Private Markets

October 3, 2024

Global Credit Weekly:

Incremental support

BlackRock

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

Market insights contributors

Amanda Lynam, CPA

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

Dominique Bly

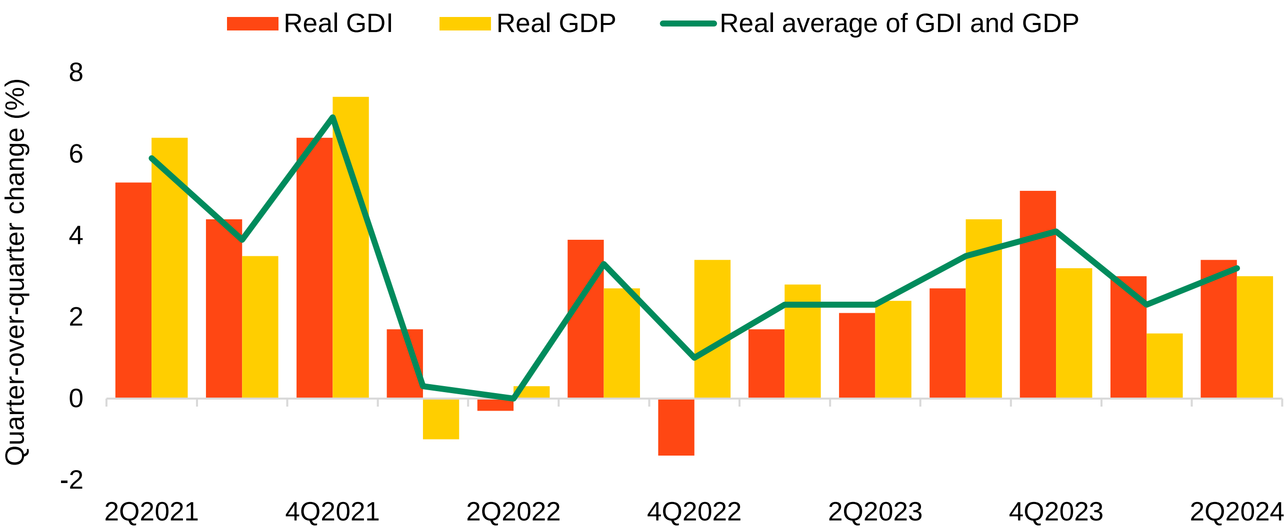
Macro Credit Research Strategist, Portfolio Management Group – Private Markets

Key takeaways

- Federal Reserve Chair Jerome Powell spoke at the National Association for Business Economics (NABE) annual meeting this week, where he reiterated his message of "recalibrating" monetary policy and emphasized that the FOMC was not "in a hurry to cut rates quickly." Chair Powell said "if the economy evolves broadly as expected, policy will move over time toward a more neutral stance. But we are not on any preset course." This is consistent with our expectation for monetary policy *normalization*, not necessarily *easing* – an important distinction for corporate credit investors, as we highlighted recently. More granularity on the neutral rate of interest will be important once the Fed Funds rate approaches 3.5% in 2025, in our view.
- Recent data revisions published by the Bureau of Economic Analysis (BEA) late last week have further softened concerns related to potential vulnerabilities in the U.S. economy and consumer. That said, the trend of bifurcation remains clear. The *overall* resilience in consumer spending has been a key driver of the above-trend pace of growth in the U.S. over the past several quarters. It is also important to monitor going forward, as above-trend growth has been a primary ingredient keeping USD corporate credit spreads near the tight end of their post-financial crisis range.
- Away from the macro, we are focused on structural changes in the debt financing markets. As we outlined in early September, private debt continues to cement its status as a sizable and scalable asset class for a wide range of investors *and* borrowers. This can be seen in its increased overlap with syndicated (i.e., public) debt markets. We continue to monitor this financing "mix shift", which we expect will ebb and flow over time, depending on market conditions. Indeed, the most recent data show the refinancing activity between the public and private debt markets has moved into better balance in 3Q2024 – after some outsized activity (in both directions) in late 2023 and early 2024.

Exhibit 1: Following revisions, real GDI and GDP suggest similar trends in 2Q2024

Percent change in quarter-over-quarter (Q-o-Q) real Gross Domestic Income (GDI), real Gross Domestic Product (GDP), and the real average of GDI and GDP, seasonally adjusted annual rate



Source: U.S. Bureau of Economic Analysis, Federal Reserve Economic Data (FRED), BlackRock. As of 2Q2024.

Monetary policy: The message of "recalibration" is reiterated

On Monday, September 30th, Federal Reserve Chair Jerome Powell spoke at the National Association for Business Economics (NABE) annual meeting, where he reiterated his message of "recalibrating" monetary policy and emphasized that the FOMC was not "in a hurry to cut rates quickly."

