BLACKROCK®

FEB 2015

Investment Directions

THE CASCADE EFFECT OF EUROPE'S QE

Market Outlook

QE Begins in Europe

After months of hinting and speculation, the European Central Bank (ECB) finally embarked on a new quantitative easing (QE) program that is massive in both size and scope. QE by itself probably won't solve Europe's chronic economic malaise, though it should mitigate the risk of deflation and support European exporters through a weaker euro. The reach of the €1 trillion-plus program, however, extends beyond the continent; the impact will be evident in holding down global bond yields.

Monetary Policy, Two Ways

As we have discussed for some time now, central banks are taking increasingly divergent paths with their monetary policies. On the easing side, China, Denmark, India and others joined Europe and Japan in taking steps to address deflationary threats and bolster slowing economies. On the tightening side, besides Brazil and its three recent rate hikes, the Federal Reserve (Fed) is the only major central bank preparing to raise interest rates this year. As the disparity deepens, we expect markets to remain volatile, especially currency markets. Equity markets with central bank support are well positioned, such as in Europe and Japan, while challenging times could be ahead for those without such backing.

Cheaper Oil Is a Good Thing, for the Most Part

Another major shift to the investment climate has been the plunge in oil prices, which stirred up much market volatility and prompted questions about the strength of the world economy. However, prices seemed to have stabilized in recent weeks on reports of lower output, which could help ease some of the anxiety. Remember: Cheaper oil is a boost to consumer spending and global growth.

Opportunities in International Stocks, Credit

Given the market dynamics, it makes sense to look outside the United States for value, where central bank accommodation is keeping equity markets buoyant and where plenty of bad news is already baked into valuations. While investors continue to favor U.S. Treasury debt, we prefer the credit corners of the bond market that offer the prospect of higher income.

WHAT'S NEW:

- Upgrade European Equities to Overweight
- Downgrade U.S. Equities to Underweight
- Downgrade MBS to Neutral
- European QE: A Step in the Right Direction, But Is It Enough? – Pg. 7

SO WHAT DO I DO WITH MY MONEY?®

▲ OVERWEIGHT

- Equities
- Japanese & European Equities
- Cyclical Sectors
- Munis & High Yield Bonds

▼ UNDERWEIGHT

- Bonds
- U.S. Equities
- Defensive Sectors
- Treasuries

ADDITIONALLY, CONSIDER

Raising allocations to emerging markets in Asia.

Trimming exposure to gold, which is likely to come under pressure from rising rates, a benign inflation outlook, and poor supply-and-demand dynamics.

Turning Insight Into Action

INSIGHT

The United States remains the strongest economy in the developed world, but stock market valuations and volatility are both higher in 2015. Selectivity is important in the U.S. market, where value will vary by sector and individual stock.

ACTION

Blend ETFs for core market exposure with high-conviction active solutions that focus on finding value in the market.

CONSIDER

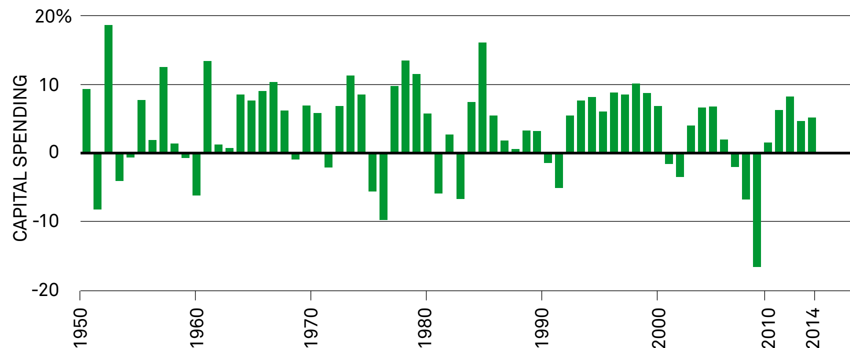
iShares Core S&P 500 ETF (IVV), iShares Core S&P Total U.S. Stock Market ETF (ITOT), Basic Value Fund (MABAX)

