respect.

If the Company failed to satisfy the conditions of the IME or if any investments held are not considered to be a "specified transaction", this may lead to tax leakage within the Funds.

In addition to the above, if HMRC successfully argue that a Fund is trading for UK tax purposes, the returns earned by the Fund from its interest in the underlying assets may need to be included in the Fund's calculation of "income" for the purposes of computing the relevant amount to report to investors in order to meet the requirements for UK Reporting Fund status. However, it is considered that the investments held by the Funds should meet the definition of an "investment transaction" as defined by The Offshore Funds (Tax) Regulations 2009 ("the regulations") which came into force on 1 December 2009. Therefore, it is considered that these investments should be considered as "non-trading transactions" as outlined in the regulations. This assumption is on the basis that the Company meets both the "equivalence condition" and the "genuine diversity of ownership" condition as outlined in the regulations. On the basis that the Company is a UCITS fund, the first condition should be met. Shares in each of the Funds shall be widely available. The intended categories of investors for the Funds are retail and Institutional Investors. Shares in the Funds shall be marketed and made available sufficiently widely to reach the intended categories of investors, and in a manner appropriate to attract those categories of investors. On this basis, the second condition should also be met.

### UK Reporting Funds

In November 2009, the UK Government enacted Statutory Instrument 2009 / 3001 (The Offshore Funds (Tax) Regulations 2009) which provides for a framework for the taxation of investments in offshore funds, and which operates by reference to whether a fund opts into a reporting regime ("UK Reporting Funds") or not ("Non-UK Reporting Funds"). Under the regime, investors in UK Reporting Funds are subject to tax on the share of the UK Reporting Fund's income attributable to their holding in the Fund, whether or not distributed, but any gains on disposal of their holding are subject to capital gains tax.

A list of the Funds which currently have UK Reporting Fund status is available at <https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds>.

Provided such certification is obtained, shareholders who are UK taxpayers (i.e., resident in the UK for tax purposes) will (unless regarded as trading in securities) have any gain realised upon disposal or conversion of the Company's Share treated as a capital gain which will be subject to UK capital gains tax. Otherwise, any such gain would be treated as income subject to income tax. In the case of individuals domiciled for UK tax purposes outside the UK, the tax implications in relation to any gain on disposal will depend on whether or not the individual is subject to the remittance basis of taxation. Please note that the changes made in Finance Bill 2008 relating to the UK taxation of non-domiciled, UK resident individuals are complex therefore investors subject to the remittance basis of taxation should seek their own professional advice.

In accordance with Regulation 90 of the Offshore Funds (Tax) Regulations 2009, shareholder reports are made available within six months of the end of the reporting period at [www.blackrock.co.uk/reportingfundstatus](http://www.blackrock.co.uk/reportingfundstatus). The intention of the Offshore Fund Reporting regulations is that reportable income data shall principally be made available on a website accessible to UK investors. Alternatively, the shareholders may if they so require, request a hard copy of the reporting fund data for any given year. Such requests must be made in writing to the following address:

Head of Product Tax, BlackRock Investment Management (UK) Limited, 12 Throgmorton Avenue, London EC2N 2DL.

Each such request must be received within three months of the end of the reporting period. Unless the Management Company is notified to the contrary in the manner described above, it is understood that investors do not require their report to be made available other than by accessing the appropriate website.

### Hong Kong

Hong Kong profits tax is charged on the Hong Kong sourced profits of an offshore fund that carries on a trade, business or profession in Hong Kong. The Fund believes that, as an offshore fund, it will be entitled to exemptions from this tax with respect to profits derived from (i) "specified transactions" (as defined in Revenue Ordinance 2006 (the "Ordinance")) arranged by BAMNA, a "specified person" (as defined in the Ordinance), and (ii) transactions "incidental" to carrying out specified transactions. However certain other types of transactions in which the Fund may engage may be subject to this tax, and if the Fund's "incidental" transactions exceed 5% of the total transactions effected, the incidental transactions will be subject to the profits tax.

### People's Republic of China ("PRC")

According to prevailing tax regulation, a 10% withholding income tax is imposed on PRC sourced dividends and interests from non-government bonds paid to a non-PRC tax resident enterprise unless the rate is reduced under an applicable tax treaty.

On 14 November 2014, the Ministry of Finance, China Securities Regulatory Commission and the State Administration of Taxation, acting with State Council's approval, jointly released Circular 79, which temporarily exempts QFIs and RQFIs from tax on capital gains derived from the trading of shares and other equity interest investments on or after 17 November 2014. Subsequently,



Circulars 81 and 127 were issued to temporarily exempt tax on capital gains derived from trading of A-Shares through the Stock Connects.

There is a risk the PRC tax authorities may withdraw the temporary capital gains tax exemption in the future and seek to collect capital gains tax realised on the sale of A-Shares to the relevant Fund without giving any prior notice. If the tax exemption is withdrawn, any capital gains tax arising from or to the A-Shares of the relevant Fund may be directly borne by or indirectly passed on to the Fund and may result in a substantial impact to its Net Asset Value. As with any Net Asset Value adjustment, investors may be advantaged or disadvantaged depending on when the investors purchased/subscribed and/or sold/redeemed the Shares of the Fund.

From 1 May 2016, Value Added Tax (VAT) will also apply on certain income derived by the relevant Fund, including interest income from non-government bonds and trading gains, unless specifically exempted by the PRC tax authorities. VAT exemptions currently apply to trading of QFII and RQFII products, A-Shares traded on the Stock Connects and debt securities traded in the China Interbank Bond Market.

The Ministry of Finance and the State Administration of Taxation have not issued specific taxation rules on the Bond Connect as at the date of this Prospectus. In the absence of specific taxation rules on Bond Connect, applicable tax treatments under existing China domestic tax legislation should apply.

Any changes in PRC tax law, future clarifications thereof, and/or subsequent retroactive enforcement by the PRC tax authorities may result in a loss which could be material to the relevant Fund.

The Investment Adviser will keep the provisioning policy for tax liability under review and may, in its discretion from time to time, make a provision for potential tax liabilities if in their opinion such provision is warranted or as further clarified by the PRC in notifications.

#### Foreign Account Tax Compliance Act (“FATCA”)

The US-Luxembourg Agreement to Improve International Tax Compliance and to Implement FATCA (the “**US-Luxembourg IGA**”) was entered into with the intention of enabling the Luxembourg implementation of the Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act (“**FATCA**”), which impose a reporting regime and potentially a 30% withholding tax on certain payments made from (or attributable to) US sources or in respect of US assets to certain categories of recipient including a non-US financial institution (a “**foreign financial institution**” or “**FFI**”) that does not comply with the terms of FATCA and is not otherwise exempt. Certain financial institutions (“**reporting financial institutions**”) are required to provide certain information about their US accountholders to the *Administration des contributions directes* (the “**ACD**”) (which information will in turn be provided to the US tax authority) pursuant to the US-Luxembourg IGA. It is expected that the Company will constitute a reporting financial institution for these purposes. Accordingly, the Company is required to provide certain information about its direct and, in certain circumstances, its indirect US Shareholders to the ACD (which information will in turn be provided to the US tax authorities) and is also required to register with the US Internal Revenue Service. It is the intention of the Company and the Management Company to procure that the

Company is treated as complying with the terms of FATCA by complying with the terms of the reporting system contemplated by the US-Luxembourg IGA. No assurance can, however, be provided that the Company will be able to comply with FATCA and, in the event that it is not able to do so, a 30% withholding tax may be imposed on payments it receives from (or which are attributable to) US sources or in respect of US assets, which may reduce the amounts available to it to make payments to its Shareholders.

A number of jurisdictions have entered into multilateral arrangements modelled on the Common Reporting Standard for Automatic Exchange of Financial Account Information published by the Organisation for Economic Co-operation and Development (OECD). This will require the Company to provide certain information to the ACD about its direct and, in certain circumstances, its indirect Shareholders from the jurisdictions which are party to such arrangements (which information will in turn be provided to the relevant tax authorities).

In light of the above, Shareholders in the Company will be required to provide certain information to the Company to comply with the terms of the reporting systems. Please note that the Directors have determined that US Persons are not permitted to own Shares in the Funds. Please see paragraph 4. of Appendix B below for further information in this regard.

#### German Taxation

It is the intention of the Management Company to seek to maintain the status as “equity funds” or “mixed funds” (as applicable) pursuant to Sec. 2 para. 6 and 7 of the German Investment Tax Act as applicable from 1 January 2018 for the Funds listed below. Accordingly, as of the date of this Prospectus and notwithstanding any other provision in this Prospectus (including Appendix A). The Funds listed below invest, at least, the following proportions of their respective Gross Assets on a continuous basis directly in Equities (as defined below in accordance with Sec. 2 para. 8 of the German Investment Tax Act as at 1 January 2018).

Fund	% Gross Assets
iShares Emerging Markets Equity Index Fund (LU)	51%
iShares Europe Equity Index Fund (LU)	51%
iShares Japan Equity Index Fund (LU)	51%
iShares North America Equity Index Fund (LU)	51%
iShares Pacific ex Japan Equity Index Fund (LU)	51%
iShares World Equity Index Fund (LU)	51%

The “Gross Assets” of the Funds are defined as the value of the assets of the respective Fund without considering liabilities of such Fund (Sec. 2 para. 9a sentence 1 of the German Investment Tax Act as applicable from 1 January 2018).

Corporate actions, subscriptions/redemptions, index rebalancing and market movements may temporarily cause a Fund not to meet the Equities investment levels set out above. In such a case, the Fund will take possible and reasonable measures to re-establish the indicated investment levels without undue delay after getting knowledge of the shortfall. The Funds may also enter into securities lending for the purpose of efficient portfolio management. The Equities investment levels set out above are exclusive of Equities that are lent out.

For the purpose of the above percentage numbers, “Equities” means in accordance with Sec. 2 para. 8 of the German Investment Tax Act as applicable from 1 January 2018:

1. Shares of a corporation which are admitted to official trading on a stock exchange or listed on an organised market (which is a market recognised and open to the public and which operates in a due and proper manner),
2. Shares of a corporation, which is not a real estate company and which:
  - (i) is resident in a Member State or a member state of the EEA and is subject to income taxation for corporations in that state and is not tax exempt; or
  - (ii) is resident in any other state and is subject to an income taxation for corporations in that state at a rate of at least 15% and is not exempt from such taxation,
3. Fund units of an equity fund (being a fund that invests more than 50% of its Gross Assets on a continuous basis directly in Equities) with 51% of the equity fund units’ value – or, if the investment conditions of the equity fund provide for a higher minimum Equities investment, with the respective higher percentage of the equity fund units’ value – being taken into account as Equities, or
4. Fund units of a mixed fund (being a fund that invests at least 25% of its Gross Assets on a continuous basis directly in Equities) with 25% of the mixed fund units’ value – or, if the investment conditions of the mixed fund provide for a higher minimum Equities investment, with the respective higher percentage of the equity fund units’ value – being taken into account as Equities.

For purposes of calculating the investment levels set out above, the Funds may also consider the actual Equities quotas of the target funds published on each valuation day, provided that a valuation takes place at least once per week.

For the purpose of the above percentage numbers, the following in accordance with Sec. 2 para. 8 of the German Investment Tax Act as applicable from 1 January 2018 do not qualify as “Equities”:

1. Shares in partnerships, even if the partnerships are holding themselves shares in corporations,
2. Shares in corporations, which pursuant to Sec. 2 para. 9 sentence 6 of the German Investment Tax Act qualify as real estate,
3. Shares in corporations which are exempt from income taxation to the extent these corporations are distributing their profits, unless the distributions are subject to a taxation of at least 15% and the investment fund is not exempt from this taxation, and
4. Shares in corporations,
  - (i) whose income is directly or indirectly to more than 10% derived from shares in corporations, which do not fulfil the requirements of no. 2 i. or ii. above, or
  - (ii) which are holding directly or indirectly shares in corporations that do not fulfil the requirements of no. 2. i. or ii. above, if the value of these participations amounts to more than 10% of the market value of the corporations.

The above reflects the Management Company’s understanding of the relevant German tax legislation at the date of this Prospectus. The legislation is subject to change and so adjustments to these figures may be made without prior notice.

Investors should refer to their tax advisors in relation to the implications of the Funds obtaining the status as “equity funds” or “mixed funds” (as applicable) pursuant to Sec. 2 para. 6 and 7 of the German Investment Tax Act as applicable from 1 January 2018.

### Generally

Dividends and interest received by the Company on its investments may be subject to withholding taxes in the countries of origin which are generally irrecoverable as the Company itself is exempt from income tax. Recent European Union case law may, however, reduce the amount of such irrecoverable tax.

Investors should inform themselves of, and when appropriate consult their professional advisers on, the possible tax consequences of subscribing for, buying, holding, redeeming, converting or selling Shares under the laws of their country of citizenship, residence or domicile. Investors should note that the levels and bases of, and reliefs from, taxation can change.

Under current Luxembourg tax law, there is no withholding tax on payments made by the Company or its paying agent to the Shareholders. Indeed, in accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Council Directive 2003/48/EC on the taxation of savings income (the “EU Savings Directive”) as from 1 January 2015. The information to be automatically exchanged relates to the identity and the residence of the beneficial owner, the name or denomination and the address of the paying agent, the account number of the beneficial owner, or instead the identification of the debt claim generating the interests, and the total amount of interest or assimilated income generated.

The European Union has adopted a Directive repealing the EU Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements).

### Tax Status in Various Jurisdictions

The following sets out a summary of the tax status that Share classes have obtained in various jurisdictions. Please note that this summary does not set out the tax implications for investors resident in such jurisdictions and the investors should refer to their tax advisors in relation to tax implications on investing in a Share class.

#### *Austrian Taxation*

It is the intention of the Company to seek Austrian reporting fund status for certain Share Classes of the Company if the Directors determine it is relevant and appropriate to do so.

#### *United Kingdom Taxation*

It is the intention of the Company to seek UK Reporting Fund status for certain Share Classes of the Company if the Directors determine it is relevant and appropriate to do so. A list of the Funds which currently have UK Reporting Fund status is available at <https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds>

## Meetings and Reports

### **Meetings**

An annual general meeting of Shareholders of the Company is held in Luxembourg each year. Other general meetings of Shareholders will be held at such times and places as are indicated in the notices of such meetings. Notices are sent to registered Shareholders and (when legally required) published in such newspapers as decided by the Board of Directors and in the RESA in Luxembourg.

### **Reports**

Financial periods of the Company end on 31 March each year. The annual report containing the audited financial accounts of the Company and of each of the Funds in respect of the preceding financial period is available within four months of the relevant year-end. An unaudited interim report is available within two months of the end of the relevant half-year. Copies of all reports are available upon request at the registered office of the Company and from the local Investor Servicing teams. Registered Shareholders will be sent a personal statement of account twice-yearly.

## Appendix A – Investment and Borrowing Powers and Restrictions

## 1. Investment and Borrowing Powers

1.1 The Company's Articles permit it to invest in transferable securities and other liquid financial assets, to the full extent permitted by Luxembourg law. The Articles have the effect that, subject to the law, it is at the Directors' discretion to determine any restrictions on investment or on borrowing or on the pledging of the Company's assets.

1.2 The Company's Articles permit the subscription, acquisition and holding of securities issued or to be issued by one or more other Fund of the Company under the conditions set forth by Luxembourg laws and regulations.