While much of his commentary, in our view, was consistent with the September 18th FOMC press conference, there were a few notable takeaways:

- **A (more) resilient economy:** During the Q&A, Chair Powell called attention to the recent revisions in the National Income and Product Accounts (NIPA) data – including upward revisions to real gross domestic income (GDI), disposable personal income and the savings rate. He noted that these revisions (which we discuss later) add some comfort around the sustainability of U.S. consumers' spending patterns. That said, Chair Powell also highlighted that the labor market (which has been cooling) may be a better real-time predictor of economic activity, and the FOMC will continue to watch the labor market data closely. He also flagged some modest increases in estimated productivity – although stated it is too early to discern if this trend can be sustained.
- **The forward path for policy:** Chair Powell emphasized that monetary policy normalization is "a process that will play out over some time" and will be guided by the incoming data. He also noted that while the September Summary of Economic Projections (SEP), can be viewed as "a pretty good read" on how the FOMC is assessing the economy (especially in the weeks immediately following the meeting), the FOMC will cut faster *or* slower, as warranted by the data.
- **Normalization, not necessarily easing.** Chair Powell emphasized that the 50 basis point rate cut in September reflected an action that was done to "maintain the strength in the economy, not because of weakness in the economy." In his prepared remarks, Chair Powell said "if the economy evolves broadly as expected, policy will move over time toward a more neutral stance. But we are not on any preset course." This is consistent with our expectation for monetary policy *normalization*, not necessarily *easing* – an important distinction for credit investors, as we highlighted recently. More granularity on the neutral rate of interest will be important once Fed Funds approaches 3.5% in 2025, in our view.

Exhibit 2: The September 2024 SEP suggests two, 25 basis point rate cuts by year-end

The median economic projections of the 19 FOMC members, for the 4th quarter of each year shown

	2024	2025	2026	2027	Longer run
Real GDP growth	**2.0**	**2.0**	**2.0**	**2.0**	**1.8**
June 2024 projection	*2.1*	*2.0*	*2.0*		*1.8*
March 2024 projection	*2.1*	*2.0*	*2.0*	*not given*	*1.8*
December 2023 projection	*1.4*	*1.8*	*1.9*		*1.8*
Unemployment rate	**4.4**	**4.4**	**4.3**	**4.2**	**4.2**
June 2024 projection	*4.0*	*4.2*	*4.1*		*4.2*
March 2024 projection	*4.0*	*4.1*	*4.0*	*not given*	*4.1*
December 2023 projection	*4.1*	*4.1*	*4.1*		*4.1*
PCE inflation	**2.3**	**2.1**	**2.0**	**2.0**	**2.0**
June 2024 projection	*2.6*	*2.3*	*2.0*		*2.0*
March 2024 projection	*2.4*	*2.2*	*2.0*	*not given*	*2.0*
December 2023 projection	*2.4*	*2.1*	*2.0*		*2.0*
Core PCE inflation	**2.6**	**2.2**	**2.0**	**2.0**	
June 2024 projection	*2.8*	*2.3*	*2.0*		
March 2024 projection	*2.6*	*2.2*	*2.0*	*not given*	*not given*
December 2023 projection	*2.4*	*2.2*	*2.0*		
Federal funds rate	**4.4**	**3.4**	**2.9**	**2.9**	**2.9**
June 2024 projection	*5.1*	*4.1*	*3.1*		*2.8*
March 2024 projection	*4.6*	*3.9*	*3.1*	*not given*	*2.6*
December 2023 projection	*4.6*	*3.6*	*2.9*		*2.5*

Source: Federal Reserve, BlackRock. As of the Federal Reserve's Summary of Economic Projections published on September 18, 2024. **There is no guarantee any forecasts may come to pass.**

The U.S. economy and consumer: Recent revisions point to strength

In last week's *Global Credit Weekly*, we highlighted the bifurcated nature of the U.S. consumer (by income levels) – revisiting a theme we have been highlighting since May. While we acknowledged the well-telegraphed pressures felt by the lower-income cohorts, we also pointed to a pattern of resilience among the higher-income groups, where wealth has been supported by gains in housing and investment markets. This *overall* resilience, in our view, has been a key driver of the above-trend pace of growth in the U.S. over the past several quarters. It is also important to monitor going forward, as above-trend growth has been a key ingredient keeping corporate credit spreads near the tight end of their post-financial crisis range.

Data revisions published by the Bureau of Economic Analysis (BEA) late last week have, in our view, further softened concerns related to potential vulnerabilities in the U.S. economy and consumer.

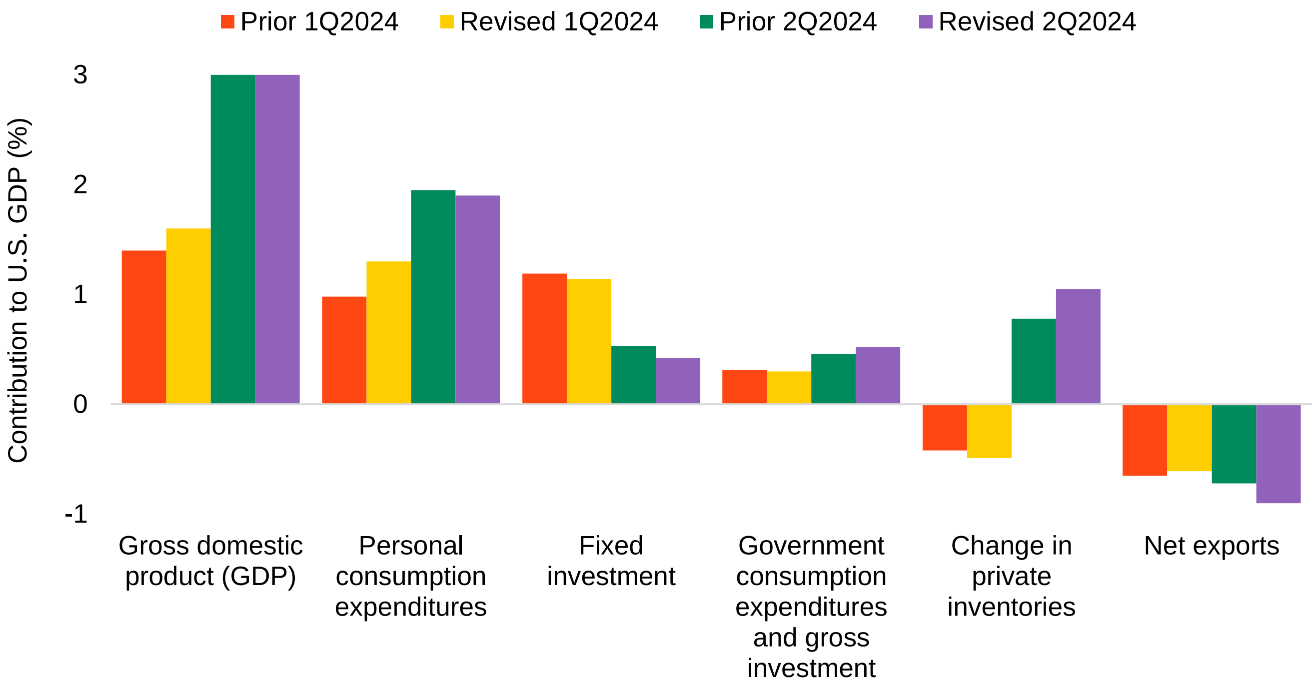
Starting at a high level, one of the most notable changes was that gross domestic income (GDI) was revised higher, closer to gross domestic product (GDP). While GDI and GDP are both measures of U.S. economic activity, they are slightly different. For example, GDP is the total market value of the final goods and services produced in the U.S. GDI, on the other hand, captures the incomes earned and the costs incurred in the production of GDP. For much of the past several quarters, GDI had been tracking below GDP, causing some market participants to expect an eventual "catching down" of GDP. But the opposite happened – suggesting some incremental resilience in the U.S. economy (Exhibit 1).

