

The world bonds with India Government Bonds

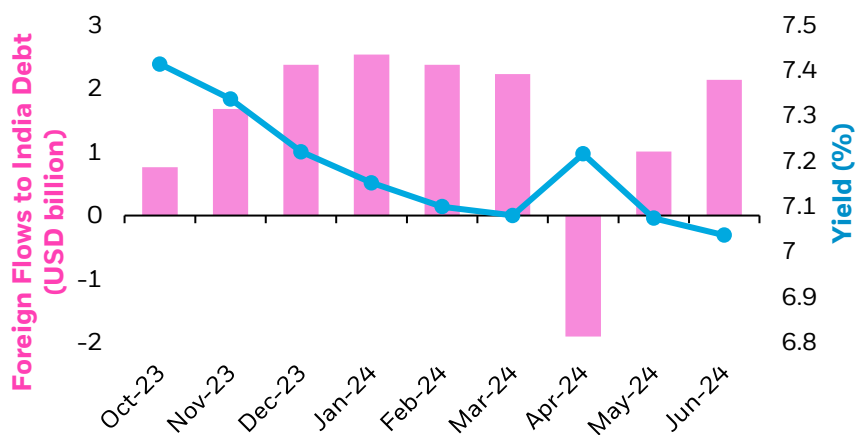
iShares
by BlackRock

July 2024

After over three years on the watchlist, India Government Bonds (IGBs) entered the JP Morgan local currency indices at the end of June. This month, we dive into the largest index inclusion event of 2024, what this means for investors, and how ETFs allow easy access to this trillion dollar asset class.

Index inclusion is expected to attract circa USD 30B of foreign inflows into IGBs. Ahead of index inclusion, foreign investors have piled back into IGBs, with net flows having climbed to more than USD 10B since the announcement in September. Inflows have helped to cool yields for the asset class, which have dipped from highs of 7.23% in April to 7.01% today. Yet, IGBs are among the highest yielding sovereign exposures in Asia, and continue to offer a compelling yield pickup over its emerging markets peers alongside attractive risk-adjusted return potential.

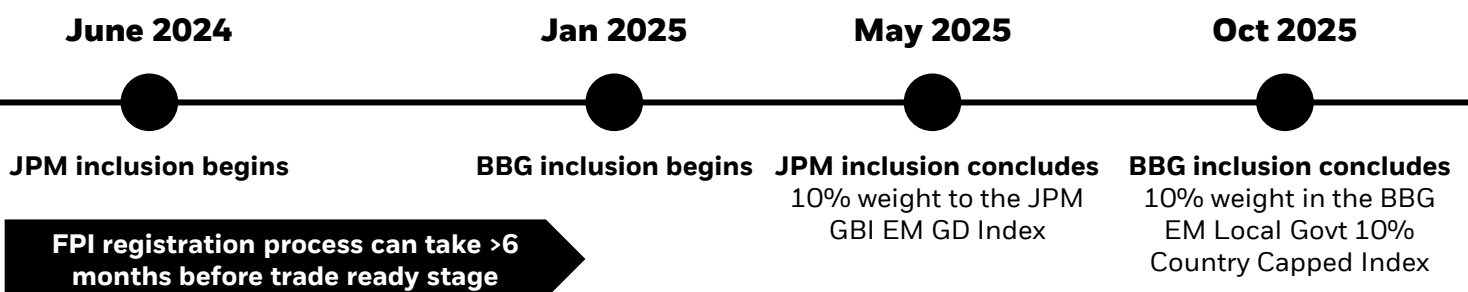
Figure 1: Yields have cooled as foreign inflows into IGBs have gathered pace since September



Source: BlackRock, Bloomberg, as of 30 June 2024. Reference to FIINDNT\$, I36285US Index.

Don't miss the boat

For investors benchmarked against JPM and BBG EM local currency indices, setting up direct access to the IGB market through the Foreign Portfolio Investor (FPI) route is a lengthy and complex process, which could translate into investment lag and higher tracking error as index inclusion gets underway. An IGB ETF offers immediate access to the market today, bypassing the various complex challenges of directly investing in IGBs.



Democratizing access to a complex market

Why ETFs for IGB exposure?

Ease of Account Opening

Avoid the long lead time and complex process of registering as a Foreign Portfolio Investor

Operational Efficiency

The ETF has the appropriate operating model in place that can address challenges faced in bond/FX trading processes

Tax Benefits

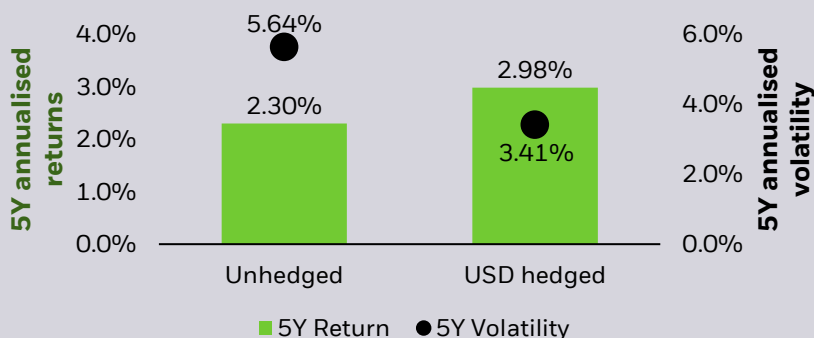
Depending on domicile, the ETF can enjoy capital gains tax exemption and concessionary withholding tax rates

To hedge or not to hedge?