## 2. Investment and Borrowing Restrictions

The following restrictions of Luxembourg law and (where relevant) of the Directors currently apply to the Company:

2.1 The investments of each Fund shall consist of:

2.1.1 Transferable securities and money market instruments admitted to official listings on regulated stock exchanges in Member States of the European Union (the "EU");

2.1.2 Transferable securities and money market instruments dealt in on other regulated markets in Member States of the EU, that are operating regularly, are recognised and are open to the public;

2.1.3 Transferable securities and money market instruments admitted to official listings on stock exchanges in any other country in Europe, Asia, Oceania, the American continents and Africa;

2.1.4 Transferable securities and money market instruments dealt in on other regulated markets that are operating regularly, are recognised and open to the public of any other country in Europe, Asia, Oceania, the American continents and Africa;

2.1.5 Recently issued transferable securities and money market instruments provided that the terms of the issue include an undertaking that application will be made for admission to the official listing on one of the stock exchanges as specified in 2.1.1 and 2.1.3 or regulated markets that are operating regularly, are recognised and open to the public as specified in 2.1.2 and 2.1.4 and that such admission is secured within a year of issue;

2.1.6 Units of UCITS and/or other undertakings for collective investment ("UCIs") within the meaning of Article 1(2), points (a) and (b) of Directive 2009/65/EC, as amended, whether they are situated in a Member State or not, provided that:

- ▶ such other UCIs are authorised under laws which provide that they are subject to supervision considered by the CSSF to be equivalent to that laid down in EU law, and that cooperation between authorities is sufficiently ensured;
- ▶ the level of protection for unitholders in the other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of Directive 2009/65/EC, as amended;
- ▶ the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment to be made of the

assets and liabilities, income and operations over the reporting period;

- ▶ no more than 10% of the UCITS' or the other UCIs' assets (or of the assets of any Fund thereof, provided that the principle of segregation of liabilities of the different compartments is ensured in relation to third parties), whose acquisition is contemplated, may, according to their constitutional documents, be invested in aggregate in units of other UCITS or other UCIs;

2.1.7 deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in an EU Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law;

2.1.8 financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market; and/or financial derivative instruments dealt in over-the-counter ('OTC derivatives'), provided that:

- ▶ the underlying consists of instruments described in subparagraphs 2.1.1 to 2.1.7 above and 2.1.9 below, financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to its investment objectives;
- ▶ the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the CSSF; and
- ▶ the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative;

2.1.9 money market instruments other than those dealt in on a regulated market, which fall under Article 1 of the 2010 Law, if the issuer or issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that they are:

- ▶ issued or guaranteed by a central, regional or local authority or central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-Member State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong; or
- ▶ issued by an undertaking any securities of which are dealt in on regulated markets referred to in subparagraphs 2.1.1, 2.1.2 or 2.1.3 above; or
- ▶ issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by EU law, or by an establishment which is subject to and complies with prudential rules considered by the CSSF to be at least as stringent as those laid down by EU law; or
- ▶ issued by other bodies belonging to the categories approved by the CSSF provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least €10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the

group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

- 2.2 Furthermore, each Fund may invest no more than 10% of its net assets in transferable securities and money market instruments other than those referred to in sub-paragraph 2.1.1 to 2.1.7.
- 2.3 Each Fund may acquire the units of other Funds in the Company, UCITS and/or other UCIs referred to in paragraph 2.1.6. Each Fund's aggregate investment in UCITS or other UCI's will not exceed 10% of its net assets in order that the Funds are deemed eligible investments for other UCITS funds.

When each Fund has acquired shares of UCITS and/or other UCIs, the assets of the respective UCITS or other UCIs do not have to be combined for the purposes of the limits laid down in paragraph 2.6.

When a Fund invests in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the same investment manager or by any other company with which the investment manager is linked by common management or control, or by a substantial direct or indirect holding, no subscription or redemption fees may be charged to the Company on its investment in the units of such other UCITS and/or UCIs.

- 2.4 When a Fund invests (the "investor Fund") in shares of another Fund in the Company (the "target Fund"):
- ▶ the target Fund may not itself invest in the investor Fund;
  - ▶ the target Fund may not invest more than 10% of its net assets in units of another Fund of the Company ( as set out in paragraph 2.3 above);
  - ▶ any voting rights which may be attached to the shares of the target Fund will be suspended for the investor Fund for the duration of the investment;
  - ▶ any management fees or subscription or redemption fees payable in relation to the target Fund may not be charged to the investor Fund; and
  - ▶ the net asset value of the shares of the target Fund may not be considered for the purpose of the requirement that the capital of the Company should be above the legal minimum as specified in the 2010 Law, currently EUR 1,250,000.

2.5 A Fund may hold ancillary liquid assets.

2.6 A Fund may not invest in any one issuer in excess of the limits set out below:

- 2.6.1 Not more than 10% of a Fund's net assets may be invested in transferable securities or money market instruments issued by the same entity.
- 2.6.2 Not more than 20% of a Fund's net assets may be invested in deposits made with the same entity.
- 2.6.3 By way of exception, the 10% limit stated in the first paragraph of this Section may be increased to:
- ▶ a maximum of 35% if the transferable securities or money market instruments are issued or guaranteed by an EU Member State, by its local authorities, by a non-Member State or by public international bodies to which one or more Member States belong;

- ▶ a maximum of 25% in the case of certain bonds when these are issued by a credit institution which has its registered office in an EU Member State and is subject by law to special public supervision designed to protect bond holders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest. When a Fund invests more than 5% of its net assets in the bonds referred to in this paragraph and issued by one issuer, the total value of these investments may not exceed 80% of the value of the net assets of such Fund.

2.6.4 The total value of the transferable securities or money market instruments held by a Fund in the issuing bodies in each of which it invests more than 5% of its net assets must not then exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision. The transferable securities and money market instruments limits referred to in the two indents of paragraph 2.6.3 above shall not be taken into account for the purpose of applying the limit of 40% referred to in this paragraph.

Notwithstanding the individual limits laid down in sub-paragraphs 2.6.1 to 2.6.4 above, a Fund may not combine:

- ▶ investments in transferable securities or money market instruments issued by a single entity; and/or
- ▶ deposits made with a single entity; and/or
- ▶ exposures arising from OTC derivative transactions undertaken with a single entity in excess of 20% of its net assets.

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above mentioned restrictions.

The limits provided for in sub-paragraphs 2.6.1 to 2.6.4 above may not be combined, and thus investments in transferable securities or money market instruments issued by the same entity or in deposits or derivative instruments made with this entity carried out in accordance with paragraphs 2.6.1 to 2.6.4 shall under no circumstances exceed in total 35% of the net assets of the Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single entity for the purpose of calculating the investment limits mentioned in sub-paragraphs 2.6.1 to 2.6.4 above.

The Fund may not invest cumulatively more than 20% of its net assets in transferable securities or money market instruments of the same group subject to restrictions 2.6.1 and the three indents under 2.6.4 above.

Without prejudice to the limits laid down in paragraph 2.8. below, the limit of 10% laid down in sub-paragraph 2.6.1 above is raised to a maximum of 20% for investment in equity and/or debt securities issued by the same body when the aim of the investment policy of a Fund is to replicate the composition of a certain equity or debt securities index which is recognised by the CSSF, on the following basis:

- ▶ the composition of the index is sufficiently diversified;



- ▶ the index represents an adequate benchmark for the market to which it refers;
- ▶ it is published in an appropriate manner;
- ▶ it is replicable;
- ▶ it is transparent, with the full calculation methodology and index performance published; and
- ▶ it is subject to independent valuation.

This limit is 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant. Market dominance exists where a particular constituent of a Benchmark Index has a dominant position in the particular market sector in which it operates and as such accounts for a large proportion of a benchmark index. The investment up to this limit is only permitted for a single issuer.

**By way of derogation, each Fund is authorised to invest up to 100% of its net assets in different transferable securities and money market instruments issued or guaranteed by an EU Member State, its local authorities, by another member state of the OECD, by a G20 member country, Hong Kong and Singapore or public international bodies of which one or more EU Member States are members, provided that (i) such securities are part of at least six different issues and (ii) securities from any one issue do not account for more than 30% of the net assets of such Fund.**

- 2.7 A Fund may not invest in shares with voting rights enabling it to exercise significant influence over the management of the issuing body.
- 2.8 A Fund may not:
- 2.8.1 acquire more than 10% of the shares with non-voting rights of one and the same issuer;
- 2.8.2 acquire more than 10% of the debt securities of one and the same issuer;
- 2.8.3 acquire more than 25% of the units of one and the same undertaking for collective investment; or
- 2.8.4 acquire more than 10% of the money market instruments of any single issuer.

The limits stipulated in sub-paragraphs 2.8.2, 2.8.3 and 2.8.4 above may be disregarded at the time of acquisition if, at that time, the gross amount of debt securities or of the money market instruments, or the net amount of securities in issue cannot be calculated.

- 2.9 The limits stipulated in paragraphs 2.7 and 2.8 above do not apply to:
- 2.9.1 Transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
- 2.9.2 Transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
- 2.9.3 Transferable securities and money market instruments issued by public international institutions of which one or more EU Member States are members;

- 2.9.4 Transferable securities held by a Fund in the capital of a company incorporated in a non-Member State investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which such Fund can invest in the securities of issuing bodies of that State. This derogation, however, shall apply only if in its investment policy the company from the non-Member State complies with the limits laid down in Articles 43, 46 and 48(1) and (2) of the 2010 Law. Where the limits set in Articles 43 and 46 of the 2010 Law are exceeded, Article 49 shall apply *mutatis mutandis*; and
- 2.9.5 Transferable securities held by the Company in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at Shareholders' request exclusively on its or their behalf.
- 2.10 The Company may always, in the interest of the Shareholders, exercise the subscription rights attached to securities, which form part of its assets.

When the maximum percentages stated in paragraphs 2.2 through 2.8 above are exceeded for reasons beyond the control of the Company, or as a result of the exercise of subscription rights, the Company must adopt, as a priority objective, sales transactions to remedy the situation, taking due account of the interests of its Shareholders.

- 2.11 A Fund may borrow to the extent of 10% of its total net assets (valued at market value) provided these borrowings are made on a temporary basis. However, the Company may acquire for the account of a Fund foreign currency by way of back-to-back loan.
- 2.12 The Company may not grant credit facilities nor act as guarantor on behalf of third parties, provided that for the purpose of this restriction (i) the acquisition of transferable securities, money market instruments or other financial investments referred to in sub-paragraphs 2.1.6, 2.1.8 and 2.1.9 above, in fully or partly paid form and (ii) the permitted lending of portfolio securities shall be deemed not to constitute the making of a loan.
- 2.13 The Company undertakes not to carry out uncovered sales transactions of transferable securities, money market instruments or other financial instruments referred to in sub-paragraphs 2.1.6, 2.1.8 and 2.1.9 above; provided that this restriction shall not prevent the Company from making deposits or carrying out accounts in connection with financial derivatives instruments, permitted within the limits referred to above.
- 2.14 The Company's assets may not include precious metals or certificates representing them, commodities, commodities contracts, or certificates representing commodities.
- 2.15 The Company may not purchase or sell real estate or any option, right or interest therein, provided that the Company may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.

- 2.16 The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are marketed.

### 3. Financial Techniques and Instruments.

- 3.1 The Company must employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio; it must employ a process for accurate and independent assessment of the value of OTC derivative instruments. It must

communicate to the CSSF regularly and in accordance with the detailed rules defined by the latter, the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in derivative instruments.

3.2 In addition, the Company is authorised to employ techniques and instruments relating to transferable securities and to money market instruments under the conditions and within the limits laid down by the CSSF provided that such techniques and instruments are used for the purpose of efficient portfolio management or for hedging purposes.

3.3 When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in the 2010 Law.

Under no circumstances shall these operations cause the Company to diverge from its investment policies and investment restrictions.

3.4 The underlying assets of index based derivative instruments are not combined for the purposes of the investment limits laid down under sub-paragraphs 2.6.1 to 2.6.4 above.

- ▶ When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of the above-mentioned restrictions.
- ▶ The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

3.5 Efficient Portfolio Management – Other Techniques and Instruments

In addition to the investments in financial derivatives instruments, the Company may employ other techniques and instruments relating to transferable securities and money market instruments subject to the conditions set out in the CSSF Circular 08/356, as amended from time to time, and ESMA Guidelines ESMA/2012/832EL, such as repurchase/ reverse repurchase transactions, (“repo transactions”) and securities lending.

Appendix F specifies, for each Fund, the maximum and expected proportion of the Net Asset Value that can be subject to securities lending and repo transactions. The expected proportion is not a limit, and the actual percentage may vary over time depending on factors including, but not limited to, market conditions and borrowing demand in the market.

Techniques and instruments which relate to transferable securities or money market instruments, and which are used for the purpose of efficient portfolio management, including financial derivatives instruments which are not used for direct investment purposes, shall be understood as a reference to techniques and instruments which fulfil the following criteria:

3.5.1 they are economically appropriate in that they are realised in a cost-effective way;

3.5.2 they are entered into for one or more of the following specific aims:

- (a) reduction of risk;
- (b) reduction of cost;

(c) generation of additional capital or income for the Company with a level of risk which is consistent with the risk profile of the Company and its relevant Funds and the risk diversification rules applicable to them;

3.5.3 their risks are adequately captured by the risk management process of the Company; and

3.5.4 they cannot result in a change to the Fund’s declared investment objective or add supplementary risks in comparison to the general risk policy as described in the Prospectus and relevant KIIDs/KIDs.

Techniques and instruments (other than financial derivatives instruments) which may be used for efficient portfolio management purposes are set out below and are subject to the conditions set out below.

Moreover those transactions may be carried out for 100% of the assets held by the relevant Fund provided (i) that their volume is kept at an appropriate level or that the Company is entitled to request the return of the securities lent in a manner that enables it, at all times, to meet its redemption obligations; and (ii) that these transactions do not jeopardise the management of the Company’s assets in accordance with the investment policy of the relevant Fund. Risks shall be monitored in accordance with the risk management process of the Company.

The Depositary will ensure that the assets of the Funds held in custody by the Depositary shall not be reused by the Depositary or by any third party to whom the custody function has been delegated for their own account. Reuse comprises any transaction of assets of the Funds held in custody including, but not limited to, transferring, pledging, selling and lending. Assets of the Funds held in custody are only allowed to be reused where:

(a) the reuse of the assets is executed for the account of the Funds;

(b) the Depositary is carrying out the instructions of the Management Company;

(c) the reuse is for the benefit of the Fund and in the interest of the Shareholders; and

(d) the transaction is covered by high quality and liquid collateral received by the Fund under a title transfer arrangement with a market value at least equivalent to the market value of the reused assets plus a premium.

3.6 Securities lending transactions and related potential conflicts of interest

Each Fund may conduct securities lending transactions in aggregate for up to 49% of its Net Asset Value.

The Company may enter into securities lending transactions provided that it complies with the following rules:

3.6.1 the Company may lend securities either directly or through a standardised system organised by a recognised clearing institution or a lending program organised by a financial institution subject to prudential supervision rules which are recognised by the CSSF as equivalent to those laid down in EU law and specialised in this type of transactions;

3.6.2 the borrower must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law;

- 3.6.3 net exposures (i.e. the exposures of a Fund less the collateral received by a Fund) to a counterparty arising from securities lending transactions shall be taken into account in the 20% limit provided for in article 43(2) of the 2010 Law;
- 3.6.4 as part of its lending transactions, the Company must receive collateral, the market value of which shall, at all times, be equal to at least the market value of the securities lent plus a premium;
- 3.6.5 such collateral must be received prior to or simultaneously with the transfer of the securities lent. When the securities are lent through an intermediary referred to under 3.6.1 above, the transfer of the securities lent may be effected prior to receipt of the collateral, if the relevant intermediary ensures proper completion of the transaction. The intermediary may, instead of the borrower, provide to the UCITS collateral in lieu of the borrower; and
- 3.6.6 the Company must have the right to terminate any securities lending arrangement which it has entered into at any time or demand the return of any or all of the securities loaned.

Counterparties for securities lending transactions are selected based on a rigorous credit assessment and in-depth review at the individual legal entity level at the outset of the trading relationship. Credit assessments include an evaluation of the legal entity corporate and/or ownership structure, regulatory regime, track record, financial health and any external agency ratings, where applicable.

All revenues from efficient portfolio management techniques will be returned to the Company, net of direct and indirect operational costs and fees (which do not include hidden revenue).

The Company shall disclose the global valuation of the securities lent in the annual and semi-annual reports. Please refer also to the paragraph 8. in Appendix C for information on additional requirements pursuant to the UCITS Directive in relation to the reuse of assets held in custody by the Depositary.

There are potential conflicts of interests in managing a securities lending program, including but not limited to: (i) BlackRock as lending agent may have an incentive to increase or decrease the amount of securities on loan or to lend particular securities in order to generate additional risk-adjusted revenue for BlackRock and its affiliates; and (ii) BlackRock as lending agent may have an incentive to allocate loans to clients that would provide more revenue to BlackRock. As described further below, BlackRock seeks to mitigate this conflict by providing its securities lending clients with equal lending opportunities over time in order to approximate pro-rata allocation.

As part of its securities lending program, BlackRock indemnifies the Funds and certain other clients and/or funds against a shortfall in collateral in the event of borrower default. On a regular basis, BlackRock calculates the potential dollar exposure of collateral shortfall resulting from a borrower default ("shortfall risk") in the securities lending program. BlackRock established program-wide borrower limits ("credit limits") to actively manage the borrower-specific credit exposure. BlackRock oversees the risk model that calculates projected collateral shortfall values using loan-level factors such as loan and collateral type and market value as well as specific borrower counterparty credit characteristics. When necessary, BlackRock may adjust securities lending program attributes by restricting eligible collateral or reducing borrower credit limits. As a result, the management of the program-wide exposure as well as BlackRock-specific indemnification exposure may affect the amount of securities lending activity BlackRock may conduct at any given point in time by reducing the volume of lending opportunities for certain loans (including by asset type, collateral type and/or revenue profile).