United States

We have downgraded U.S. stocks to an underweight. After a rapid pace of growth during the middle of 2014, the U.S. economy slowed in the fourth quarter due to weakness in business investment and exports. Capital expenditures (capex) are likely to remain less robust compared to prior recoveries (see the chart below). That said, with the exception of the energy sector, improved business confidence and tighter capacity utilization rates would augur for a revival during 2015. Investments to improve efficiency and productivity, such as factory automation, e-commerce and health care diagnostics, will likely lend structural support to capex, as well as technology sector revenues. A strong dollar and lower energy prices should continue to benefit household purchasing power and boost real wages. All told, we expect U.S. gross domestic product (GDP) to grow 2.5% to 3% in 2015. A better economy, however, could mean more volatility is in store as the Fed prepares to raise interest rates, probably June of this year. And the same dollar and energy tailwind for consumers is presenting a headwind to S&P 500 earnings. In this environment, although we still like cyclical sectors such as technology and financials, we are finding more compelling opportunities in international markets given relatively full valuations in the United States.

REAL PRIVATE DOMESTIC INVESTMENT

Capital spending has stayed buoyant after the last recession ended but hasn't been as robust as in recoveries in the past.



Source: Bureau of Economic Analysis, as of 2/9/15.

International Developed Markets

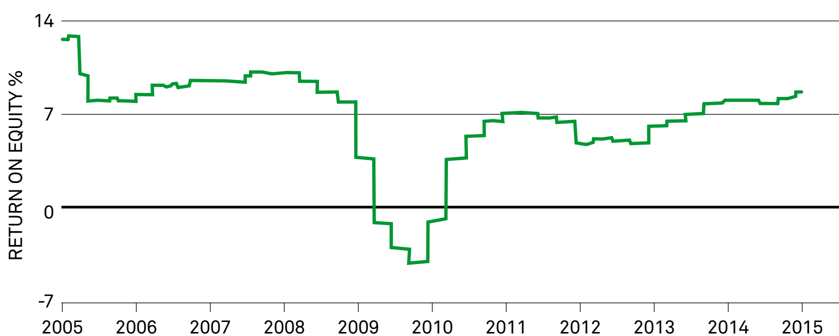
We have upgraded our posture in eurozone stocks to overweight. The ECB's resolve to expand its balance sheet through a combination of private asset and sovereign bond purchases until at least September 2016 (see Hot Topic on page 7) is a clear positive for eurozone equities, especially following so quickly on the heels of bank stress tests and other measures to unclog the plumbing of the bloc's banking system. A weaker euro also boosts exporters and the repatriated earnings of eurozone companies, particularly as cyclical economic indicators begin to stabilize. That said, the outlook for earnings remains clouded by still anemic economic activity, lingering deflation fears and simmering geopolitical risks. Should another heated standoff with Greece over the terms of its bailout and membership in the currency union intensify, eurozone equities could come under pressure after posting some of the best returns so far in 2015 (in euro and U.S. dollar terms).

We maintain an overweight to Japanese equities. The Japanese yen stabilized and even modestly strengthened to start 2015 after taking a drubbing late in 2014 when the Bank of Japan announced an acceleration of its asset purchase program. Japanese stocks have also advanced modestly to start the year as the economy shows early signs of responding favorably to a weaker yen, lower energy costs and a fading of last year's consumption tax hike. Although structural reforms have progressed at an uneven pace, investors have begun to take note that Japanese companies are delivering a better return on equity (ROE) through increased share repurchases and dividend increases (see the chart below). Japanese equities are no longer as ridiculously cheap as they were a year ago, but we believe they're still one of the rare bargains available to stock investors these days.

We remain neutral toward Canadian stocks. In a surprise move, the Bank of Canada (BoC) cut interest rates to offset the negative effects of lower oil prices on an economy that relies heavily on energy and materials. (The Reserve Bank of Australia, also feeling the pinch from lower commodity prices, followed with a surprise rate cut of its own.) The weaker Canadian dollar may help boost non-energy exports, but the BoC risks goosing up consumer indebtedness and an already overheated housing market at a time when the energy sector is under stress.