In fact, 2Q2024 real GDI (seasonally adjusted and annualized) was revised up materially, from 1.3% to 3.4%. Upward revisions to real GDI were also made to 1Q2024, 2023, 2022, and 2021 data. Following this review, GDI and GDP data converged closer to one another, reaching an "average of real GDP and real GDI" of 3.2% in 2Q2024 (vs. 2.1% during the prior revision).

Recent revisions to real GDP also suggest a positive trend regarding consumer strength. First, 1Q2024 real GDP data was revised upward from 1.4% to 1.6%, reflecting higher consumer spending (Exhibit 3). Additionally, the growth in real GDP from 1Q2024 to 2Q2024 can largely be attributed to an increase in consumer spending and private inventory investment (again, Exhibit 3).

Exhibit 3: Personal consumption expenditures represent a large factor influencing the GDP increase from 1Q2024 to 2Q2024

Changes to quarter-over-quarter real U.S. GDP growth (%) for U.S. aggregate GDP and by contribution type, including prior estimate and revised (current) estimate, seasonally adjusted at an annualized rate



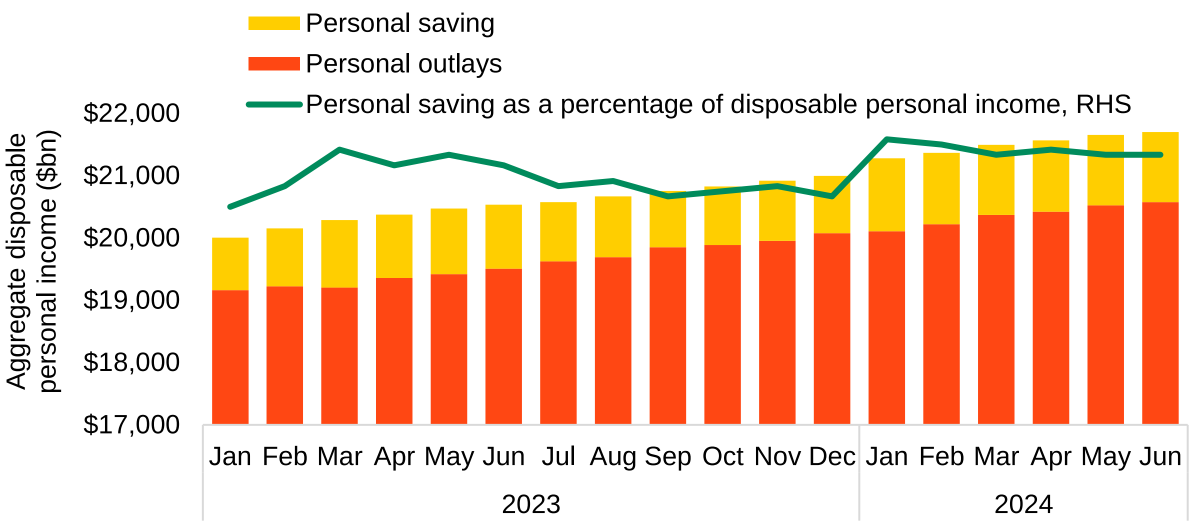
Source: Bureau of Economic Analysis, Bloomberg, BlackRock. As of June 30, 2024 (most recent available). "Revised" data represents the most recent revisions, published on Thursday, September 26, 2024. "Prior" data represents most recent estimate before the September 26, 2024, revision.

A higher savings rate suggests consumer spending may be more sustainable

Another element of the BEA's revisions – specific to the personal savings rate – suggests consumer spending may be more *sustainable* than previously indicated. As background, estimates of the personal savings rate are subject to a range of assumptions – which can often vary, as a November 2023 paper from the Federal Reserve Bank of Boston highlighted. Nonetheless, many market participants were bracing for consumers' excess savings to show signs of depletion, as pandemic-era stimulus was spent and higher absolute price levels (from past inflation) reduced purchasing power.