BlackRock uses a predetermined systematic process in order to approximate pro-rata allocation over time. In order to allocate a loan to a portfolio: (i) BlackRock as a whole must have sufficient lending capacity pursuant to the various program limits (i.e. indemnification exposure limit and borrower credit limits); (ii) the lending portfolio must hold the asset at the time a loan opportunity arrives; and (iii) the lending portfolio must also have enough inventory, either on its own or when aggregated with other portfolios into one single market delivery, to satisfy the loan request. In doing so, BlackRock seeks to provide equal lending opportunities for all portfolios, independent of whether BlackRock indemnifies the portfolio. Equal opportunities for lending portfolios does not guarantee equal outcomes. Specifically, short and long-term outcomes for individual clients may vary due to asset mix, asset/liability spreads on different securities, and the overall limits imposed by the firm.

BlackRock may decline to make a securities loan on behalf of a Fund, discontinue lending on behalf of a Fund or terminate a securities loan on behalf of a Fund for any reason, including but not limited to regulatory requirements and/or markets rules, liquidity considerations, or credit considerations, which may impact Funds by reducing or eliminating the volume of lending opportunities for certain types of loans, loans in particular markets, loans of particular securities or types of securities, or for loans overall.

### 3.7 Repo transactions

The Company may enter into:

- ▶ repurchase transactions which consist of the purchase or sale of securities with provisions reserving the seller the right or the obligation to repurchase from the buyer securities sold at a price and term specified by the two parties in their contractual arrangement; and
- ▶ reverse repurchase agreement transactions, which consist of a forward transaction at the maturity of which the seller (counterparty) has the obligation to repurchase the securities sold and the Company the obligation to return the securities received under the transaction.

At the discretion of the Investment Adviser, each Fund will conduct repurchase/reverse repurchase transactions in aggregate for up to such percentage of its latest available net asset value as disclosed in the table in Appendix F. All incremental incomes generated from such transactions will be accrued to the Fund.

3.7.1 The Company can act either as buyer or seller in repo transactions. Its involvement in such transactions is however subject to the following rules:

- (a) the fulfilment of the conditions 3.6.2 and 3.6.3;
- (b) during the life of a repo transaction with the Company acting as purchaser, the Company shall not sell the securities which are the object of the contract, before the counterparty has exercised its option or until the deadline for the repurchase has expired, unless the Company has other means of coverage;
- (c) the securities acquired by the Company under a repo transaction must conform to the Fund's investment policy and investment restrictions and must be limited to:
  - (i) short-term bank certificates or money market instruments as defined in Directive 2007/16/EC of 19 March 2007;
  - (ii) bonds issued by non-governmental issuers offering an adequate liquidity; and

- (iii) assets referred to under 3.8.2(b), 3.8.2(c) and 3.8.2(d) below.

The Company shall disclose the total amount of the open repo transactions on the date of reference of its annual and interim reports.

3.7.2 Where the Company enters into repurchase agreements, it must be able at any time to recall any securities subject to the repurchase agreement or to terminate the repurchase agreement into which it has entered. Fixed-term repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company.

3.7.3 Where the Company enters into reverse repurchase agreements, it must be able at any time to recall the full amount of cash or to terminate the reverse repurchase agreement on either an accrued basis or a mark-to-market basis. When the cash is recallable at any time on a mark-to-market basis, the mark-to-market value of the reverse repurchase agreement should be used for the calculation of the net asset value. Fixed-term reverse repurchase agreements that do not exceed seven days should be considered as arrangements on terms that allow the assets to be recalled at any time by the Company.

3.8 Management of collateral for OTC financial derivative transactions and efficient portfolio management techniques.

3.8.1 Collateral obtained in respect of OTC financial derivative transactions and efficient portfolio management techniques ("Collateral"), such as a repo transaction or securities lending arrangement, must comply with the following criteria:

- (a) liquidity: Collateral (other than cash) should be highly liquid and traded on a regulated market or multi-lateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to its pre-sale valuation. Collateral received should also comply with the provisions of Article 48 of the 2010 Law;
- (b) valuation: Collateral should be capable of being valued marked to market on a daily basis and assets that exhibit high price volatility should not be accepted as Collateral unless suitably conservative haircuts are in place;
- (c) issuer credit quality: Collateral should be of high quality;
- (d) correlation: Collateral should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- (e) diversification: Collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure to a given issuer of 20% of a Fund's Net Asset Value. When a Fund is exposed to different counterparties, the different baskets of Collateral should be aggregated to calculate the 20% limit of exposure to a single issuer. A Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by a Member State, its local authorities, as well as non-Member States and public international bodies set out in Appendix A, paragraph 2.64. Such a Fund should receive securities from at least six different issues, but securities from any single issue should not account for more than 30% of the Fund's Net Asset Value and

- (f) immediately available: Collateral must be capable of being fully enforced by the Company at any time without reference to or approval from the counterparty.

Counterparties for repurchase / reverse repurchase transactions are selected based on a rigorous credit assessment and in-depth review at the individual legal entity level at the outset of the trading relationship. Credit assessments include an evaluation of the legal entity corporate and/or ownership structure, regulatory regime, track record, financial health and any external agency ratings, where applicable.

3.8.2 Subject to the above criteria, Collateral must comply with the following criteria:

- (a) liquid assets such as cash, short term bank deposits, money market instruments as defined in Directive 2007/16/EC of 19 March 2007, letters of credit and guarantees at first demand issued by a first class credit institution not affiliated to the counterparty;
- (b) bonds issued or guaranteed by a Member State of the OECD or by their local authorities or supranational institutions and bodies of a community, regional or world-wide scope;
- (c) shares or units issued by money market-type UCIs calculating a daily net asset value and having a rating of AAA or its equivalent;
- (d) shares or units issued by UCITS investing mainly in bonds/shares mentioned under 3.8.2(e) and 3.8.2(f) hereunder;
- (e) bonds issued or guaranteed by first class issuers offering an adequate liquidity; or
- (f) shares admitted to or dealt in on a regulated market of a Member State of the European Union or on a stock exchange of a Member State of the OECD, provided that these shares are included in a main index.

3.8.3 Where there is title transfer, the Collateral received should be held by the Depository, or its agent. This is not applicable in the event that there is no title transfer in which case the Collateral will be held by a third-party custodian which is subject to prudential supervision, and which is unrelated to the provider of the Collateral.

3.8.4 When the Collateral given in the form of cash exposes the Company to a credit risk vis-à-vis the trustee of this Collateral, such exposure shall be subject to the 20% limitation as laid down in Section 2.6 above.

3.8.5 During the duration of the agreement, non-cash Collateral cannot be sold, re-invested or pledged.

3.8.6 Cash received as Collateral may only be:

- (a) placed on deposit with entities prescribed in Article 50(f) of Directive 2009/65/EC;
- (b) invested in high quality government bonds;
- (c) used for the purpose of reverse repurchase agreements provided the transactions are with credit institutions subject to prudential supervision and the Company can recall at any time the full amount of the cash on an accrued basis; and
- (d) invested in short term money market funds as defined in the ESMA Guidelines on a common definition of European Money Market Funds.

## Appendix A

Re-invested cash Collateral should be diversified in accordance with the diversification requirements applicable to non-cash Collateral.

3.8.7 The Company has implemented a haircut policy in respect of each class of assets received as Collateral. A haircut is a discount applied to the value of a Collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the Collateral, the price volatility of the Collateral and the results of any stress tests which may be performed in accordance with the collateral management policy. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the intention of the Company that any Collateral received shall have a value, adjusted in light of the haircut policy, which equals or exceeds the relevant counterparty exposure where appropriate.

The applicable haircuts for each of the relevant types of assets held as Collateral are specified below as a valuation percentage. Larger haircuts than those noted below may be applied at the sole discretion of the Company; larger haircuts may apply to certain counterparties, and/or to certain transactions (e.g., wrong way risk).

The Company reserves the right to vary this policy at any time in which case this Prospectus will be updated accordingly.

### *OTC Derivative Transactions*

Eligible Collateral	Minimum Haircut Applicable
Cash	0%
Government Bonds having a remaining term to maturity of one year or less	0.5%
Government Bonds having a remaining term to maturity of greater than one year but less than or equal to five years	2%
Government Bonds having a remaining term to maturity of greater than five years	4%
Non-Government Bonds having a remaining term to maturity of less than or equal to five years	10%
Non-Government Bonds having a remaining term to maturity of greater than 5 years	12%

### *Securities Lending Transactions*

Eligible Collateral	Minimum Haircut Applicable
Cash	2%
Money Market Funds	2%
Government Bonds	2.5%
Supranational / Agency Bonds	2.5%
Equities (including ADRs and ETFs)	5%

### *Reverse Repurchase Transactions*

Eligible Collateral	Minimum Haircut Applicable
Government bonds	0%
Corporate Bonds	6%

3.8.8 Risk and potential Conflicts of Interest associated with OTC derivatives and efficient portfolio management.

- (a) There are certain risks involved in efficient portfolio management activities and the management of Collateral in relation to such activities. Please refer to the Section "Risk Considerations" and, in particular but without limitation, the risk factors relating to derivatives, counterparty risk and counterparty risk to the Depository. These risks may expose investors to an increased risk of loss.
- (b) The combined counterparty risk on any transaction involving an OTC derivative instrument or efficient portfolio management technique may not exceed 10% of the assets of a Fund when the counterparty is a credit institution domiciled in the EU or in a country where the CSSF considers that supervisory regulations are equivalent to those prevailing on the EU. This limit is set at 5% in any other case.
- (c) The Company's delegates will continuously assess the credit or counterparty risk as well as the potential risk, which is for trading activities, the risk resulting from adverse movements in the level of volatility of market prices and will assess the hedging effectiveness on an ongoing basis. They will define specific internal limits applicable to these kinds of operations and monitor the counterparties accepted for these transactions.



## Appendix B – Summary of Certain Provisions of the Articles and of Company Practice

The below is a summary of the Articles. However, such summary does not purport to be complete. It is subject to and qualified in its entirety by reference to the contents of such Articles, the application forms and other documents and, accordingly, they should be reviewed for complete information concerning the rights, privileges and obligations of Shareholders in the Company. In the event that the description in or terms of this Prospectus are inconsistent with or contrary to the description in or terms of the Articles or the application forms, the Articles shall prevail, and investors will be taken as having full knowledge of the Articles in applying for Shares.

### Articles of Association

1. Terms used in this summary that are defined in the Articles have the same meaning below.
- 1.1 **Corporate Existence**  
The Company is a company existing in the form of a société anonyme qualifying as a société d'investissement à capital variable (SICAV) under the name of BlackRock Global Index Funds with the status of a Part I Undertaking for Collective Investment in Transferable Securities (UCITS).
- 1.2 **Sole Object**  
The sole object of the Company is to place the funds available to it in one or more portfolios of transferable securities or other assets referred to in Article 41(1) of the 2010 Law, referred to as "Funds", with the purpose of spreading investment risks and affording to its shareholders the results of the management of the Company's Funds.
- 1.3 **Capital**  
The capital is represented by fully paid Shares of no-par value and will at any time be equal to the aggregate value of the net assets of the Funds of the Company. Any variation of the Company's capital has immediate effect.
- 1.4 **Fractions**  
Fractions of Shares may be issued only as registered shares.
- 1.5 **Voting**  
In addition to the right to one vote for each whole Share of which he is the holder at general meetings, a holder of Shares of any particular Class will be entitled at any separate meeting of the holders of Shares of that Class to one vote for each whole Share of that Class of which he is the holder.
- 1.6 **Annual General Meeting**  
The annual general meeting of shareholders shall be held, in accordance with Luxembourg law, at the registered office of the Company or at such other place in the Grand Duchy of Luxembourg as may be specified in the notice of meeting, on 20 September at 11.00 a.m. If such day is not a bank business day in Luxembourg, the annual general meeting of shareholders shall be held on the next following bank business day in Luxembourg.
- 1.7 **Allotment of Shares**  
The Directors are authorised without limitation to issue fully paid Shares at any time at the current price per Share without reserving preferential subscription rights to existing shareholders.
- 1.8 **Directors**  
The Articles provide for the Company to be managed by a board of Directors composed of at least three persons. Directors are elected by the shareholders at each annual general meeting. The Directors are vested with all powers to perform all acts of administration and disposition in the Company's interest. In particular the Directors

have power to appoint any person to act as a functionary to the Company.

No transaction between the Company and any other party shall be affected or invalidated by the mere fact that a director (or, in case a director is a legal person, any one of its directors, managers, officers or employees), is a director, manager, associate, member, shareholder, officer or employee of that other party. Any person related as described above to any company or firm with which the Company shall contract or otherwise engage in business shall not, by reason of such affiliation, be prevented from considering, voting or acting upon any matters with respect to such contract or other business.

### 1.9 Indemnity

The Company may indemnify any Director or officer against expenses reasonably incurred by him in connection with any proceedings to which he may be made a party by reason of such position in the Company or in any other company of which the Company is a shareholder or creditor and from which he is not entitled to be indemnified, except where due to gross negligence or wilful misconduct on his part.

### 1.10 Winding up and Liquidation

The Company may be wound up at any time by a resolution adopted by a general meeting of shareholders in accordance with the provisions of the Articles.

In the event of a dissolution of the Company liquidation shall be carried out by one or several liquidators (who may be physical persons or legal entities) named by the meeting of shareholders effecting such dissolution and which shall determine their powers and their compensation. The net proceeds of liquidation corresponding to each class of shares shall be distributed by the liquidators to the holders of shares of each class in proportion of their holding of shares in such class.

Liquidation proceeds not claimed by shareholders at close of liquidation of a Fund will be deposited at the Caisse de Consignation in Luxembourg and shall be forfeited after thirty years.

## Company Practice

### Restrictions on Holding of Shares

2. Shares will be divided into Classes each linked to a Fund. More than one Share Class may be linked to a Fund and Classes may have different distribution, fee and currency features (See the Section entitled "Classes and Form of Shares" for further details). The Share Classes do not have any preferential or pre-emption rights.

Although the Shares are required to be negotiable and transferable for the purposes of the Euro MTF, any eligibility requirements in respect of a specific Share Class shall nonetheless continue to apply and the Directors may enforce their powers of compulsory redemption should any such eligibility requirements in respect of a specific Share Class be breached by a shareholder, as further described under paragraph 6. below.

3. The Directors may impose or relax restrictions (including restrictions on transfer and/or the requirement that Shares be issued only in registered form) on any Shares or Share Classes (but not necessarily on all Shares within the same Class) as they may think necessary to ensure that Shares are neither acquired nor held by or on behalf of any person in circumstances giving rise to a breach of the laws or requirements of any country or governmental or regulatory authority on the part of that person or the Company, or which might have adverse taxation or other pecuniary consequences for the Company, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority. The Directors may in this connection

require a shareholder to provide such information as they may consider necessary to establish whether he is the beneficial owner of the Shares that he holds. In addition to the foregoing, the Directors may determine to restrict the issue of shares when it is in the interests of the Fund and/or its Shareholders to do so, including when the Company or any Fund reaches a size that could impact the ability to find suitable investments for the Company or Fund. The Directors may remove such restriction at their discretion.

If the Company becomes aware that any Shares are owned directly or beneficially by any person in breach of any law or requirement of a country or governmental or regulatory authority, or otherwise in breach of the terms of this Prospectus, or otherwise in the circumstances referred to in this paragraph 3., the Directors may require the redemption of such Shares, decline to issue any Shares and register any transfer of any Shares or suspend the voting rights at any meeting of shareholders of the Company of any shareholders who are precluded from holding Shares in the Company.

4. The Directors have resolved that no US Persons will be permitted to own Shares. The Directors have resolved that “**US Person**” means any citizen or resident of the United States of America, a partnership organized or existing under the laws of any state, territory or possession of the United States of America (other than a partnership that is not treated as a United States person under any applicable Treasury regulations), or a corporation organized under the laws of the United States of America or of any state, territory or possession thereof, any estate or trust, other than an estate the income of which from sources without the United States of America (which is not effectively connected with the conduct of a trade or business within the United States of America) is not included in gross income for purposes of computing United States federal income tax payable by it, any trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust, or certain trusts in existence on 20th August, 1996 and treated as United States persons prior to such date, which elect pursuant to regulations to continue to be treated as United States persons.