LAND OF THE RISING ROE

Return on equity improves as Japanese companies focus on returning cash to shareholders through more dividends and share buybacks.



Source: Bloomberg, as of 2/7/15.

Turning Insight Into Action

INSIGHT

Europe offers value, while Japan appears relatively undervalued in the world today. That said, continued strength in the greenback could erode returns in international markets for U.S. dollar-based investors, boosting the allure of currency hedged exposure.

ACTION

Use an active manager with strong stock selection expertise or be selective with ETFs.

CONSIDER

Global Long/Short Equity Fund (BDMIX), Global Dividend Fund (BIBDX), iShares MSCI Japan ETF (EWJ), iShares Currency Hedged MSCI Japan ETF (HEWJ), iShares MSCI EMU ETF (EZU), iShares Currency Hedged MSCI EMU ETF (HEZU), Global Allocation Fund (MALOX)

Emerging Markets

We continue to advocate for a benchmark exposure to emerging markets (EM). After two consecutive down years in 2013 and 2014, EM equities have started off 2015 in positive territory. Near the end of January, investors started returning to EM equities and especially to regional markets, such as India—now the largest country ETF in the EM arena. We continue to highlight the heterogeneous nature of EM investing, preferring to focus on Asia rather than navigate the potential pitfalls in Latin America and Eastern Europe. More importantly, Asian central banks have more latitude to ease monetary policy given low inflation, and falling oil prices are a boon to Asian economies through greater consumption and improved government budget balances.

We hold a neutral allocation to Indian equities. Low oil prices, improving fundamentals, accommodative monetary policy and a commitment to reform are all positives for Indian equities. Since Prime Minister Modi assumed office last May, Indian equities have advanced roughly 16%—a rare bright spot in the world of EM. Although the Sensex may appear rather expensive according to most valuation metrics, keep in mind that roughly two-fifths of the Indian market cap is dominated by two cyclical sectors: technology and financials. Although investor flows have pushed valuations to more stretched levels, we think the long-term case for investing in India is still valid.

We maintain an overweight to Chinese stocks. After a decent run in 2014, Chinese stocks have had a fairly bumpy start to the year. Central government officials continue to hold fast to their 2015 GDP growth targets despite clearly faltering measures of economic activity. Officials are permitting the Chinese yuan to weaken (see the chart below) to bolster the export sector, and investors are also anticipating further monetary stimulus after a cut to bank reserve requirements. Meanwhile, officials broadened an anticorruption campaign to include technology and financial companies. While such reform measures may impair near-term economic growth, the long-run effects of clamping down on corruption should prove supportive of Chinese growth and corporate earnings.

Turning Insight Into Action

INSIGHT

It may be time to consider getting back to a neutral exposure in emerging markets, but investors should remain selective.

ACTION

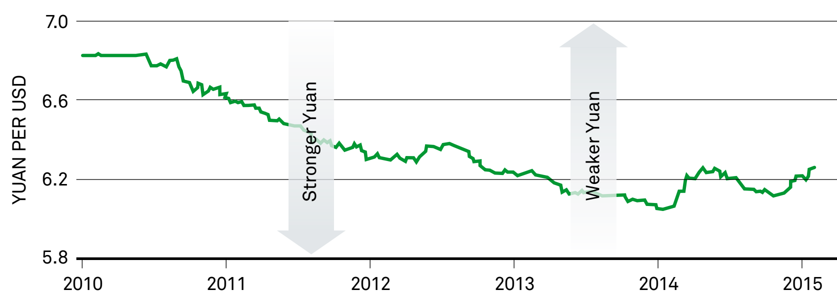
Access specific countries or regions, or use an active manager with expertise to identify opportunities.

CONSIDER

iShares MSCI China ETF (MCHI), iShares MSCI Emerging Markets Asia ETF (EEMA), Emerging Market Allocation Fund (BEEIX)

YUAN-TON DISREGARD?

In an effort to support the economy, China cut the official policy rate and has allowed its currency to weaken versus the U.S. dollar.