Here again, however, the recent data revisions surprised to the upside. Upward revisions to personal disposable income in 1Q2024 and 2Q2024 boosted the personal savings rate to 5.2% (from 3.3%).

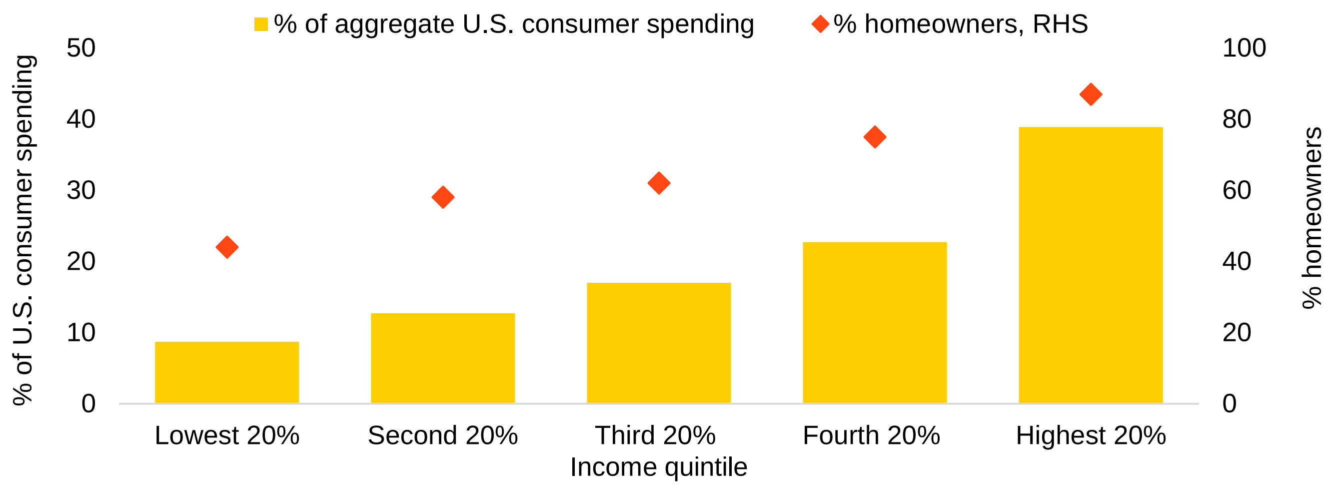
Exhibit 4: The personal savings rate was revised higher, to 5.2% as of 2Q2024 (from 3.3%)
Aggregate U.S. disposable personal income and personal savings, as a percentage of disposable personal income, RHS; months are seasonally adjusted at annual rates



Source: U.S. Bureau of Economic Analysis (Table 2.6. Personal Income and Its Disposition), BlackRock. As of October 1, 2024.

Still, data from the Bureau of Labor Statistics' recent Consumer Expenditure Survey (released September 25th) emphasizes continued bifurcation in the U.S. consumer. Higher income consumers are still generating a disproportionate share of spending (Exhibit 5). And because they are also more likely to own their homes, they have likely benefited more from the wealth created by housing market gains over the past few years. For example, the S&P CoreLogic Case-Shiller U.S. National Home Price Index has increased by 54% from year-end 2019 to July 31, 2024 (most recent).

Exhibit 5: The U.S. consumer remains bifurcated by spending levels and home ownership
U.S. annual aggregate expenditures by consumer income quintile, and the share of consumers in each cohort that are homeowners, RHS



Source: BlackRock, U.S. Bureau of Labor Statistics Consumer Expenditure Survey (September 2024).

Wealth allocations vary across income levels

Data from the Federal Reserve's Distributional Financial Accounts (DFA) further emphasizes differences in the allocation of wealth across the income spectrum (Exhibit 6). The most notable trend, in our view, is that lower income quartiles are disproportionately exposed to real estate (44.5% of total wealth vs. only 26% of total wealth for the top 80-99%). This suggests that the portion of lower income consumers who *do* own a home may have a meaningful share of their net worth tied up in that asset – leaving less liqudity for spending in the real economy.

Further, exposure to defined benefit and contribution pension entitlements represent a larger segment of net worth for the middle-income segments (i.e., more than 20%; Exhibit 6). In contrast, for the top 1% and the bottom 20%, these represent a much smaller share. This demonstrates, in our view, that the lowest income cohort likely does not have access to such plans or does not have the financial flexibility to allocate significant capital to a longer dated savings source. Exhibit 7 illustrates a longer-term perspective on the overall distribution of aggregate wealth in the U.S. economy – again highlighting the trend of bifurcation.