If a shareholder currently resident outside the US becomes resident in the US (and consequently comes within the definition of a US Person), that shareholder will be required to redeem its Shares. All US residents and citizens should note the requirements of FATCA, please see the Section “Taxation” above.

#### Funds and Share Classes

5. The Company operates separate investment “Funds” and within each Fund separate Share Classes are linked to that Fund. Pursuant to Article 181 of the 2010 Law, each Fund is only liable for the liabilities attributable to it.
6. Shares may be issued with or have attached thereto with certain rights, or such restrictions whether in regard to dividend, return of capital, conversion, transfer, the price payable on allotment or otherwise as the Directors may from time to time determine and such rights or restrictions need not be attached to all Shares of the same Class.

If the Company becomes aware that any Shares are owned directly or beneficially by any person in breach of any of the eligibility requirements attached to an investment in a particular Share Class, the Directors may require the redemption of such Shares, decline to issue any Shares and register any transfer of any Shares or suspend the voting rights at any meeting of shareholders of the Company of any shareholders who are precluded from holding Shares in the Company.

7. The Directors are permitted to create more than one Share Class linked to a single Fund. This allows, for example, the creation of Distributing and Non-Distributing Shares, Share Classes with

different dealing currencies or Share Classes with different features as regards participation in capital and/or income linked to the same Fund; and also permits different charging structures. The Directors are also permitted, at any time, to close a particular Share Class, or, subject to at least 30 days’ prior notice to the shareholders of the relevant Class, to decide to merge such Class with another Share Class of the same Fund. The Articles provide that certain variations of the rights attached to a Share Class may only be made with the sanction of a Class meeting of holders of Shares of that Class.

8. The Directors may require redemption of all the Shares linked to a particular Fund if the Net Asset Value of the relevant Fund falls below USD50 million (or the equivalent in any relevant Dealing Currency) for a period of thirty consecutive days. The Articles also permit the Directors to notify shareholders of the closure of any particular Fund where they deem it in the interests of the shareholders or appropriate because of changes in the economic or political situation affecting the Fund but in such circumstances the Directors intend as a matter of policy to offer holders of any Share Classes a free transfer into the same Share Class of other Funds. As an alternative, subject to such prior notice to holders of Shares of all Classes of the relevant Fund, as may be required by law or regulation from time to time, the Directors may arrange for a Fund to be merged with another Fund of the Company or with another UCITS. Any such merger will be binding on the holders of the Share Classes of that Fund.

A Fund may be terminated or merged in circumstances other than those mentioned above with the consent of a majority of the Shares present or represented at a meeting of all shareholders of the Share Classes of that Fund (at which no quorum requirement will apply). To the extent applicable, where a Fund is terminated the redemption price payable on termination will be calculated on a basis reflecting the realisation and liquidation costs on terminating the Fund and no redemption charge may be made in respect of any such redemption. Where a Fund is merged, the redemption price payable on a merger will only reflect transaction costs.

The shareholders of a Fund may request the convening of a general meeting by a requisition of shareholders representing at least one tenth of the outstanding shares of such Fund to dissolve such Fund. The quorum required to conduct business at a meeting of shareholders of a Fund is at least one half of the outstanding shares of such Fund. If this quorum is not reached, a second shareholder meeting with the same agenda will be convened, in the same form than the initial meeting was convened and at such reconvened meeting, no presence quorum will be required. Each share is entitled to one vote. Shareholders may act either in person or by giving a proxy in writing or by facsimile transmission to another person who needs not be a shareholder. Unless otherwise provided for by law or herein, resolutions of the general meeting of shareholders of a Fund are passed by a simple majority vote of the shareholders present or represented of such Fund.

The Directors have power to suspend dealings in the Shares linked to any Fund where it is to be terminated or merged in accordance with the above provisions. Such suspension may take effect at any time after the notice has been given by the Directors as mentioned above or, where the termination or merger requires the approval of a meeting of holders, after the passing of the relevant resolution. Where dealings in the Shares of the Fund are not suspended, the prices of Shares may be adjusted to reflect the anticipated realisation and liquidation costs or transaction costs mentioned above.

#### Valuation Arrangements

9. Under the Articles, for the purpose of determining the issue and redemption price per Share, the net asset value of Shares shall be determined as to the Shares of each Share Class by the Company from time to time, but in no instance less than twice monthly, as the Directors may direct.

10. The Directors' policy is normally to deal with requests received before 12 noon Luxembourg time on a Dealing Day on that day; other requests are normally dealt with on the next Dealing Day. Forward dated requests will not be accepted and will be rejected or processed on the next Dealing Day at the discretion of the Directors.

#### Net Asset Value and Price Determination

11. All prices for transactions in Shares on a Dealing Day are based on the Net Asset Value per Share of the Share Classes concerned, as shown by a valuation made at a time or times determined by the Directors. The Directors currently operate "forward pricing" for all Funds and Share Classes, i.e., prices are calculated on the Dealing Day concerned after the closing time for acceptance of orders (see Section "Dealing in Fund Shares, Daily Dealing"). Prices in respect of a Dealing Day are normally published on the next Business Day. Neither the Company nor the Depositary can accept any responsibility for any error in publication or for non-publication of prices or for any inaccuracy of prices so published or quoted. Notwithstanding any price quoted by the Company, by the Depositary or by any distributor, all transactions are effected strictly on the basis of the prices calculated as described above. If for any reason such prices are required to be recalculated or amended, the terms of any transaction effected on the basis of them will be subject to correction and, where appropriate, the investor may be required to make good any underpayment or reimburse any overpayment as appropriate. Periodic valuations of holdings in any Fund or Share Class may be supplied by arrangement with the local Investor Servicing teams.
12. The Net Asset Value of each Fund, calculated in its Base Currency, is determined by aggregating the value of securities and other assets of the Company allocated to the relevant Fund and deducting the liabilities of the Company allocated to that Fund. The Net Asset Value per Share of the Share Classes of a particular Fund will reflect any adjustment to the Net Asset Value of the relevant Fund described in paragraph 16.3 below and will differ as a result of the allocation of different liabilities to those Classes (see Section "Fees, Charges and Expenses") and as a result of dividends paid.

The value of all securities and other assets forming any particular Fund's portfolio is determined by the last known prices upon close of the exchange on which those securities or assets are traded or admitted for trading. For securities traded on markets closing after the time of the valuation, last known prices as of this time or such other time may be used. If net transactions in Shares of the Fund on any Dealing Day exceed the threshold referred to in paragraph 16.3 below, then additional procedures apply. The value of any securities or assets traded on any other regulated market is determined in the same way. Where such securities or other assets are quoted or dealt in on or by more than one stock exchange or regulated market the Directors may in their discretion select one of such stock exchanges or regulated markets for such purposes.

Where possible, swaps are marked to market based upon daily prices obtained from third party pricing agents and verified against the quotations of the actual market maker. Where third party prices are not available, swap prices are based upon daily quotations available from the market maker.

13. The value of any investment which is a unit of or participation in an open-ended collective investment scheme/mutual fund shall be calculated at the latest available net asset value of such unit/participation or the estimated net asset value of such unit/participation (whichever is the more recent) in accordance with the requirements of the scheme/fund of which the relevant investment is a unit/participation.
14. If a security is not traded on or admitted to any official stock exchange or any regulated market, or in the case of securities so

traded or admitted the last known price is not considered to reflect their true value, the Directors will value the securities concerned with prudence and in good faith on the basis of their expected disposal or acquisition price. Cash, bills payable on demand and other debts and prepaid expenses are valued at their nominal amount, unless it appears unlikely that such nominal amount is obtainable.

15. If in any case a particular value is not ascertainable by the methods outlined above, or if the Directors consider that some other method of valuation more accurately reflects the fair value of the relevant security or other asset for the purpose concerned, the method of valuation of the security or asset will be such as the Directors in their absolute discretion decide. Discrepancies in the value of securities may result, for example, where the underlying markets are closed for business at the time of calculating the Net Asset Value of certain Funds. In such cases the Directors may set specific thresholds that, where exceeded, result in adjustment to the value of these securities to their fair value by applying a specific index adjustment. Additionally, where governments chose to impose fiscal or transaction charges on foreign investment the Directors may adjust the Net Asset Value to reflect such charges.
- 16.1 Under current procedures adopted by the Directors the price for all Share Classes of any Fund is the Net Asset Value per relevant Class of that Fund calculated to the nearest currency unit of the relevant Dealing Currency.
- 16.2 For those Funds with more than one Dealing Currency, the additional Dealing Currency prices are calculated by converting the price at the relevant spot exchange rate at the time of valuation.
- 16.3 The Directors may adjust the Net Asset Value per Share for a Fund in order to reduce the effect of "dilution" on that Fund. Dilution occurs when the actual cost of purchasing or selling the underlying assets of a Fund deviates from the carrying value of these assets in the Fund's valuation, due to factors such as dealing and brokerage charges, taxes and duties, market movement and any spread between the buying and selling prices of the underlying assets. Dilution may have an adverse effect on the value of a Fund and therefore impact shareholders. By adjusting the Net Asset Value per Share this effect can be reduced or prevented and shareholders can be protected from the impact of dilution. The Directors may adjust the Net Asset Value of a Fund if on any Dealing Day the value of the aggregated cash flows of all Share Classes of that Fund results in a net increase or decrease which exceeds one or more thresholds that are set by the Directors for that Fund. The amount by which the Net Asset Value of a Fund may be adjusted on any given Dealing Day is related to the anticipated cost of market dealing for that Fund. In such circumstances the Net Asset Value of the relevant Fund may be adjusted by an amount not exceeding 1.50%, or 3% in the case of fixed income Funds, of that Net Asset Value. Under exceptional circumstances the Directors may, in the interest of Shareholders, decide to temporarily increase the maximum swing factor indicated above and inform investors thereof. The adjustment will be an addition when the net movement results in an increase in the value of all Shares of the Fund and a deduction when it results in a decrease. As certain stock markets and jurisdictions may have different charging structures on the buy and sell sides, particularly in relation to duties and taxes, the resulting adjustment may be different for net inflows than for net outflows. In addition, the Directors may also agree to include extraordinary fiscal charges in the amount of the adjustment. These extraordinary fiscal charges vary from market to market and are currently expected not to exceed 2.5% of that Net Asset Value. Where a Fund invests primarily in certain asset types, such as government bonds or money market securities, the Directors may decide that it is not appropriate to make such an adjustment. Shareholders should note that due to adjustments being made to the Net Asset Value per Share, the volatility of a Fund's Net Asset Value per Share may not fully reflect the true performance of the Fund's underlying assets.

### Redemption Charges

- The Directors are entitled to levy a discretionary redemption charge on shareholders of all Share Classes where they believe that excessive trading is being practised.

### Conversion

- The Articles allow the Directors on issuing new Share Classes to impose such rights of conversion as they determine, as described in paragraph 6. above. The basis of all conversions is related to the respective Net Asset Values per Share of the relevant Class of the two Funds concerned.
- The Directors have determined that the number of Shares of the Class into which a shareholder wishes to convert his existing Shares will be calculated by dividing (a) the value of the number of Shares to be converted, calculated by reference to the Net Asset Value per Share by (b) the Net Asset Value per Share of the new Class. This calculation will be adjusted where appropriate by the inclusion of a conversion charge (see paragraph 20. below).

The Net Asset Value(s) per Share used in this calculation may reflect any adjustment(s) to the Net Asset Value(s) of the relevant Fund(s) described in paragraph 16.3 above.

- Conversions are permitted between different Share Classes of the same Fund or of different Funds, subject to the limitations set out under the Section "Switching Between Funds and Share Classes" and provided investors and/or the holding (as appropriate) meet the specific eligibility criteria for each Share Class set out above (see "Classes and Form of Shares").

Selected distributors may impose a charge on each conversion of those Shares acquired through it, which will be deducted at the time of conversion and paid to the relevant distributor. While other conversions between the same Share Class of two Funds are normally free of charge, the Management Company may, at its discretion (and without prior notice), make an additional conversion charge which would increase the amount paid up to a maximum of 2% if excessively frequent conversions are made. Any such charges will be deducted at the time of conversion and paid to the relevant Fund.

The Directors reserve the right to waive or vary these requirements and also to amend their policy if they consider it appropriate to do so, either generally or in particular circumstances.

### Settlement on Redemptions

- Payment of an amount to a single shareholder in excess of USD500,000 may be deferred for up to seven Business Days beyond the normal settlement date. The redemption price may be payable in specie as explained in paragraph 23. below. Failure to meet money laundering prevention or international financial sanctions requirements may result in the withholding of redemption proceeds. The Company reserves the right to extend the period of payment of redemption proceeds to such period, not exceeding eight Business Days, as shall be necessary to repatriate proceeds of the sale of investments in the event of impediments due to exchange control requirements or similar constraints in the markets in which a substantial part of the assets of the Company are invested or in exceptional circumstances where the liquidity of the Company is not sufficient to meet the redemption requests.

### In Specie Applications and Redemptions

- The Management Company may accept subscriptions in specie, or partly in cash and in specie, subject always to the minimum initial subscription amounts and the additional subscription amounts and provided further that the value of such subscription in specie (after deduction of any relevant charges and expenses) equals the subscription price of the Shares. The securities contributed in specie must comply with the investment policy and restrictions of the relevant Fund. Such securities will be valued on the relevant

Dealing Day and, in accordance with Luxembourg law, may be subject to a special report of the Auditor. The Fund will not bear the costs of this report.

- The Management Company may, subject to the prior consent of a shareholder and to the minimum dealing and holding amounts, effect a payment of redemption proceeds in specie by allocating to the shareholder investments from the portfolio of the relevant Fund equal in value (calculated in the manner referred to in paragraphs 12. to 14. above) to the price of the relevant Shares to be redeemed. The nature and type of asset to be transferred in such case will be determined on an equitable basis and without prejudicing the interests of the other holders of Shares of the same Class and will be valued on the relevant Dealing Day. In accordance with Luxembourg law, such valuation may be subject to a special report of the Auditor. The Fund will not bear the costs of this report. In specie applications and redemptions may attract transaction taxes depending on the assets in question. In the case of an in-specie redemption these taxes will be at the charge of the investor. Investors should inform themselves of, and when appropriate consult their professional advisers on, the possible tax consequences of redeeming their shareholding in this way, under the laws of their country of citizenship, residence or domicile. Investors should note that the levels and bases of, and relief from, taxation can change.

In specie applications and redemptions may not always be possible, practicable or cost efficient and may have an adverse impact on existing shareholders. The Management Company has sole discretion to refuse requests for in specie applications and redemptions.

### Dealings in Shares by the Principal Distributor

- The Principal Distributor may as principal acquire and hold Shares and may at its sole discretion satisfy, in whole or in part, an application or request for the issue, redemption or conversion of such Shares by selling Shares to and/or buying them from the applicant, as appropriate, provided that the applicant consents to such transaction. Shareholders will be deemed to have consented to deal with the Principal Distributor unless they have expressly informed the Transfer Agent or the local Investor Servicing teams to the contrary. Any such transaction will be effected on the same terms as to price and settlement as would have applied in the case of a corresponding issue, redemption or conversion of Shares (as relevant) by the Company. The Principal Distributor is entitled to retain any benefit arising from these transactions.

### Default in Settlement

- Where an applicant for Shares fails to pay settlement monies on subscription or to provide a completed application form for an initial application by the due date, the Directors may cancel the allotment or, if applicable, redeem the Shares. Redemption or conversion instructions may be refused or treated as though they have been withdrawn if payment for the Shares has not been made or a completed initial application form has not been received by the Company. In addition, no dealings will be effected following a conversion instruction and no proceeds will be paid on a redemption until all documents required in relation to the transaction have been provided to the Company. **An applicant may be required to indemnify the Company or, as described below, the Principal Distributor against any losses, costs or expenses incurred directly or indirectly as a result of the applicant's failure to pay for Shares applied for or to lodge the required documents by the due date.**

In computing any losses covered under this paragraph 25., account shall be taken, where appropriate, of any movement in the price of the Shares concerned between the transaction date and cancellation of the transaction or redemption of the Shares, and of the costs incurred by the Company or, if applicable, the Principal Distributor in taking proceedings against the applicant.