USD/INR FX movement could add to or detract from total returns. While overall USD/INR FX volatility is relatively stable compared to other EM currency pairs and the current USD/INR hedge cost is ~1.15%, USD-based investors can seek for tactical opportunities by putting on currency hedges nimbly through ETF share classes.

Source: BlackRock, Bloomberg, as of 30 June 2024. Reference to I37406US, H37406US Index. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

Figure 2: USD-hedged exposure has historically delivered stronger risk-adjusted returns



5Y Return / Volatility Ratio	0.41	0.87
------------------------------	------	------

Important information

This material is prepared by BlackRock for informational or educational purposes only and is intended solely for Professional and Institutional investors. This material is provided to the recipient upon the understanding that information provided herein is strictly confidential and is intended solely for the exclusive use of its recipient and in no manner, whatsoever, constitutes an offer or solicitation to purchase or sell in any securities or iShares Funds, nor shall any securities or units be offered or sold to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction.

There are risks associated with investing, including loss of principal. Past performance is not indicative of future performance and is no guide to future returns. The value of investments involving exposure to foreign currencies can be affected by exchange rate movements. Investment in emerging market countries may involve heightened risks such as increased volatility and lower trading volume, and may be subject to a greater risk of loss than investments in a developed country. The use of synthetic instruments such as derivatives may create exposure to market counterparty risk. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. This material contains general information only and is not intended to represent general or specific investment advice. The information does not take into account your financial circumstances. An assessment should be made as to whether the information is appropriate for you having regard to your objectives, financial situation and needs. You are reminded to refer to the relevant prospectus for specific risk considerations which are available from BlackRock or the iShares websites.

This material may contain “forward-looking” information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of yields or returns. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

The opinions expressed are as of the day of distribution and may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy. No part of this material may be reproduced, stored in retrieval system or transmitted in any form or by any means, electronic, mechanical, recording or distributed without the prior written consent of BlackRock.

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

In Singapore, this is issued by BlackRock (Singapore) Limited (Co. registration no. 200010143N) for use only with institutional/accredited investors as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

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

Important information

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

Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively.

BlackRock Investment Management (Australia) Limited ("BIMAL") is not licensed by a New Zealand regulator to provide 'Financial Advice Service' or 'Keeping, investing, administering, or managing money, securities, or investment portfolios on behalf of other persons'. BIMAL's registration on the New Zealand register of financial service providers does not mean that BIMAL is subject to active regulation or oversight by a New Zealand regulator.

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA).

BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

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

For Southeast Asia: This document is issued by BlackRock and is intended for the exclusive use of any recipient who warrants, by receipt of this material, that such recipient is an institutional investors or professional/sophisticated/qualified/accredited/expert investor as such term may apply under the relevant legislations in Southeast Asia (for such purposes, includes only Malaysia, the Philippines, Thailand, Brunei and Indonesia). BlackRock does not hold any regulatory licenses or registrations in Southeast Asia countries listed above, and is therefore not licensed to conduct any regulated business activity under the relevant laws and regulations as they apply to any entity intending to carry on business in Southeast Asia, nor does BlackRock purport to carry on, any regulated activity in any country in Southeast Asia. BlackRock funds, and/or services shall not be offered or sold to any person in any jurisdiction in which such an offer, solicitation, purchase, or sale would be deemed unlawful under the securities laws or any other relevant laws of such jurisdiction(s).

This material is provided to the recipient on a strictly confidential basis and is intended for informational or educational purposes only. Nothing in this document, directly or indirectly, represents to you that BlackRock will provide, or is providing BlackRock products or services to the recipient, or is making available, inviting, or offering for subscription or purchase, or invitation to subscribe for or purchase, or sale, of any BlackRock fund, or interests therein. This material neither constitutes an offer to enter into an investment agreement with the recipient of this document, nor is it an invitation to respond to it by making an offer to enter into an investment agreement.

The distribution of the information contained herein may be restricted by law and any person who accesses it is required to comply with any such restrictions. By reading this information you confirm that you are aware of the laws in your own jurisdiction regarding the provision and sale of funds and related financial services or products, and you warrant and represent that you will not pass on or utilize the information contained herein in a manner that could constitute a breach of such laws by BlackRock, its affiliates or any other person.

For Other Countries in APAC: This material is provided for your informational purposes only and must not be distributed to any other persons or redistributed. This material is issued for Institutional Investors only (or professional/sophisticated/qualified investors as such term may apply in local jurisdictions) and does not constitute investment advice or an offer or solicitation to purchase or sell in any securities, BlackRock funds or any investment strategy nor shall any securities be offered or sold to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction.

The information provided here is not intended to constitute financial, tax, legal or accounting advice. You should consult your own advisers on such matters.

THIS MATERIAL IS HIGHLY CONFIDENTIAL AND IS NOT TO BE REPRODUCED OR DISTRIBUTED TO PERSONS OTHER THAN THE RECIPIENT.

iShares® and BlackRock® are registered trademarks of BlackRock, Inc., or its subsidiaries in the United States and elsewhere. All other trademarks, service marks or registered trademarks are the property of their respective owners.

© 2024 BlackRock Inc. All rights reserved.