Exhibit 6: Asset holdings vary meaningfully by income cohort

Share of total assets held by income percentile in 2Q2024

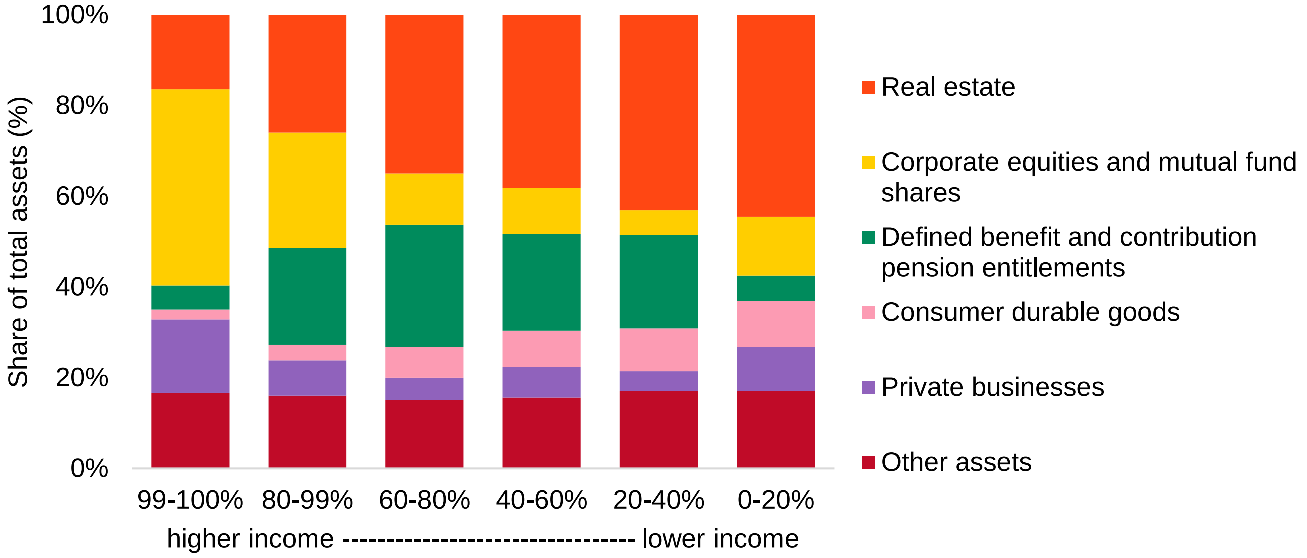
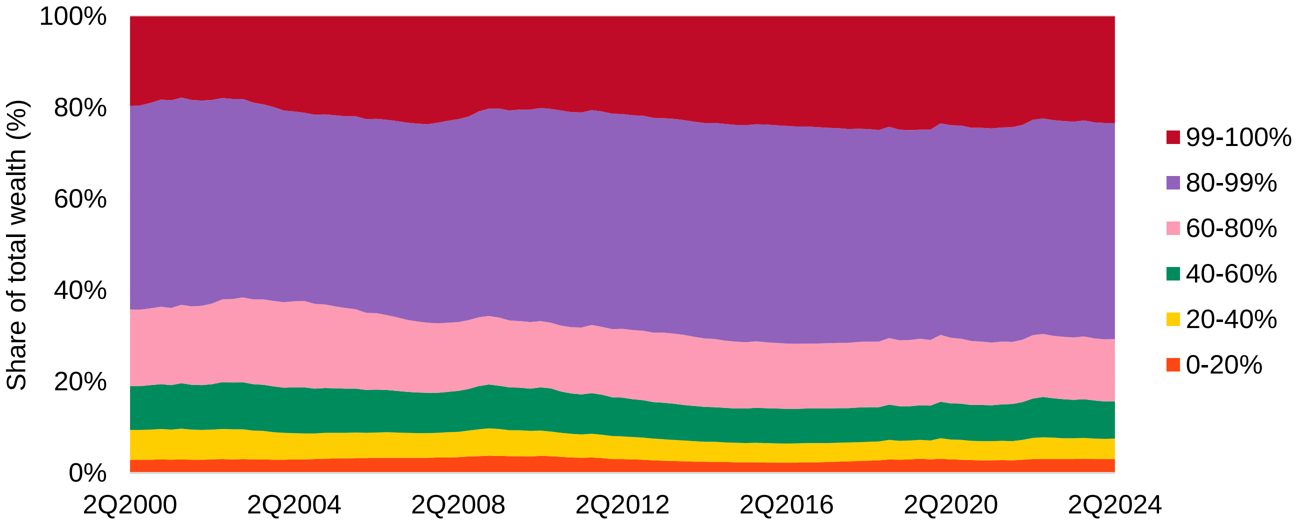


Exhibit 7: The share of wealth – a longer-term perspective

Distribution of aggregate wealth by income percentile



For both charts: Source: Federal Reserve, Survey of Consumer Finances and Financial Accounts of the United States, BlackRock. As of September 20, 2024.

Corporate credit: The evolving “mix shift” between funding markets

Away from the macro, we also remain focused on structural changes in the debt financing markets. As we outlined in early September, private debt continues to cement its status as a sizable and scalable asset class for a wide range of investors *and* borrowers.

This can be seen in its increased overlap with syndicated (i.e., public) debt markets. We continue to monitor this financing “mix shift”, which we expect will ebb and flow over time, depending on market conditions.

Indeed, the most recent data show the refinancing activity between the public and private debt markets has moved into better balance in 3Q2024 – after some outsized activity (in both directions) in late 2023 and early 2024 (Exhibit 8).

Heighted competition (including more competitive deal terms) also remains a theme. Indeed, competition has led to lower direct lending spreads in 2024 (Exhibit 9). The share of senior secured and unitranche deals priced at less than S+500bps has gradually increased over time, from 0% in 2H2023 to 19% in the six months ending September 30, 2024.