The Principal Distributor has agreed to exercise its discretion to take steps to avoid the Company suffering losses as a result of late settlement by any applicant. In cases where payment for Shares is not made on a timely basis, the Principal Distributor may assume ownership of the Shares and it shall also have the right to give instructions to the Company to make any consequent alterations in its register of shareholders, delay the completion of the relevant transaction, redeem the Shares in question, claim indemnification from the applicant and/or take proceedings to enforce any applicable indemnity, all to the same extent that the Company itself may do so.

The Company has instructed the Depository that any interest benefit that may arise as a result of the early settlement of Share subscriptions and late clearance of redemption proceeds may be set off against any interest obligation that the Principal Distributor may incur as a result of its arrangements to protect the Company from losses from the late settlement of Share subscriptions. The Principal Distributor will benefit from interest earned on any balances held in client money accounts. No interest is paid to shareholders by the Principal Distributor in respect of amounts relating to individual transactions.

### Compulsory Redemption

26. If at any time the Net Asset Value of the Company is less than USD100 million (or equivalent), all Shares not previously redeemed may be redeemed by notice to all shareholders. There is a similar power to redeem Shares of any Class if the Net Asset Value of the Fund to which that Class is linked falls below USD50 million (or equivalent), or in the circumstances described in paragraphs 3., 4. and 8. above.

### Limits on Redemption and Conversion

27. The Company will not be bound to redeem or convert on any one Dealing Day more than 10% of the value of Shares of all Classes of a Fund then in issue or deemed to be in issue, as described in paragraph 30. below.

Where the aggregate value of an instruction for the redemption of Shares or an instruction to convert by a single investor (or associate investors) exceeds 10% of the Net Asset Value of the Fund concerned, the investor(s) must submit an instruction for the redemption or conversion (as applicable) to the Transfer Agent or the local Investor Servicing teams by the Cut-Off Point at least one Business Day in advance of the required Dealing Day.

### Suspension and Deferrals

28. Valuations (and consequently issues, redemptions and conversions) of a Fund may be suspended in certain circumstances including:

- ▶ the closure (otherwise than for ordinary holidays) of or suspension or restriction of trading on any stock exchange or market on which are quoted a substantial proportion of the investments held in that Fund;
- ▶ the existence of any state of affairs which constitutes an emergency as a result of which disposals or valuation of assets owned by the Company attributable to such Fund would be impracticable;
- ▶ any breakdown in the means of communication normally employed in determining the price or value of any of the investments of such Fund or the current price or values on any stock exchange or other market;
- ▶ any period when the Company is unable to repatriate funds for the purpose of making payments on the redemption of such Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due

on redemption of shares cannot in the opinion of the directors be effected at normal rates of exchange;

- ▶ where notice has been given or a resolution passed for the closure or merger of a Fund as explained in paragraph 8.; and
- ▶ in respect of a suspension of the issuing of Shares only, any period when notice of winding up of the Company as a whole has been given.

29. Each period of suspension shall be published, if appropriate, by the Company. Notice will also be given to any shareholder lodging a request for redemption or conversion of Shares.

30. The Company will also not be bound to accept instructions to subscribe for and will be entitled to defer instructions to redeem or convert any Shares of a Fund on any one Dealing Day if there are redemption or outgoing conversion orders that day for all Share Classes of that Fund with an aggregate value exceeding a particular level (currently fixed at 10%) of the approximate value of that Fund. Where the aggregate value of any application(s) for Shares by a single investor (or associate investors) exceeds 10% of the Net Asset Value of the Fund concerned, the investor(s) must submit a subscription form (for a subsequent investment into a Fund or an initial application for Shares) to the Transfer Agent or the local Investor Servicing teams by the Cut-Off Point at least one Business Day in advance of the required Dealing Day. In addition, the Company may defer redemptions and conversions in exceptional circumstances that may, in the opinion of the Directors, adversely affect the interests of holders of any Class or Share Classes of that Fund. In either case, the Directors may declare that redemptions and conversions will be deferred until the Company has executed, as soon as possible, the necessary realisation of assets out of the Fund concerned or until the exceptional circumstances cease to apply. Redemptions and conversions so deferred will be done on a pro rata basis and will be dealt with in priority to later requests.

31. During a period of suspension or deferral a shareholder may withdraw his request, in respect of any transaction which is deferred or suspended, by notice in writing to the Company. Such notice will only be effective if received before the transaction is effected.

Shareholders may not redeem a holding of the Company's Shares unless and until cleared funds have been received by the Company in respect of that holding.

### Transfers

32. The transfer of registered shares may normally be effected by delivery to the Transfer Agent of an instrument of transfer in appropriate form. If a transfer or transmission of Shares results in a holding on the part of the transferor or the transferee having a value of less than the prescribed minimum (as set out under the section entitled "Minimum Subscription") the Directors may require the holding to be redeemed.

### Probate

33. Upon the death of a shareholder, the Directors reserve the right to require the provision of appropriate legal documentation to evidence the rights of the shareholder's legal successor. Upon the death of a shareholder whose investment is held jointly with another shareholder, where permitted by applicable law, ownership of the investment will be transferred to the name of the surviving shareholder.

### Dividends

34. The Articles impose no restriction on dividends other than the requirement to maintain the statutory minimum level of capital (currently the equivalent of €1,250,000). The Directors have the power to pay interim dividends in respect of any Fund. The current



## Appendix B

dividend policy of the Directors is explained in the Section "Dividends".

If a dividend has been declared but not paid, and no coupon has been tendered for such dividend within a period of five years, the Company is entitled under Luxembourg law to declare the dividend forfeited for the benefit of the Fund concerned. The Directors have, however, resolved as a matter of policy not to exercise this right for at least twelve years after the relevant dividend is declared. This policy will not be altered without the sanction of the shareholders in general meeting.

### Changes of Policy or Practice

35. Except as otherwise provided in the Articles, and subject to any legal or regulatory requirements, the Directors reserve the right to amend any practice or policy stated in this Prospectus. The Management Company may, in the interests of shareholders and subject to the discretion of the Directors, vary or waive the operational procedures of the Company.

### Intermediary Arrangements

36. Where Shares are issued by the Company to financial institutions (or their nominees) which act as intermediaries, the benefits and obligations described in this Prospectus may be applied by the Company to each of the intermediary's clients as if such client were a direct shareholder.

## Appendix C – Additional Information

### The Company

1. The Company is registered under Section B, Number 171278 at the Register of Commerce and Companies of Luxembourg where its Articles are available for inspection and where copies thereof may be obtained upon request (and see also paragraph 23. below).
2. The Company's constitution is defined in the Articles.

### Directors' Remuneration and Other Benefits

3. The Articles contain no express provision governing the remuneration (including pension or other benefits) of the Directors. The Directors (who are not employees of the BlackRock Group) receive fees and out-of-pocket expenses which are paid out of the Annual Service Charge. For Directors who are not employees of the BlackRock Group, the annual fees received by them are disclosed in the annual report of the Company.

### Auditor

4. The Company's auditor is Deloitte Audit Sàrl.

### Administrative Organisation

#### 5. The Investment Advisers

The Management Company is entitled to delegate its investment management functions to any of its subsidiaries or associates and any other person. The Management Company has delegated some functions to the Investment Advisers as described in the Section "Investment Management of the Funds".

#### 6. The Principal Distributor

BlackRock Investment Management (UK) Limited is the Principal Distributor and was incorporated with limited liability in England on 16th May 1986 for an unlimited period. The directors of the Principal Distributor are: N J Charrington, R A Damm, E J de Freitas, J E Fishwick, P M Olson, C R Thomson, R M Webb, M A Young and R Lord. The Management Company has entered into an agreement with the Principal Distributor for the provision of distribution, promotion and marketing services.

The registered office of the Principal Distributor is at 12 Throgmorton Avenue, London EC2N 2DL, UK. The Principal Distributor is regulated by the Financial Conduct Authority.

The Principal Distributor has appointed BlackRock (Channel Islands) Limited, a company incorporated with limited liability in Jersey on 10th August 1972 for an unlimited period ("BCI") to carry out certain administration services. The directors of BCI are: E A Bellew, D McSparran, Neeral Patel, Mark Wanless and Grant Collins. The registered office of BCI is at Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, Channel Islands, JE4 0QH.

#### 7. Investor Servicing

The Management Company has entered into an Agreement with various BlackRock Group companies for the provision of dealing facilities and related investor support functions.

#### 8. The Depositary

The Company has appointed State Street Bank International GmbH, acting through its Luxembourg Branch as its Depositary within the meaning of the 2010 Law pursuant to the Depositary Agreement. State Street Bank International GmbH is a limited liability company organized under the laws of Germany, having its registered office at Brienner Str. 59, 80333 München, Germany and registered with the commercial register court, Munich under number HRB 42872. It is a credit institution supervised by the European Central Bank (ECB), the German Federal Financial Services Supervisory Authority (BaFin) and the German Central Bank. State Street Bank International GmbH, Luxembourg Branch is authorized by the CSSF in Luxembourg to act as depositary and

is specialized in depositary, fund administration, and related services. State Street Bank International GmbH, Luxembourg Branch is registered in the Luxembourg Commercial and Companies' Register (RCS) under number B 148 186. State Street Bank International GmbH is a member of the State Street group of companies having as their ultimate parent State Street Corporation, a US publicly listed company

### Depositary's functions

The relationship between the Company and the Depositary is subject to the terms of the Depositary Agreement. Under the terms of the Depositary Agreement, the Depositary is entrusted with following main functions:

- ▶ ensuring that the sale, issue, repurchase, redemption and cancellation of Shares/Units are carried out in accordance with applicable law and the management regulations/articles of incorporation.
- ▶ ensuring that the value of the Shares/Units is calculated in accordance with applicable law and the management regulations/articles of incorporation.
- ▶ carrying out the instructions of the Management Company/ the Company unless they conflict with applicable law and the management regulations/articles of incorporation.
- ▶ ensuring that in transactions involving the assets of the Company any consideration is remitted within the usual time limits.
- ▶ ensuring that the income of the UCITS is applied in accordance with applicable law and the management regulations/articles of incorporation.
- ▶ monitoring of the Company's cash and cash flows
- ▶ safe-keeping of the Company's assets, including the safekeeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

### Depositary's liability

In the event of a loss of a financial instrument held in custody, determined in accordance with the UCITS Directive, and in particular Article 18 of the UCITS Directive, the Depositary shall return financial instruments of identical type or the corresponding amount to the Company acting on behalf of the Company without undue delay.

The Depositary shall not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments held in custody, the Shareholders may invoke the liability of the Depositary directly or indirectly through the Company provided that this does not lead to a duplication of redress or to unequal treatment of the Shareholders.

The Depositary will be liable to the Company for all other losses suffered by the Company as a result of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Depositary shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Depositary of its duties and obligations.

### Delegation

The Depositary has full power to delegate the whole or any part of its safe keeping functions, but its liability will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping. The Depositary's liability shall not be affected by any delegation of its safe-keeping functions under the Depositary Agreement.

The Depositary has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to State Street Bank and Trust Company with registered office at One Congress Street, Suite 1, Boston, MA 02114-2016, USA, whom it has appointed as its global sub-custodian. State Street Bank and Trust Company as global sub-custodian has appointed local sub-custodians within the State Street Global Custody Network.

Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are available at the registered office of the Company or at the following internet site:

<https://www.statestreet.com/disclosures-and-disclaimers/lu/subcustodians> [statestreet.com].

### Conflicts of Interest

The Depositary is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Conflicts of interest arise where the Depositary or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Such activities may include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Company;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Company either as principal and in the interests of itself, or for other clients.

In connection with the above activities the Depositary or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Company, the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments as principal acting in its own interests, the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken, including based upon information in its possession that is not available to the Company;
- (iv) may provide the same or similar services to other clients including competitors of the Company;
- (v) may be granted creditors' rights by the Company which it may exercise.

The Company may use an affiliate of the Depositary to execute foreign exchange, spot or swap transactions for the account of the

Company. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Company. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Company. The affiliate shall enter into such transactions on the terms and conditions agreed with the Company.

Where cash belonging to the Company is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as trustee.

The Management Company may also be a client or counterparty of the Depositary or its affiliates.

Potential conflicts that may arise in the Depositary's use of sub-custodians include four broad categories:

- (i) conflicts from sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives and (b) broad two-way commercial relationships in which the Depositary may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;
- (ii) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;
- (iii) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Depositary as its counterparty, which might create incentive for the Depositary to act in its self-interest, or other clients' interests to the detriment of clients; and
- (iv) sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

In carrying out its duties the Depositary shall act honestly, fairly, professionally, independently and solely in the interests of the Company and its Shareholders.

The Depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the depositary issues to be properly identified, managed and monitored. Additionally, in the context of the Depositary's use of sub-custodians, the Depositary imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians to ensure a high level of client service by those agents. The Depositary further provides frequent reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Depositary internally separates the performance of its custodial tasks from its proprietary activity and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

Up-to-date information on the Depositary, its duties, any conflicts that may arise, the safe-keeping functions delegated by the depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Shareholders on request.

## 9. The Fund Accountant

The Management Company has entered into an agreement with State Street Bank International GmbH (the "Fund Accountant") whereby the Fund Accountant has agreed to provide fund accounting, Net Asset Value determination and services related to these functions. Subject to Luxembourg law and regulation the

Fund Accountant is entitled to delegate specific functions to any other person, firm or company (with the approval of the Management Company and the regulatory authority).

10. **The Transfer Agent**

The Management Company has entered into a Transfer Agency Agreement with the Transfer Agent whereby the Transfer Agent has agreed to provide all necessary transfer agency functions including application and transaction processing, maintaining the share register, and services related to these functions.

11. **Relationship of Depositary and Fund Accountant with BlackRock Group**

The Depositary's and Fund Accountant's associates provide custody and fund accounting services to BlackRock Investment Management (UK) Limited and some of its associates in respect of their investment management business generally.

12. **The Paying Agents**

The Company has appointed the following paying agents:

*Austria*

Raiffeisen Bank International AG  
Am Stadtpark 9  
1030 Vienna

*Luxembourg*

(Central Paying Agent)  
J.P. Morgan SE, Luxembourg Branch  
European Bank & Business Centre  
6C, route de Trèves  
L-2633, Senningerberg

*Switzerland*

State Street Bank International GmbH Munich,  
Zurich branch  
Beethovenstrasse 19  
CH-8027 Zurich

*United Kingdom*

J.P. Morgan Europe Limited  
UK Paying Agency  
3 Lochside View  
Edinburgh  
United Kingdom  
EH12 9DH

*Denmark*

BlackRock Copenhagen Branch  
Harbour House  
Sundkrogsgade 21  
Copenhagen  
DK- 2100

*France*

CACEIS Bank France  
1-3 Place Valhubert  
75013 Paris

*Ireland*

J.P. Morgan  
200 Capital Dock  
79 Sir John Rogerson's Quay  
Dublin 2  
D02 RK57  
Ireland

*Sweden*

BlackRock Investment Management (UK) Limited Stockholm Filial  
Norrländsgatan 16  
111 43 Stockholm

*Belgium*

J.P. Morgan Chase Bank N.A.,  
Brussels Branch  
1 Boulevard du Roi Albert II  
Brussels  
B1210-Belgium

*Germany*

J.P. Morgan AG  
CIB / Investor Services – Trustee & Fiduciary  
Taunustor 1 (TaunusTurm)  
60310 Frankfurt am Main  
Germany

**Fees, Charges and Expenses**

13. The Management Company is remunerated from the management fees based on the Net Asset Value of each Fund, at an annual rate as shown in Appendix E.
14. The Depositary receives a fee in respect of each Fund. These fees are to remunerate the Depositary for safekeeping and transaction costs applicable to each Fund. These fees will vary in respect of each Fund depending on the value of assets under management and the volume of trading in that Fund.

The Depositary receives annual fees, based on the value of securities, which accrue daily, plus transaction fees. The annual custody safekeeping fees range from 0.005% to 0.40% per annum and the transaction fees range from USD5 to USD75 per transaction. The rates for both categories of fees will vary according to the country of investment and, in some cases, according to asset class. Investments in bonds and developed equity markets will be at the lower end of these ranges, while some investments in emerging or developing markets will be at the upper end. Thus, the custody cost to each Fund will depend on its asset allocation at any time.