Source: Bloomberg, as of 2/7/15.

Global Sectors

We retain an overweight to the technology and financials sectors. With strong economic momentum in the United States and a stabilization overseas, we prefer cyclical sectors that are still reasonably valued, offer better earnings growth prospects and are increasing dividend payouts. For technology stocks, an expected upturn in global capital spending could prove advantageous, and we expect the sector to rise on the back of positive earnings news. We also think financials stocks offer value and could head higher on improving loan growth and higher interest rates.

We remain neutral toward the energy and consumer discretionary sectors. We expect oil prices to trend higher from current levels over the next year or so, with global integrated oil companies in the best position to benefit given their attractive valuations and more diversified business model. In contrast, we are more cautious on exploration and production companies as well as oil servicing companies because of their higher sensitivity to any potential near-term weakness in oil prices. The large drop in oil prices and windfall to consumers should support the consumer discretionary sector, but valuations mostly reflect this positive outlook.

We continue to be cautious of defensive and certain dividend-rich sectors, particularly consumer staples and U.S. utilities. Last year's outperformance over cyclical sectors has extended into 2015, but we may be seeing signs of a shift (see the chart below). Defensive sectors such as U.S. utilities require low interest rates to justify their expensive valuations and would likely fall out of favor on any material upward move in interest rates.

Turning Insight Into Action

INSIGHT

Favor cyclical sectors over defensive and dividend-oriented sectors. Consumer staples and U.S. utilities look particularly expensive.

ACTION

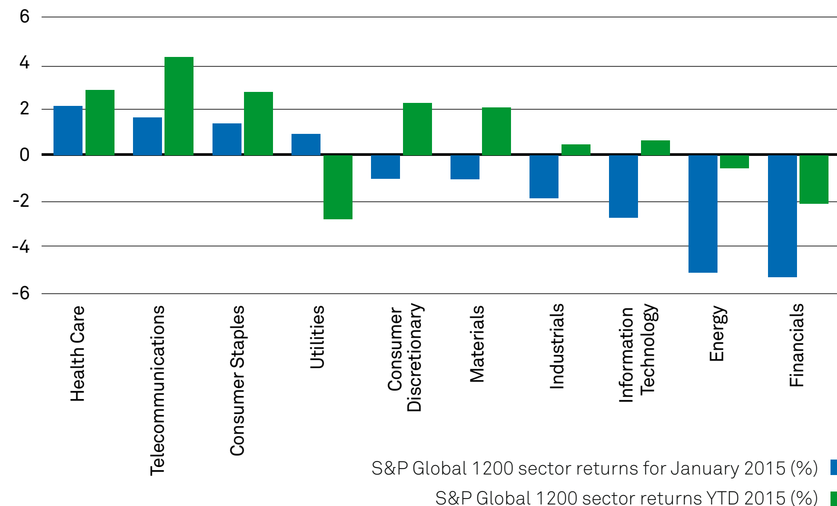
Tap into potential technology and financial opportunities using specific sector exposure and consider a long/short approach to help differentiate sources of risk and return.

CONSIDER

iShares Global Financials ETF (IXG), iShares Global Tech ETF (IXN), iShares U.S. Technology ETF (IYW), Global Long/Short Equity Fund (BDMIX)

DEFENSIVES STILL IN CHARGE, BUT FOR HOW MUCH LONGER?

Defensive sectors would likely fall out of favor on any move higher in interest rates, while cyclicals should benefit from a firming economic backdrop.



Sources: Bloomberg, BlackRock, as of 2/11/15.

Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Turning Insight Into Action

INSIGHT

With interest rates likely to rise in the United States in 2015, fixed income investors will likely face challenges yet again this year.

Manage Interest Rate Risk

ACTION

Consider a flexible strategy with the ability to actively manage duration.

CONSIDER

Strategic Income Opportunities Fund (BSIIX), Strategic Municipal Opportunities Fund (MAMTX), Global Long/Short Credit Fund (BGCIX)

ACTION

Reduce interest rate risk through time by using a diversified bond ladder and matching term maturity to specific investing needs.