There are three key factors influencing tighter spreads in direct lending, in our view:

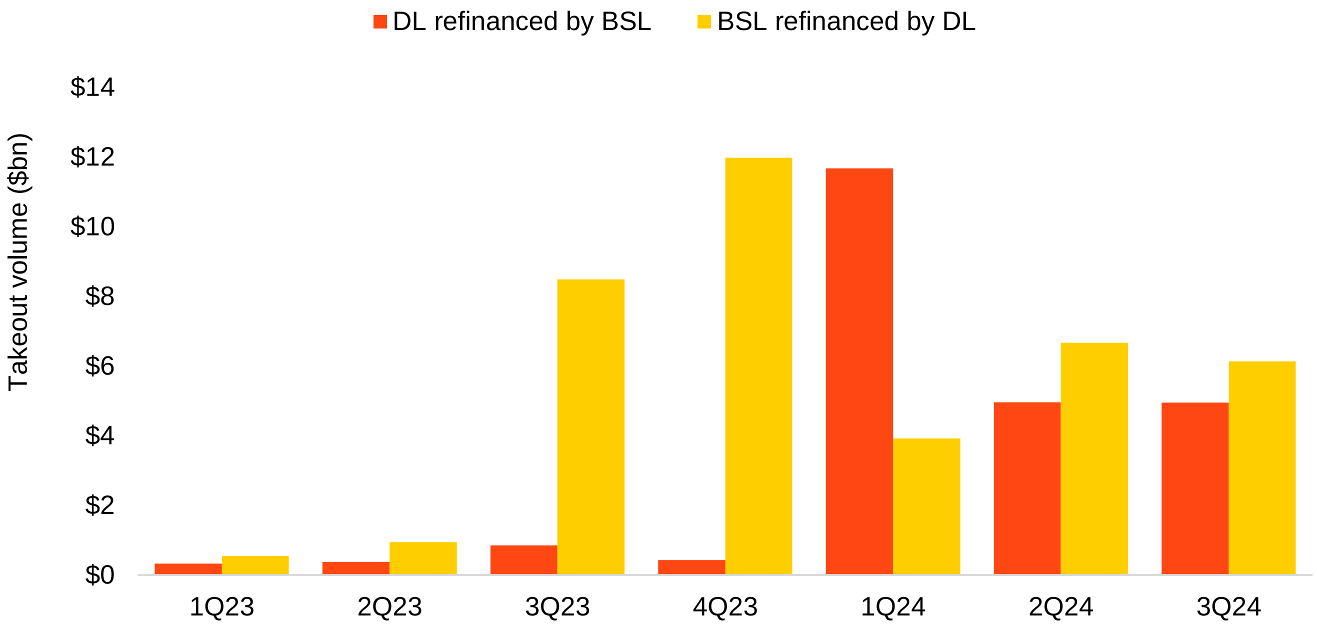
(1) Public market risk appetite. A robust investor risk appetite (and increased receptivity towards lower-rated borrowers) in the public debt markets can compress spreads in private markets, especially for larger deals evaluating financing options simultaneously (i.e., on a “dual track” basis).

(2) Competition for larger deals. Related to the above, the growth and expanding addressable market for private debt has led to financings of larger deals. As direct lenders compete more with syndicated markets (especially for jumbo financings), pricing has fallen closer to levels that are competitive with syndicated market pricing.

(3) Company specific risk profiles. Larger borrowers often have different risk profiles than smaller peers as they tend to have more diversified revenue streams and benefit from economies of scale (among other factors). For example, data by Lincoln International suggests that company size can influence the fundamental performance of a borrower (including metrics such as covenant default rates and EBITDA growth).

Exhibit 8: “Takeout” activity has been somewhat balanced in 3Q2024

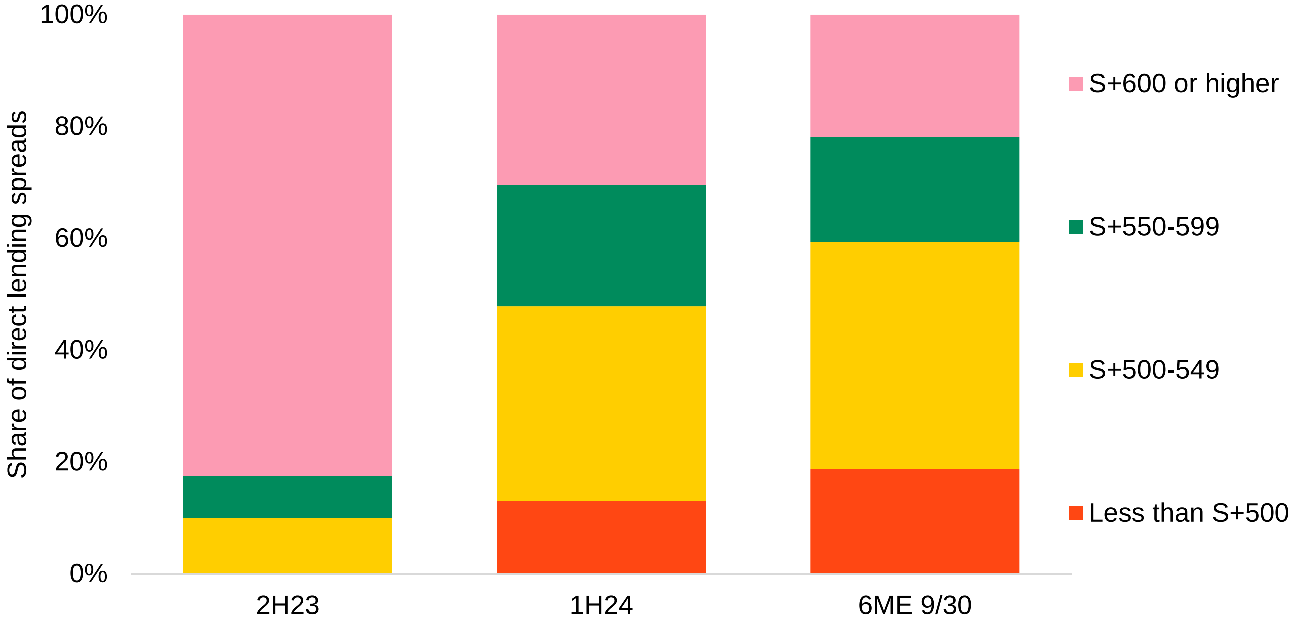
Broadly syndicated loans (BSL) and direct lending (DL) takeout volumes, by quarter, in the USD market



Source: Pitchbook LCD. Data through September 25, 2024. Historical data is subject to change as LCD collects more information.