The Company pays an Annual Service Charge of up to 0.15% per annum. The level of the Annual Service Charge may vary at the Directors' discretion, as agreed with the Management Company, across Funds and Classes. The Annual Service Charge accrues daily, are based on the Net Asset Value of the relevant Class and are paid monthly. The Annual Service Charge comprise without limitation all operational costs and expenses incurred by the Company, with the exception of the fees of the Depositary securities lending fees, any fees arising from borrowings (including for the avoidance of doubt fees to professional advisers and any commitment fee that may be due to the lender), any costs relating to EU and non-EU withholding tax reclaims (plus and any taxes thereon) and any taxes at an investment or Company level. The Annual Service Charge shall not exceed 0.15% per annum and any costs and expenses in excess shall be borne by a BlackRock Group Company. For further details, please see Section "Fees, charges and expenses".

15. The Principal Distributor is entitled to receive:
- 15.1 the initial charge of up to 5% of the price of the Class A Shares, Class N Shares, Class D Shares and Class F Shares issued, where levied.
16. Subject to the approval of the Directors, the combined Management Fee and Annual Service Charge for any Fund may be increased up to a maximum of 2.25% in total by giving Shareholders at least three months' prior notice. Any increase to the combined Management Fee and Annual Service Charge above this level would require approval of Shareholders at an

extraordinary general meeting. At least one month's notice will be given to Shareholders of any increase in the rates of other fees and charges specified in this Prospectus, unless prior Shareholder consent is required under the Company's Articles when at least one month's notice will be given from the date of such consent.

17. The Principal Distributor is entitled, at its sole discretion and without recourse or cost to the Company but subject always to any applicable legislation, to waive any initial charge, in whole or in part, or determine to make a rebate payment in respect of the payment of any fees charged in respect of any holding of Shares to any investor (including discounts on charges to directors and employees of the Principal Distributor and its affiliates in the BlackRock Group) or its distributors, authorised intermediaries or other agents in respect of any subscriptions for, redemption or holdings of, Shares.

Rebates of any annual management fee will not exceed the amount of the annual management fee for each Fund as set out in Appendix E and will vary depending on the share class concerned. Rebates are not available for all share classes.

The terms of any rebate will be agreed between the Principal Distributor and the relevant investor from time to time. If so, required by applicable rules, the investor shall disclose to any underlying clients the amount of any rebate on the annual management fee it receives from the Principal Distributor. The Management Company shall also disclose to Shareholders, upon request, details of any rebate paid by the Principal Distributor to an authorised intermediary in connection with a holding of Shares where the authorised intermediary has acted on behalf of that Shareholder. Payment of such rebates is subject to the Management Company and the Principal Distributor receiving their fees and charges from the Company.

MiFID II introduces restrictions on the receipt and retention of fees, commissions, monetary and non-monetary benefits ("inducements") where firms, regulated by MiFID II, provide clients with portfolio management services or independent investment advice. It also introduces obligations where firms provide clients with other services (such as execution services or restricted investment advice). In such cases, where a firm receives and retains an inducement, it must ensure that the receipt and retention of the inducement is designed to enhance the quality of the relevant service to the client. Where authorised intermediaries are subject to MiFID II and receive and/or retain any inducements, they must ensure that they comply with all applicable legislation, including, those introduced by MiFID II.

18. If a Fund is closed at a time when any expenses previously allocated to that Fund have not been amortised in full, the Directors shall determine how the outstanding expenses should be treated, and may, where appropriate, decide that the outstanding expenses should be met by the Fund as a liquidation expense.

19. Italian investors subscribing for Shares through Regular Savings Plans should refer to the subscription form for Italy for further details on the initial charge.

**20. Conflicts of Interest**

The Management Company and other BlackRock Group companies undertake business for other clients. BlackRock Group companies, their employees and their other clients face conflicts with the interests of the Management Company and its clients. BlackRock maintains a Conflicts of Interest Policy. It is not always possible for the risk of detriment to a client's interests to be entirely mitigated such that, on every transaction when acting for clients, a risk of detriment to their interests does not remain.

The types of conflict scenario giving rise to risks which BlackRock considers it cannot with reasonable confidence mitigate are

disclosed below. This document, and the disclosable conflict scenarios, may be updated from time to time.

**21. Conflicts of interest of the Management Company**

*Provider Aladdin*

BlackRock Group uses Aladdin software as a single technology platform across its investment management business. Custodial and fund administration service providers may use Provider Aladdin, a form of Aladdin software, to access data used by the Investment Adviser and Management Company. Each service provider remunerates BlackRock Group for the use of Provider Aladdin. A potential conflict arises whereby an agreement by a service provider to use Provider Aladdin incentivises the Management Company to appoint or renew appointment of such service provider. To mitigate the risk, such contracts are entered on an 'arm's length' basis.

*Distribution Relationships*

The Principal Distributor may pay third parties for distribution and related services. Such payments could incentivise third parties to promote the Company to investors against that client's best interests. BlackRock Group companies comply with all legal and regulatory requirements in the jurisdictions in which such payments are made.

*Dealing Costs*

Dealing costs are created when investors deal into and out of the Company. There is a risk that other clients of the Company bear the costs of those joining and leaving. BlackRock Group has policies and procedures in place to protect investors from the actions of others including anti-dilution controls.

**22. Conflicts of Interest of the Investment Adviser**

*Commissions & Research*

Where permitted by applicable regulation (excluding, for the avoidance of doubt, any Funds which are in scope for MiFID II), certain BlackRock Group companies acting as investment manager to the Funds may use commissions generated when trading equities with certain brokers in certain jurisdictions to pay for external research. Such arrangements may benefit one Fund over another because research can be used for a broader range of clients than just those whose trading funded it. BlackRock Group has a Use of Commissions Policy designed to ensure compliance with applicable regulation and market practice in each region.

*Timing of Competing Orders*

When handling multiple orders for the same security in the same direction raised at or about the same time, the Investment Adviser seeks to achieve the best overall result for each order equitably on a consistent basis taking into account the characteristics of the orders, regulatory constraints or prevailing market conditions. Typically, this is achieved through the aggregation of competing orders. Conflicts of interest may appear if a trader does not aggregate competing orders that meet eligibility requirements or does aggregate orders that do not meet eligibility requirements; it may appear as if one order received preferential execution over another. For a specific trade instruction of the Fund, there may be a risk that better execution terms will be achieved for a different client. For example, if the order was not included in an aggregation. BlackRock Group has Order Handling Procedures and an Investment Allocation Policy which govern sequencing and the aggregation of orders.

*Concurrent Long and Short Positions*



The Investment Adviser may establish, hold or unwind opposite positions (i.e., long and short) in the same security at the same time for different clients. This may prejudice the interests of the Investment Adviser's clients on one side or the other. Additionally, investment management teams across the BlackRock Group may have long only mandates and long-short mandates; they may short a security in some portfolios that are held long in other portfolios. Investment decisions to take short positions in one account may also impact the price, liquidity or valuation of long positions in another client account, or vice versa. BlackRock Group operates a Long Short (side by side) Policy with a view to treating accounts fairly.

#### *Cross Trading - Pricing Conflict*

When handling multiple orders for the same security, the Investment Adviser may 'cross' trades by matching opposing flows to obtain best execution. When crossing orders, it is possible that the execution may not be performed in the best interests of each client; for example, where a trade did not constitute a fair and reasonable price. BlackRock Group reduces this risk by implementing a Crossing Policy.

#### *MNPI*

BlackRock Group companies receive Material Non-Public Information (MNPI) in relation to listed securities in which BlackRock Group companies invest on behalf of clients. To prevent wrongful trading, BlackRock Group erects Information Barriers and restricts trading by one or more investment team(s) concerned in the security concerned. Such restrictions may negatively impact the investment performance of client accounts. BlackRock has implemented a Material Non-Public Information Barrier Policy.

#### *BlackRock's Investment Constraints or Limitations and its Related Parties*

The Company may be restricted in its investment activities due to ownership threshold limits and reporting obligations in certain jurisdictions applying in aggregate to the accounts of clients of the BlackRock Group. Such restrictions may adversely impact clients through missed investment opportunities. BlackRock Group manages the conflict by following an Investment and Trading Allocation Policy, designed to allocate limited investment opportunities among affected accounts fairly and equitably over time.

#### *Investment in Related Party Products*

While providing investment management services for a client, the Investment Adviser may invest in products serviced by BlackRock Group companies on behalf of other clients. BlackRock may also recommend services provided by BlackRock or its affiliates. Such activities could increase BlackRock's revenue. In managing this conflict, BlackRock seeks to follow investment guidelines and has a Code of Business Conduct and Ethics.

For investments in the units of other UCITS and/or other UCIs that are managed, directly or by delegation, by the Management Company itself or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding of more than 10% of the capital or voting rights, no management, subscription or redemption fees may be charged to the Company on its investment in the units of such other UCITS and/or other UCIs.

With reference to Paragraph 3.5 of Appendix A, the Company shall appoint BlackRock Advisors (UK) Limited as securities lending agent, under the terms of a securities lending management agreement, which in turn may sub-delegate the provision of

securities lending agency services to other BlackRock Group companies. BlackRock Advisors (UK) Limited has the discretion to arrange stock loans with highly rated specialist financial institutions (the "counterparties"). Such counterparties can include associates of BlackRock Advisors (UK) Limited. Collateral is marked to market on a daily basis and stock loans are repayable upon demand. Under the terms of the securities lending management agreement, the securities lending agent is appointed to manage the Funds' securities lending activities and is entitled to receive a fee out of the income generated from securities lending. BlackRock Advisors (UK) Limited receives remuneration in relation to its activities above. Such remuneration amounts to 37.5% of the gross revenue from the activities.

#### *Investment Allocation and Order Priority*

When executing a transaction in a security on behalf of a client, it can be aggregated, and the aggregated transaction fulfilled with multiple trades. Trades executed with other client orders result in the need to allocate those trades. The ease with which the Investment Adviser can allocate trades to a certain client's account can be limited by the sizes and prices of those trades relative to the sizes of the clients' instructed transactions. A process of allocation can result in a client not receiving the whole benefit of the best priced trade. The Investment Adviser manages this conflict by following an Investment and Trading Allocation Policy, which is designed to ensure the fair treatment of all clients' accounts over time.

#### *Fund Look Through*

BlackRock Group companies may have an informational advantage when investing in proprietary BlackRock funds on behalf of client portfolios. Such an informational advantage may lead a BlackRock Group company to invest on behalf of its client earlier than the Investment Adviser invests for the Company. The risk of detriment is mitigated through BlackRock Group's pricing of units and anti-dilution mechanisms.

#### *Side-by-Side Management: Performance fee*

The Investment Adviser manages multiple client accounts with differing fee structures. There is a risk that such differences lead to inconsistent performances levels across client accounts with similar mandates by incentivising employees to favour accounts delivering performance fees over flat or non-fee accounts. BlackRock Group companies manage this risk through a commitment to a Code of Business Conduct and Ethics Policy.

#### **Statutory and Other Information**

23. Copies of the following documents (together with a certified translation thereof where relevant) are available for inspection during usual business hours on any weekday (Saturdays and Public Holidays excepted) at the registered office of the Company and at the offices of BlackRock (Luxembourg) S.A., 35A, avenue J. F. Kennedy, L-1855, Luxembourg:

23.1 the Articles; and

23.2 the material contracts entered into between the Company and its functionaries (as varied or substituted from time to time).

A copy of the Articles may be obtained free of charge at the above addresses.

24. Shares in the Company are and will continue to be made widely available. The intended categories of investor include both the general public, professional investors as well as Institutional Investors. Shares in the Company will be marketed and made available sufficiently widely to reach the intended categories of investors and in a manner appropriate to attract these investors.

### Appendix D – Authorised Status

**This Prospectus does not constitute, and may not be used for the purposes of an offer or an invitation to apply for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.**

**The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Accordingly, persons into whose possession this Prospectus comes are required to inform themselves about and observe any restrictions as to the offer or sale of Shares and the distribution of this Prospectus under the laws and regulations of the relevant jurisdiction in connection with any applications for Shares in the Company, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction.**

**In certain jurisdictions no action has been taken or will be taken by the Company that would permit a public offering of Shares where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this Prospectus other than in any jurisdiction where action for that purpose is required. The information below is for general guidance only and it is the responsibility of any investor or distributor to comply with applicable securities laws and regulations.**

#### **Austria**

The Company has notified the Financial Market Authority of its intention to distribute its Shares in Austria pursuant to Article 140 para 1 of the Investment Fund Act 2011 (InvFG 2011). This Prospectus is available in an English language version, which includes additional information for Austrian investors. The KIID/KIDs are also available in German.

#### **Bahrain**

If you are in any doubt about the contents of this Prospectus, you should seek independent professional financial advice. Remember that all investments carry varying levels of risk and that the value of your investment may go down as well as up. Investments in this collective investment undertaking are not considered deposits and are therefore not covered by the Kingdom of Bahrain's deposit protection scheme. The fact that this collective investment undertaking has been authorised by the Central Bank of Bahrain (CBB), does not mean that the CBB takes responsibility for the performance of these investments, nor for the correctness of any statements or representations made by the operator of this collective investment undertaking. The Central Bank of Bahrain and the Bahrain stock exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this document.

#### **Canada**

The Shares have not been, nor will they be, qualified for distribution to the public in Canada as no prospectus for the Fund has been filed with any securities commission or regulatory authority in Canada or any province or territory thereof. This Prospectus is not, and under no circumstances is to be construed, as an advertisement or any other step in furtherance of a public offering of Shares in Canada. No Canadian resident may purchase or accept a transfer of Shares unless it is eligible to do so under applicable Canadian or provincial laws.

#### **Denmark**

Approval has been granted to the Company by the Danish Financial Supervisory Authority (Finanstilsynet) in accordance with Section 18 of the Danish Act on Investment Associations Etc. (Consolidation Act no. 333 of 20 March 2013) to market its Shares to retail investors and professional investors in Denmark. The KIID/KIDs for the Funds approved for marketing in Denmark are available in Danish.

#### **Dubai International Financial Centre (DIFC)**

This Prospectus relates to a Fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any Prospectus or other documents in connection with this Fund. Accordingly, the DFSA has not approved this Prospectus or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it. The Units to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units. If you do not understand the contents of this document, you should consult an authorised financial adviser. This prospectus can be distributed to Professional Clients in and from the DIFC by BlackRock Advisors (UK) Limited - Dubai Branch which is regulated by the Dubai Financial Services Authority ("DFSA"). Where the prospectus or any fund within the prospectus is directed at 'Professional Clients', no other person should rely upon the information contained within it.

#### **Finland**

The Company has notified the Financial Supervision Authority in accordance with Section 127 of the Act on Common Funds (29.1.1999/48) and by virtue of confirmation from the Financial Supervision Authority the Company may publicly distribute its Shares in Finland. Certain information and documents that the Company must publish in Luxembourg pursuant to applicable Luxembourg Law are translated into Finnish and are available for Finnish investors at the offices of the appointed distributors in Finland.

#### **France**

The Company has been authorised by the Autorité des Marchés Financiers (the "AMF") to market certain of its Funds in France. CACEIS Bank will perform the services of Centralising Correspondent in France. This Prospectus is available in a French language version that includes additional information for French investors. The additional information for French investors should be read in conjunction with this Prospectus. Documentation relating to the Company can be inspected at the offices of CACEIS Bank, the registered office of which is at 1/3, place Valhubert, 75013 Paris, France, during normal business hours and copies of the documentation can be obtained from them if required.

#### **Germany**

The German Federal Financial Supervisory Authority has been notified of the intention to distribute certain sub-funds of the Company in the Federal Republic of Germany pursuant to § 310 German Capital Investment Act. The German language prospectus contains additional information for investors in the Federal Republic of Germany.

#### **Ireland**

The requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) having been met, the Central Bank of Ireland has confirmed that the Company may market its Shares in Ireland. J.P. Morgan Administration Services (Ireland) Limited will perform the services of facility agent in Ireland. Documentation relating to the Company can be inspected at J.P. Morgan Administration Services (Ireland) Limited's offices at J.P. Morgan House, International Financial Services Centre, Dublin 1, Ireland during normal business hours and copies of the documentation can be obtained from them if required. J.P. Morgan Administration Services (Ireland) Limited will also forward any redemption or dividend payment requests or any complaints relating to the Company to the Transfer Agent.

#### **Italy**

The Company has notified the intention to market in Italy certain Funds pursuant to article 42 of Legislative Decree no. 58 of 24 February 1998 and implementing regulations. The offering of the Funds can only be carried out by the appointed distributors indicated in the list referred to in the Italian wrapper (Subscription Form) in accordance with the procedures indicated therein. A Shareholder who makes a subscription or a redemption of Shares through the local Paying Agent or other entities responsible for processing Share transactions in Italy may be charged with the expenses linked to the activity carried out by such entities. In Italy,

additional expenses incurred by the Italian Paying Agent(s) or other entities responsible for processing Share transactions for and on behalf of Italian Shareholders (for example for the cost of foreign exchange dealing and for intermediation in payments) may be charged to those Shareholders directly. Further details of any such additional charges will be provided in the Subscription Form for Italy. Investors in Italy may confer on the Italian Paying Agent a specific mandate empowering the latter to act in its own name and on behalf of the same investors. Under this mandate, the Italian Paying Agent in its own name and on behalf of the investors in Italy shall (i) transmit in aggregated form to the Company subscription /redemption/conversion orders; (ii) hold the Shares in the register of Shareholders of the Company and (iii) carry out any other administrative activity under the investment contract. Further details of such mandate will be provided in the subscription form for Italy.

In Italy investors may be able to subscribe for Shares through regular savings plans. Under regular savings plans it may be also possible to periodically/regularly redeem and/or convert the Shares. Details of the regular savings plans facilities offered will be provided in the subscription form for Italy.

#### **Kingdom of Saudi Arabia**

This document may not be distributed in the Kingdom except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

#### **Kuwait**

This Prospectus is not for general circulation to the public in Kuwait. The Company has not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Company in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Company is being made in Kuwait, and no agreement relating to the sale of the Company will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Company in Kuwait.

#### **Netherlands**

The Company may offer its Shares to the public in the Netherlands in accordance with Directive 2009/65/EC on undertakings for collective investment in transferable securities (UCITS), as implemented in the Netherlands Financial Markets Supervision Act (Wet op het financieel toezicht). Dutch translations of the KIDs/KIDS and all information and documents that the Company must publish in Luxembourg pursuant to applicable Luxembourg laws are available from BlackRock Investment Management (UK) Limited, Amsterdam Branch.

#### **Norway**

The Company has notified the Financial Supervisory Authority of Norway (Finanstilsynet) in accordance with applicable Norwegian Securities Funds legislation. By virtue of a confirmation letter sent from the CSSF to the Financial Supervisory Authority on 5 October 2012 the Company may market and sell its Shares in Norway.

#### **Oman**

The information contained in this Prospectus does not constitute a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98). Due to legal restrictions, imposed by the Executive Regulations of the Capital Market Law issued by the Capital Market Authority of the Sultanate of Oman (the "CMA"), this Prospectus is only available to individuals and corporate entities that fall within the description of "sophisticated investors" in Article 139 of the

Executive Regulations to the Capital Market Law. The CMA is not liable for the correctness or adequacy of information provided in this Prospectus or for identifying whether or not the security being offered pursuant to this Prospectus is an appropriate investment for a potential investor. The CMA shall also not be liable for any damage or loss resulting from reliance placed on the Prospectus.

#### **Qatar**

The Shares are only being offered to a limited number of investors who are willing and able to conduct an independent investigation of the risks involved in an investment in such Shares. The Prospectus does not constitute an offer to the public and is for the use only of the named addressee and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee's consideration thereof). The Company has not been and will not be registered with the Qatar Central Bank or under any laws of the State of Qatar. No transaction will be concluded in your jurisdiction and any inquiries regarding the Shares should be made to the Company.

#### **Spain**

The Company is duly registered with the Comisión Nacional de Mercado de Valores in Spain under number 1239.

#### **Sweden**

The Company has notified the Swedish Financial Supervisory Authority in accordance with Chapter 1, section 7 of the Swedish Investment Funds Act 2004 (Sw. lag (2004:46) om investeringsfonder) and by virtue of a confirmation from the Swedish Financial Supervisory Authority, the Company may publicly distribute its Shares in Sweden.

#### **Switzerland**

The Swiss Financial Market Authority FINMA has authorised BlackRock Asset Management Schweiz AG, as the Company's Swiss representative, to publicly distribute the Shares of each of the Company's Funds in or from Switzerland in accordance with Article 123 of the Collective Investment Schemes Act of 23 June 2006. A German language version of this Prospectus is available which also includes the additional information for Swiss investors.

#### **United Arab Emirates (UAE)**

*For Funds registered with the Securities and Commodities Authority in the United Arab Emirates:*

A copy of this Prospectus has been submitted to the Securities and Commodities Authority (the "Authority") in the United Arab Emirates ("UAE"). The Authority assumes no liability for the accuracy of the information set out in this Prospectus, nor for the failure of any persons engaged by the Company in performing their duties and responsibilities. The relevant parties whose names are listed in this Prospectus shall assume such liability, each according to their respective roles and duties.

For investors to which the qualified investor exemption applies: A copy of this Prospectus has been submitted to the Authority in the UAE. The Authority assumes no liability for the accuracy of the information set out in this Prospectus, nor for the failure of any persons engaged by the Company in performing their duties and responsibilities. This document is only intended for those that fall under the definition of "Qualified Investor" as contained within the Authority's Board's Decision No. 9/R.M. of 2016 concerning Mutual Funds Regulations and the Authority's Board Decision No. 3/R.M of 2017 concerning Promoting and Introducing Regulations, which includes: (1) an investor which is able to manage its investments on its own, namely: (a) the federal government, local governments, government entities and authorities or companies wholly-owned by any such entities; (b) international entities and organisations; (c) a person licensed to carry out a commercial activity in the UAE, provided that investment is one of the objects of such person; or (d) a financially sound natural person who acknowledges that their annual income is not less than AED 1 million, that their net equity, excluding their main place of residence, amounts to AED 5 million, and that they, themselves or with the assistance of a financial advisor, has the necessary know-how and experience to assess the offer document and the ensuing benefits and

## Appendix D

risks associated with the investment; or (2) an investor who is represented by an investment manager licensed by the Authority, (each a “**Qualified Investor**”). The relevant parties whose names are listed in this Prospectus shall assume such liability, each according to their respective roles and duties.

*For Funds not registered with the Securities and Commodities Authority in the United Arab Emirates:*

This Prospectus, and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities in the UAE and accordingly should not be construed as such. The Shares are only being offered to a limited number of investors in the UAE who (a) are willing and able to conduct an independent investigation of the risks involved in an investment in such Shares, and (b) upon their specific request. The Shares have not been approved by or licensed or registered with the UAE Central Bank, the Authority or any other relevant licensing authorities or governmental agencies in the UAE. The Prospectus is for the use of the named addressee only, who has specifically requested it without a promotion effected by BlackRock, its promoters or the distributors of its units, and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee’s consideration thereof). No transaction will be concluded in the UAE and any enquiries regarding the Shares should be made to the local Investor Servicing team, telephone: +44 (0)207 743 3300.

For investors to which the qualified investor exemption applies: This Prospectus, and the information contained herein, does not constitute, and is not intended to constitute, a public offer of securities in the UAE and accordingly should not be construed as such. The Shares are only being offered to a limited number of exempt investors in the UAE who fall under one of the following categories of non-natural Qualified Investors: (1) an investor which is able to manage its investments on its own, namely: (a) the federal government, local governments, government entities and authorities or companies wholly-owned by any such entities; (b) international entities and organisations; or (c) a person licensed to carry out a commercial activity in the UAE, provided that investment is one of the objects of such person; or (2) an investor who is represented by an investment manager licensed by the SCA, (each a “**non-natural Qualified Investor**”). The Shares have not been approved by or licensed or registered with the UAE Central Bank, the Authority, the Dubai Financial Services Authority, the Financial Services Regulatory Authority or any other relevant licensing authorities or governmental agencies in the UAE (the “**Authorities**”). The Authorities assume no liability for any investment that the named addressee makes as a non-natural Qualified Investor. The Prospectus is for the use of the named addressee only and should not be given or shown to any other person (other than employees, agents or consultants in connection with the addressee’s consideration thereof).

### USA

The Shares will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”) and may not be directly or indirectly offered or sold in the USA or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of a US Person. The Company will not be registered under the US Investment Company Act of 1940. US Persons are not permitted to own Shares. Attention is drawn to paragraphs 3. and 4. of Appendix B which specify certain compulsory redemption powers and define “US Person”.

### United Kingdom

The contents of this Prospectus have been approved solely for the purposes of section 21 of the UK Financial Services and Markets Act 2000 (the “**Act**”) by the Company’s UK Distributor, BlackRock Investment Management (UK) Limited, 12 Throgmorton Avenue, London EC2N 2DL (which is regulated by the FCA in the conduct of investment business in the UK). The Company has obtained the status of “recognised scheme” for the purposes of the Act. Some or all of the protections provided by the UK regulatory system will not apply to investments in the Company. Compensation under the UK Investors Compensation Scheme will generally not be available. The Company provides the facilities required by the regulations governing such schemes at the offices of BlackRock

Investment Management (UK) Limited which acts as the UK facilities agent. UK investors can contact the UK facilities agent at the above address to obtain details regarding the prices of units, to redeem or arrange for the redemption of Shares, to obtain payment and to make a complaint. Details on the procedure to be followed in connection with the subscription, redemption and switching of Shares are set out in this Prospectus. Copies of the following documents will be available (in English) for inspection and can be obtained at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) free of charge at the above address of the UK Facilities Agent:

1. the Articles;
2. the Prospectus, key investor information document and any supplement or addendum to the Prospectus; and
3. the most recently published annual and half yearly reports relating to the Company;

An applicant for Shares will not have the right to cancel his application under the UK FCA’s Conduct of Business Rules. Further details on the Company can be obtained from the local Investor Servicing team in London, telephone: +44 (0)207 743 3300.

### Generally

The distribution of this Prospectus and the offering of the Shares may be authorised or restricted in certain other jurisdictions. The above information is for general guidance only and it is the responsibility of any persons in possession of this Prospectus and of any persons wishing to make application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions.



## Appendix E – Summary of Charges and Expenses

All Share Classes are also subject to an Annual Service Charge, which may be charged at a rate of up to 0.15% per annum.

No management fees are payable in respect of Class X Shares (instead a fee will be paid to the Investment Advisers or affiliates under an agreement).

iShares World Equity Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.11%
Class D	5.00%	0.15%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

iShares Europe Equity Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.15%
Class D	5.00%	0.15%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

iShares Japan Equity Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.15%
Class D	5.00%	0.15%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

iShares Pacific ex Japan Equity Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.15%
Class D	5.00%	0.15%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

iShares North America Equity Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.15%
Class D	5.00%	0.15%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

iShares Emerging Markets Equity Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.50%
Class N	5.00%	0.20%
Class D	5.00%	0.20%
Class F	5.00%	0.20%
Class I	0.00%	0.20%
Class X	0.00%	0.00%

iShares Euro Government Bond Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.15%
Class D	5.00%	0.10%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

iShares Euro Aggregate Bond Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.05%
Class D	5.00%	0.15%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

iShares Emerging Markets Government Bond Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.20%
Class D	5.00%	0.20%
Class F	5.00%	0.20%
Class I	0.00%	0.20%
Class X	0.00%	0.00%

iShares Global Government Bond Index Fund (LU)	Initial Charge	Management Fee
Class A	5.00%	0.45%
Class N	5.00%	0.15%
Class D	5.00%	0.15%
Class F	5.00%	0.15%
Class I	0.00%	0.15%
Class X	0.00%	0.00%

Note: Subject to the approval of the Directors, the combined Management Fee and Annual Service Charge for any Fund may be increased up to a maximum of 2.25% in total by giving Shareholders three months' prior notice in accordance with paragraph 16. of Appendix C. Any increase above this level would require approval of Shareholders at a general meeting.



Appendix F – Securities Financing Transaction Disclosures

**General**

Securities Financing Transactions (SFTs) such as securities lending, repurchase transactions and total return swaps (TRS) will be used by the Funds at the discretion of the Investment Adviser (subject to their investment objective and policy) either to help meet the investment objective of a Fund and/or as part of efficient portfolio management.

TRSs involve the exchange of the right to receive the total return, coupons plus capital gains or losses, of a specified reference asset, index or basket of assets against the right to make fixed or floating payments. Where relevant, the Funds will enter into swaps as either the payer or receiver of payments under such swaps.

SFTs are defined as:

- (a) a repurchase transaction (which means a transaction governed by an agreement by which a counterparty transfers securities, commodities, or guaranteed rights relating to title to securities or commodities where that guarantee is issued by a recognised exchange which holds the rights to the securities or commodities and the agreement does not allow a counterparty to transfer or pledge a particular security or commodity to more than one counterparty at a time, subject to a commitment to repurchase them, or substituted securities or commodities of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a repurchase agreement for the counterparty selling the securities or commodities and a reverse repurchase agreement for the counterparty buying them”);
- (b) securities lending and securities borrowing (which means transactions governed by an agreement by which a counterparty transfers securities or guaranteed rights relating to title to securities where that guarantee is issued by a recognised exchange which holds the rights to the securities and the agreement does not allow a counterparty to transfer or pledge a particular security to more than one counterparty at a time, subject to a commitment to repurchase them, or substituted securities of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a repurchase agreement for the counterparty selling the securities and a reverse repurchase agreement for the counterparty buying them);
- (c) a buy-sell back transaction or sell-buy back transaction (which means transactions by which a counterparty buys or sells securities, commodities, or guaranteed rights relating to title to securities or commodities, agreeing, respectively, to sell or to buy back securities, commodities or such guaranteed rights of the same description at a specified price on a future date, that transaction being a buy-sell back transaction for the counterparty buying the securities, commodities or guaranteed rights, and a sell-buy back transaction for the counterparty selling them, such buy-sell back transaction or sell-buy back transaction not being governed by a repurchase agreement or by a reverse-repurchase agreement); and
- (d) a margin lending transaction (which means a transaction in which a counterparty extends credit in connection with the purchase, sale, carrying or trading of securities, but not including other loans that are secured by collateral in the form of securities).

The Funds do not use SFTs described in paragraphs a), c) and d) above.

All the Funds will use securities lending, depending on market conditions as further described below.

The Funds will use the securities lending market to generate additional returns. A Fund seeks to generate additional income through the rate that it charges for lending securities,

The securities lending on-loan percentage of a fund can vary over time due to changes in borrowing demand for different securities, sectors, and asset classes. Changing market dynamics over time results in demand that cannot be forecasted precisely and requires maximum flexibility with respect to the allowed maximum disclosed in the table below in order to anticipate and answer positively to the need of market participants to enter into securities lending transactions with a Fund. These maxima are established by BlackRock’s analyses of the borrowing demand of the underlying assets needed over time by the market, which can be lent by the Funds in compliance with local tax regulations. Where there is a borrowing demand for a certain type of security and a Fund does not have sufficient securities of said required type to lend, the demand will then be satisfied by another Fund of the same investment universe and so utilisation differences in similar funds can be observed across fund ranges due to their size. Although it is not anticipated that the permitted maximum will be reached in most of the cases, the Investment Adviser does not wish to prevent investors from benefiting from additional revenue by setting unduly low maximum figures.

The expected proportion of Net Asset Value indicated in the table below is based on historical data and hence indicates the expected range of securities lent that is likely to occur in future. However, past performance is not a guarantee of future results and should not be the sole factor of consideration when selecting a product or strategy. The expected proportion of the NAV of a Fund subject to securities lending may consist in a range rather than a bespoke figure because of the fluctuating demand of the market, it being understood that such a demand cannot be forecasted precisely and is not constant but highly dependent on market conditions as further described below.

**Market Conditions**

Investors’ attention is drawn to the fact that borrowing demand fluctuates over time and depends to a large extent on market factors that cannot be forecasted precisely. Therefore, due to fluctuations in borrowing demand in the market, future lending volumes could fall outside of the range indicated in the expected proportion of the Net Asset Value in the table below. For the avoidance of doubt, the maximum proportion of the Net Asset Value of the Funds that can be subject to securities lending is a strict limit.

Demand is driven primarily by large banks and broker-dealers on behalf of their clients, including other banking institutions or hedge funds (all together **“Market Players”**).

Securities lending can benefit investors in a number of ways:

- (a) Additional revenue;
- (b) Increased market liquidity, which can reduce trading costs;
- (c) Provide a mechanism for efficient price discovery reducing price volatility.

Market Players and end-clients may need to borrow securities and therefore engage into securities lending agreements with a Fund for various reasons such as, but not limited to:

- (a) Take active positions or hedge against market risk vis-à-vis a short sale;
- (b) Collateral management;
- (c) Using borrowed securities to raise short-term finance;
- (d) Facilitating the settlement of financial contracts requiring the delivery of a security that could fail otherwise;
- (e) Market making.

Changes in a, b, c, d or e over time may trigger higher or lower borrowing demand and therefore lead to an increase or decrease in the exposure of a Fund to securities lending activities. Changes in demand for a, b, c, d or e may be cumulative or independent of each other.