Exhibit 9: Direct lending spreads have tightened in recent months, as syndicated markets remain open

Distribution of spreads for new-issue sponsored direct lending activity



Source: Pitchbook LCD. Data through September 25, 2024. Data based on LCD News reporting and reflects spreads on senior secured loans and unitranches.

Company-specific circumstances are key

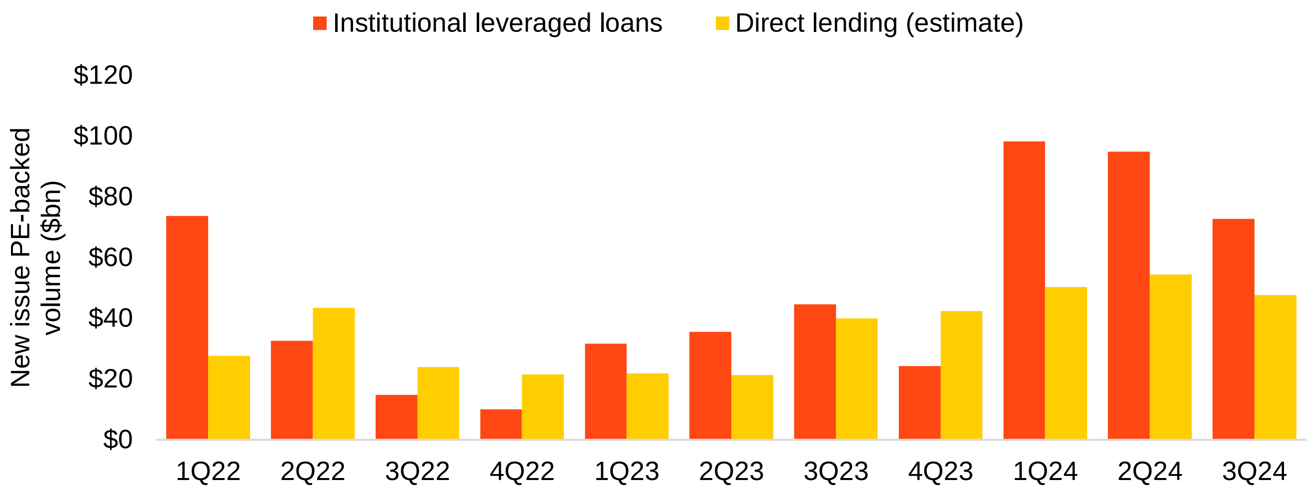
During periods when syndicated and private debt markets both remain receptive, we expect borrowers will seek funding where they can receive the best outcome for their specific business circumstances. But such considerations can vary from borrower to borrower.

For example, a borrower seeking a complex and multi-part financing for a long-term project may choose to issue in the private markets, where lenders often have the ability to accommodate such nuances and provide certainty of execution (as longer-term projects can be more vulnerable to potential shifts in market sentiment and volatility). On the other hand, a borrower seeking a more traditional financing may seek to focus primarily on where it might achieve the lowest pricing.

The push and pull between the two markets (syndicated loans and private debt) is evident in volume differences. For example, new issue volume by private equity (PE)-backed companies has favored the syndicated markets over the last three quarters (Exhibit 10). In contrast, new issue leveraged buyout (LBO) volume has represented a more balanced flow (with direct lending exceeding leveraged loan volumes in 1Q and 2Q, and vice versa in 3Q, Exhibit 11). This suggests that borrowers may be optimizing issuance for select features of each market (for example, term flexibility in private debt may be more attractive in LBO transactions than in other types of financing).

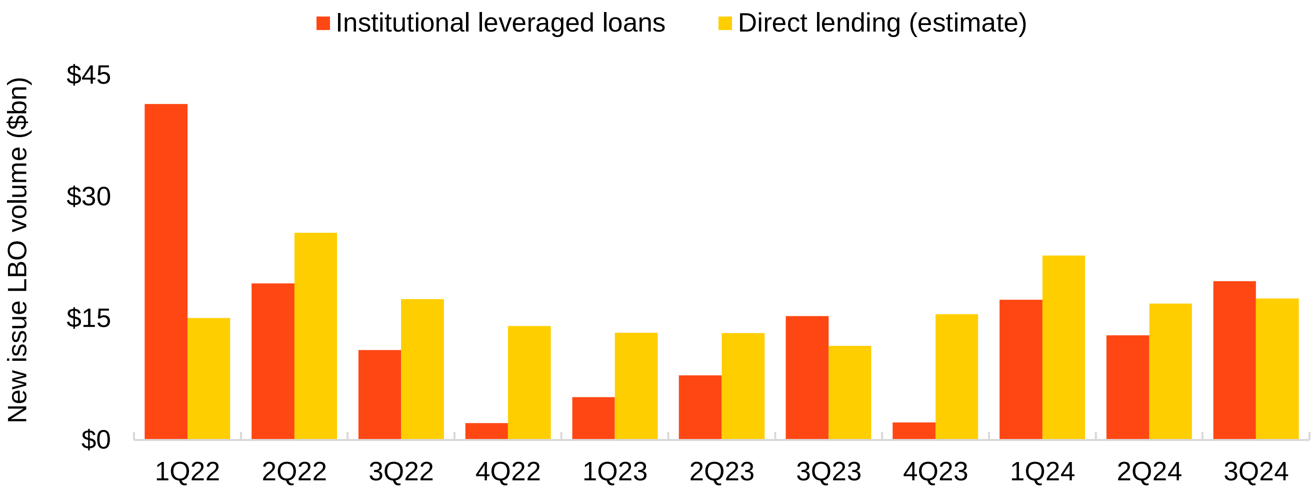
Notably, whereas the volume of LBOs has fluctuated between leveraged loans and direct lending over the last few quarters (again, Exhibit 11) the *count* of LBOs financed in the private credit market has exceeded that of the BSL market consistently over the last 17 consecutive quarters, suggesting that smaller borrowers tend to seek execution in private debt markets (Exhibit 12).