The types of assets that may be subject to SFTs and total return swaps include equity securities, fixed income securities, collective investment schemes, money market instruments and cash. Use of such assets is subject to a Fund's investment objective and policy.

## Counterparty Selection & Review

### Repurchase transactions

The Investment Advisers select from an extensive list of full service and execution-only brokers and counterparties. All prospective and existing counterparties require the approval of the Counterparty Risk Group ("CRG"), which is part of BlackRock's independent Risk & Quantitative Analysis department ("RQA").

In order for a new counterparty to be approved, a requesting portfolio manager or trader is required to submit a request to the CRG. The CRG will review relevant information to assess the creditworthiness of the proposed counterparty in combination with the type and settlement and delivery mechanism of the proposed security transactions. The counterparties to these transactions must be subject to prudential supervision rules considered by the CSSF to be equivalent to those prescribed by EU law. The counterparties will be entities with legal personality typically located in the EEA or in a country belonging to the Group of Ten or have at least an investment grade rating. The counterparties should be subject to ongoing supervision by a regulated authority. If the counterparty does not fulfil any of these criteria, equivalence to EU law will be demonstrated. A list of approved trading counterparties is maintained by the CRG and reviewed on an ongoing basis.

Counterparty reviews also require the Credit Research group to evaluate the capacity of each repurchase agreement counterparty or each security's issuer, to meet its financial obligations, and in doing so, generally considers, to the extent appropriate, the following factors: (1) financial condition (including an examination of recent financial statements, which should include consideration of trends relating to cash flow, revenue, expenses, profitability, short-term debt and total debt service coverage, and leverage, including financial and operating leverage); (2) sources of liquidity (including consideration of bank lines of credit and alternative sources of liquidity); (3) ability to react to future market-wide and issuer- or guarantor-specific events, including ability to repay debt in a highly adverse situation (which should in turn contain analysis of risk from various scenarios, including changes to the yield curve or spreads, especially in a changing interest rate environment); and (4) strength of the issuer or guarantor's competitive position within its industry (including the general consideration of diversification of sources of revenue, if applicable).

Counterparties are monitored on an ongoing basis through the receipt of audited and interim financial statements, via alert portfolios with market data service providers, and where applicable, as part of BlackRock's internal research process. Formal renewal assessments are performed on a cyclical basis.

The Investment Advisers select brokers based upon their ability to provide good execution quality (i.e., trading), whether on an agency or a principal basis; their execution capabilities in a particular market segment; and their operational quality and efficiency; and we expect them to adhere to regulatory reporting obligations.

Once a counterparty is approved by the CRG, broker selection for an individual trade is then made by the relevant dealer at the point of trade, based upon the relative importance of the relevant execution factors. For some trades, it is appropriate to enter into a competitive tender amongst a shortlist of brokers.

The Investment Advisers perform pre-trade analysis to forecast transaction cost and to guide the formation of trading strategies including selection of techniques, division between points of liquidity, timing and selection of broker. In addition, the Investment Advisers monitor trade results on a continuous basis.

Broker selection will be based on a number of factors including, but not limited to the following:

- ▶ Ability to execute and execution quality;
- ▶ Ability to provide liquidity/capital;
- ▶ Price and quote speed;
- ▶ Operational quality and efficiency; and
- ▶ Adherence to regulatory reporting obligations.

The Securities Financing Transaction Regulation 2015 (2015/2365) ("SFTR") contains requirements in relation to the selection of counterparties and the eligibility, safekeeping and reuse of collateral. These requirements are set out in Appendix A.

### Securities Lending

The securities lending agent is authorised to lend to counterparties who have been approved by the CRG. The list of approved counterparties is maintained by the CRG and reviewed on an ongoing basis. The counterparties to these transactions must be subject to prudential supervision rules considered by the CSSF to be equivalent to those prescribed by EU law. The counterparties will be entities with legal personality typically located in the EEA or in a country belonging to the Group of Ten or have at least an investment grade rating. The counterparties should be subject to ongoing supervision by a regulated authority. If the counterparty does not fulfil any of these criteria, equivalence to EU law should be demonstrated. A list of approved trading counterparties is maintained by the CRG and reviewed on an ongoing basis.

Counterparty reviews take into account the fundamental creditworthiness (ownership structure, financial strength, regulatory oversight) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities. Counterparties are monitored on an ongoing basis through the receipt of audited and interim financial statements, via alert portfolios with market data service providers, and where applicable, as part of BlackRock's internal research process.

As securities lending does not involve the execution of orders to trade but rather the allocation of loan requests submitted by brokers, BlackRock agrees and settles a requested trade provided the broker has been approved, the value of the proposed transaction does not exceed the aggregate value of loans permitted, and any other execution factor considerations have been met.

### Returns generated by SFTs

All returns generated from the use of repurchase transactions and total return swaps will be paid to the relevant Fund.

In relation to securities lending only, the securities lending agent, BlackRock Advisors (UK) Limited, receives remuneration in relation to its activities. Such remuneration amounts to 37.5% of the gross revenue from the securities lending activities, with all direct and indirect costs borne out of BlackRock's share. The relevant Funds receive 62.5% of the gross revenue from the securities lending activities. All revenue generated from securities lending activities net of the securities lending agent's fee will be returned to the Company. The fee of the securities lending agent represents direct costs (and if relevant indirect operational costs/fees) of the Company's securities lending activities. The securities lending agent is a related party to the Management Company.

**Proportions of Fund property subject to SFTs**

The table below specifies the maximum and expected proportion of the Net Asset Value of a Fund that can be subject to securities financing transactions for the purposes of the SFTR and is set at the discretion of the Investment Adviser. Investors should note that a limitation of maximum securities lending levels by a Fund, at a time when demand exceeds those maximum levels, may reduce potential income to a Fund that is attributable to securities lending. The expected proportion is not a limit, and the actual percentage may vary over time depending on factors including, but not limited to, market conditions. The maximum figure is a limit.

Fund Name	TRS (in aggregate)* Maximum/Expected proportion of the NAV (%)	Securities Lending** Maximum***/Expected proportion of the NAV (%)	Repo Transactions Maximum/Expected proportion of the NAV (%)
iShares World Equity Index Fund (LU)	50% / 0%	49% / up to 29%	0% / 0%
iShares Europe Equity Index Fund (LU)	50% / 0%	49% / up to 34%	0% / 0%
iShares Japan Equity Index Fund (LU)	50% / 0%	49% / up to 39%	0% / 0%
iShares Pacific ex Japan Equity Index Fund (LU)	50% / 0%	49% / up to 39%	0% / 0%
iShares North America Equity Index Fund (LU)	50% / 0%	49% / up to 39%	0% / 0%
iShares Emerging Markets Equity Index Fund (LU)	50% / 0%	49% / up to 24%	0% / 0%
iShares Euro Government Bond Index Fund (LU)	10% / 0%	49% / up to 49%	0% / 0%
iShares Euro Aggregate Bond Index Fund (LU)	10% / 0%	49% / up to 22%	0% / 0%
iShares Emerging Markets Government Bond Index Fund (LU)	10% / 0%	49% / up to 12%	0% / 0%
iShares Global Government Bond Index Fund (LU)	10% / 0%	49% / up to 49%	0% / 0%

\*Within the total ranges noted above, the Funds' exposure to TRS will vary. Further details of exposures to TRS can be obtained from the Company's registered office.

\*\*The maximum proportion of the Net Asset Value of the Funds that can be subject to securities lending is indicated in the table above. The demand to borrow securities and to comply with investor tax regulations in certain jurisdiction are significant drivers for the amount that is actually lent from a Fund at a given time. Borrowing demand fluctuates over time and depends to a large extent on market factors and prevailing investor tax legislation in certain jurisdiction, neither of which can be forecasted precisely. Due to fluctuations in borrowing demand in the market, future lending volumes could fall outside of the range indicated as the expected proportion of the Net Asset Value in the table above. For the avoidance of doubt and based on historical data, the maximum proportion of the Net Asset Value of the Funds that can be subject to securities lending will typically range between 0% and 49% of the Net Asset Value, though past levels are no guarantee of future levels.

\*\*\* It is the intention of the Investment Adviser that maxima are strict limits. It should be noted that such maxima are based on past performances and such past performances can never guarantee future results. In this respect, these maxima may be temporarily exceeded should the demand drastically and unpredictably shift to an upward trend in the conditions set forth in the section "Market Conditions" of this Appendix F.

## Summary of Subscription Procedure and Payment Instructions

### 1. **Application Form**

For initial subscriptions for Shares you must complete the Application Form which may be obtained from the Transfer Agent, or the local Investor Servicing teams and the form must be signed by all joint applicants. Subsequent subscriptions may be made electronically via 'straight through process' ("STP"), in writing, otherwise by fax (followed by original via post) and the Management Company may, at its sole discretion, accept individual dealing orders submitted via other forms of electronic communication, stating your registration details and the amount to be invested. If your application is being submitted by your professional adviser, section 5 of the Application Form should be completed. Completed application forms must be sent to the Transfer Agent or the local Investor Servicing teams.

### 2. **Money Laundering Prevention and International Financial Sanctions**

Please read the notes on the application form regarding the identification documents required and ensure that you provide these to the Transfer Agent or the local Investor Servicing teams together with your application form.

### 3. **Payment**

A copy of your telegraphic transfer instructions should be supplied with your application (see sections 4. and 5. below).

### 4. **Payment by Telegraphic Transfer**

Payment by SWIFT/bank transfer in the relevant currency should be made to one of the accounts opposite. The SWIFT/bank transfer instruction should contain the following information:

- (i) Bank Name
- (ii) SWIFT Code or Bank Identifier
- (iii) Account (IBAN)
- (iv) Account Number
- (v) Account Reference – "BGIF – Fund name subscribed into and BGIF account number / contract reference number"
- (vi) By order of Shareholder name/agent name & Shareholder number/agent number

An applicant's obligation to pay for Shares is fulfilled once the amount due has been paid in cleared funds into this account.

### 5. **Foreign Exchange**

If you wish to make payment in a currency other than that in the Dealing Currency (or one of the Dealing Currencies) of your chosen Fund, this must be made clear at the time of application.

### 6. **Bank Details**

All information regarding bank details and settlement instructions can be found under the following links:

<https://www.blackrock.com/uk/intermediaries/literature/investor-education/bgf-bsf-bgif-standard-settlement-instructions-emea.pdf>

<https://www.blackrock.com/uk/individual/literature/investor-education/bgf-bsf-bgif-standard-settlement-instructions-emea.pdf>

<https://www.blackrock.com/institutions/en-gb/literature/investor-education/bgf-bsf-bgif-standard-settlement-instructions-insti-en.pdf>



## BlackRock Global Index Funds

(BlackRock Global Index Funds (the "Company") is a public limited company (*société anonyme*) established under the laws of the Grand Duchy of Luxembourg as an open ended variable capital investment company (*société d'investissement à capital variable*). The Company has been established on 30 August 2012 and its registration number in the Registry of the Luxembourg Trade and Companies Register is B 171278.)

Country Supplement for investors residing in Denmark to the Prospectus dated 31 October 2024, as amended or supplemented from time to time

THIS COUNTRY SUPPLEMENT IS INTENDED FOR DANISH INVESTORS THAT SUBSCRIBE FOR SHARES IN DENMARK AND FORMS AN INTEGRAL PART OF THE PROSPECTUS OF 31 October 2024, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME (THE "PROSPECTUS").

**THE PROSPECTUS AND ANY KEY INFORMATION DOCUMENT MAY ONLY BE DISTRIBUTED IN DENMARK TOGETHER WITH THIS COUNTRY SUPPLEMENT.**

**THIS COUNTRY SUPPLEMENT FORMS PART OF AND SHOULD BE READ IN CONJUNCTION WITH THE GENERAL DESCRIPTION OF THE COMPANY CONTAINED IN THE CURRENT PROSPECTUS OF THE COMPANY. IN PARTICULAR, DANISH INVESTORS SHOULD REFER TO THE SECTION HEADED "FEES, CHARGES AND EXPENSES" IN THE PROSPECTUS.**

This Country Supplement is dated 31 October 2024.

### 1. Marketing registration in Denmark

The Company is registered for marketing in Denmark towards both professional investors and retail investors by the Danish FSA in accordance with Section 27 of the Danish Investment Associations Act (Consolidation Act no. 46 of 13 January 2023, as amended) and Section 3 of the Executive Order on foreign UCITS' marketing in Denmark (Executive Order no. 169 of 20 February 2024) (the "Executive Order").

### 2. Facilities Agent

The Company has appointed BlackRock Dublin (BlackRock Asset Management Ireland Limited) ("BlackRock Dublin") with registered address at 1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin 4, D04 YW83, Ireland, as its facilities agent in accordance with Section 5(2) of the Executive Order.

BlackRock Dublin carries out the services in accordance with Section 5(1) of the Executive Order.

BlackRock Dublin can be contacted by emailing [FundRegistrationsandListings@blackrock.com](mailto:FundRegistrationsandListings@blackrock.com).

### 3. Taxation regulation applicable to Danish investors

#### 3.1 General

The following statements are by way of a general guide to potential investors and Shareholders only and do not constitute legal or taxation advice. Shareholders and potential investors are therefore advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

Shareholders and potential investors should note that the following statements on taxation are based on advice received by the Directors regarding the law and practice in force in Denmark at the date of this Country Supplement and proposed regulations and

legislation in draft form and are not exhaustive. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Company will endure indefinitely.

#### 3.2 Taxation of Danish Investors

Gains and losses on the Shares are assumed to be comprised by the provisions of Section 19A-C of the Danish Capital Gains Tax Act (Consolidation Act No. 172 of 29 January 2021, as amended), which means that investors are taxed in accordance with the mark-to-market principle. This means that an investor is subject to current taxation of both realised and unrealised gains and losses.

Individuals must pay tax on gains, losses and distributions as either capital income or share income, depending on inter alia the characteristics of the Shares in each given income year. Capital income is taxed at a rate between 37.1% and 42% (2024), excluding church tax, depending on the individual investor's situation whereas negative capital income (on an annual net basis) is deductible at a rate between approximately 25.1% and 33.1% (2024), excluding church tax, again depending on the individual investor's situation. Share income is taxed at a rate of 27% for amounts up to and including DKK 61,000 (2024) and at a rate of 42% for amounts exceeding DKK 61,000 (2024). If the investor is a professional trader, the investor must pay tax on gains and deduct losses as personal income. In accordance with Section 19 D of the Capital Gains Tax Act, in order to be able to claim a deduction for losses, it is a requirement that the taxpayer has reported the value of the investments in their tax return. This requirement only applies to individuals. In case of pension funds, the taxation will be in accordance with the Danish Act on Taxation of Pension Yields (Consolidation Act No. 12 of 06 January 2023, as amended), which means that the yields and dividends from shares are taxed in accordance with the market-value principle at an annual tax rate of 15.3%.

As for corporate investors, including banks, capital gains/losses are also taxed in accordance with the mark-to-market principle, but the general provisions of the Danish Capital Gains Tax Act do not apply. As a consequence, capital gains/losses and distributions will be fully included in the investor's taxable corporate income. The corporate income tax rate is 22% (2024), however certain financial entities, such as banks, are subject to an increased corporate income tax rate of 26% (2024).

#### 4. Documents which are generally available

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and Public Holidays excepted) at the registered office of the Company and at the offices of BlackRock (Luxembourg) S.A., 35A, avenue J.F. Kennedy, L-1855 Luxembourg:

- (a) the Articles of Association of the Company; and
- (b) the material contracts entered into between the Company and its functionaries (as varied or substituted from time to time).

Copies of the following documents (together with a certified translation thereof where relevant) may be obtained, on request free of charge, from the Facilities Agent, BlackRock Dublin:

- (a) the Articles of Association of the Company;
- (b) the Prospectus and any Supplements to the Prospectus;
- (c) the Key Information Documents; and
- (d) the latest annual and semi-annual reports of the Company.

These documents will also be made available to Danish investors at the following website: <http://www.blackrock.com/dk>.

5. **Cessation of marketing in Denmark**

If the Company ceases marketing in Denmark, the Danish holders of shares in the Company will be notified by the Company in writing

and informed about the termination in accordance with the procedure set out in Article 93a of the UCITS Directive EU/2009/65. The redemption procedures will continue unchanged in case the Company ceases marketing in Denmark. Applicable requirements for repurchase or redemptions in case of the cessation of marketing will be complied with.







## Want to know more?

[blackrockinternational.com](https://blackrockinternational.com) | +44 (0)20 7743 3300

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