Exhibit 10: Syndicated leveraged loan issuance to PE-backed borrowers has outpaced direct lending in recent quarters
Quarterly new issue volume for private equity (PE)-backed borrowers (Pitchbook LCD estimates)



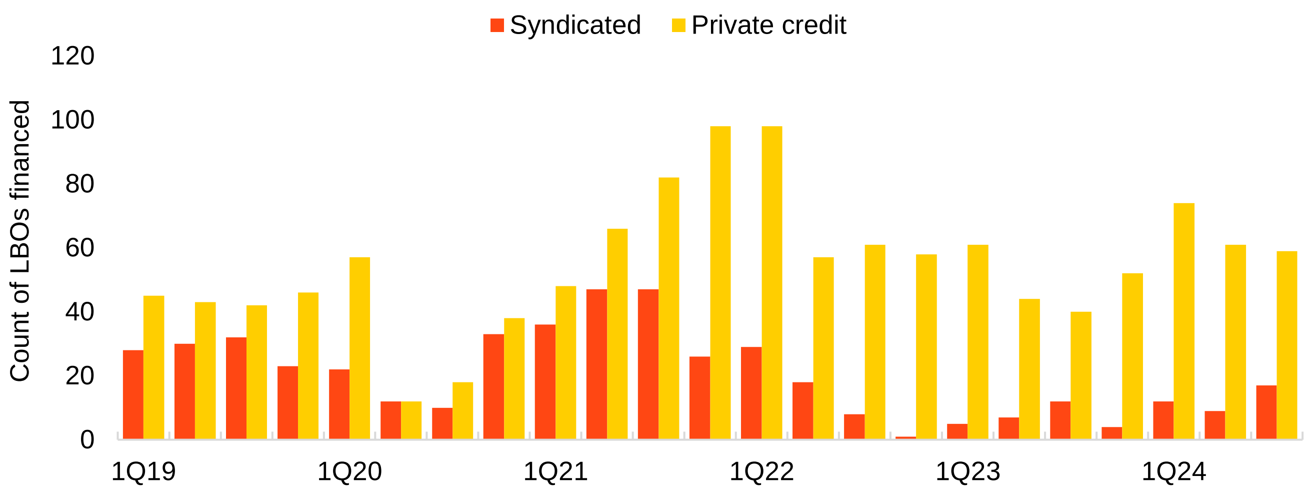
Source: Pitchbook LCD. Data through September 25, 2024. Direct lending analysis is based on transactions covered by LCD news.

Exhibit 11: Direct lending keeps a more meaningful share of leveraged buyout volume
Quarterly new issue leveraged buyout (LBO) volume (Pitchbook LCD estimates)



Source: Pitchbook LCD. Data through September 25, 2024. Direct lending analysis is based on transactions covered by LCD news.

Exhibit 12: Private credit finances a larger share of LBOs, by count
Count of leveraged buyouts (LBOs) financed in the broadly syndicated loan and private credit markets



Source: Pitchbook LCD. Data through September 25, 2024. Private credit count is based on transactions covered by LCD news.

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

Risk Warnings:

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

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

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

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

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

IMPORTANT INFORMATION:

In **Canada**, this material is intended for permitted clients as defined under Canadian securities law, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction.

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

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

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

In **Japan**, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Professional Investors only (Professional Investor is defined in Financial Instruments and Exchange Act).

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

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

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA).

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

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

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

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

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

For Investors in **Switzerland**: This document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services ("FinSA"). For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: www.blackrock.com/finsa.

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

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

The information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority (“DFSA”) Conduct of Business (COB) Rules. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These 44 forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The information contained in this document is intended strictly for non-natural Qualified Investors as defined in the UAE Securities and Commodities Authority’s Board Decision No. 3/R.M of 2017 concerning Promoting and Introducing Regulations. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

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

Blackrock Advisors (UK) Limited -Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of ‘Advising on Financial Products’ and ‘Arranging Deals in Investments’ in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

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

Kuwait

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

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

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

The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials.

For investors in **Central America**, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor's own risk. This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities ("SUGEVAL"), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities ("Reglamento sobre Oferta Pública de Valores"). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon his request and instructions, and on a private placement basis. For Guatemala Investors, This communication and any accompanying information (the "Materials") are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this "Jurisdiction"), or the conducting of any brokerage, banking, or other similarly regulated activities ("Financial Activities") in the Jurisdiction. Neither BLACKROCK, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BLACKROCK, nor the securities, products, services, or activities described herein, are regulated, or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BLACKROCK only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations if any.

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

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

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

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

State of Qatar and the Qatar Financial Centre (QFC)

The information contained in this document is intended strictly for sophisticated institutions.

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

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

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

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

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

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

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

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

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