CONSIDER

iBonds®

Seek Income

ACTION

Cast a wider net for income while carefully balancing the trade-offs between yield and risk.

CONSIDER

Multi-Asset Income Fund (BIICX), High Yield Bond Fund (BHYIX), iShares iBoxx $ High Yield Corporate Bond ETF (HYG), iShares iBoxx $ Investment Grade Corporate Bond ETF (LQD)

Build a Diversified Core

ACTION

Use core bonds for diversification benefits and potential protection from unforeseen shocks to equity markets.

CONSIDER

Total Return Fund (MAHQX), iShares Core U.S. Aggregate Bond ETF (AGG), iShares Core Total USD Bond Market ETF (IUSB)

Fixed Income

We remain underweight Treasuries and Treasury Inflation-Protected Securities (TIPS). Defying forecasts of higher rates, the 10-year Treasury yield fell to its lowest level in more than 20 months in January. A softer-than-expected U.S. GDP report, concerns about global disinflation, renewed worries about Greece, and the debut of the ECB asset purchase program were contributing factors. Treasury yields bounced back in early February, as some of the fears seemed overdone. As overall U.S. economic data improves and the Fed moves closer to tightening, we expect yields to climb higher.

We maintain an overweight in high yield. After selling off in December, the high yield sector has stabilized, seeing strong inflows from investors once again seeking higher income. However, we continue to be mindful of downside risk in the energy sector.

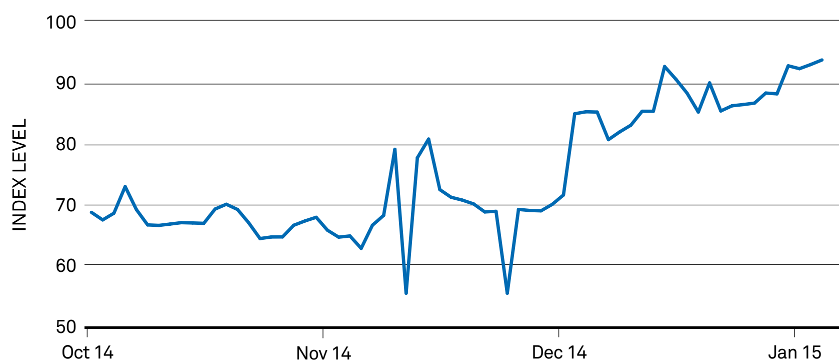
We remain overweight municipals. Low supply amid solid demand, improving fiscal conditions among state and local issuers, and a broad drop in interest rates contributed to munis' phenomenal run in 2014 and continue into this year. However, more advance refundings (when a bond is issued to pay off another bond early) and a possible Fed rate hike could pose headwinds. In the long term, heavy pension obligations among issuers could be challenging.

We retain an underweight in non-U.S. developed markets and are neutral to EM debt. Hard-currency USD/euro EM bonds should benefit from strong demand due to relatively high yields, yet differentiation will be key. Rising issuance and the volatility in the oil market have created pockets of vulnerability and potential opportunity.

We lower our mortgage-backed securities (MBS) weight to neutral. A position in MBS is typically a carry trade that performs well in a low volatility environment. Interest rate volatility has increased markedly since year-end (see the chart below), and sharp rate moves expose MBS to either prepayment surprises (in the case of a rally) or duration extension (in the case of a sell-off).

A JUMP IN INTEREST RATE VOLATILITY THIS YEAR

The Merrill Option Volatility Expectations Index (MOVE) represents a market estimate of future Treasury bond yield volatility. It has gone up 36% since the end of last year.



Source: Bloomberg, as of 2/9/15.

Hot Topic: European QE: A Step in the Right Direction, But is it Enough?

The ECB's new €1 trillion-plus asset purchase program did not disappoint, sparking an equity rally, particularly in international markets. The size of the package, the open-ended nature of the commitment and the willingness to purchase longer dated bonds all came as positive surprises. The timing of the announcement was also fortuitous, coming amid signs that European economic indicators were bottoming (see the chart below).

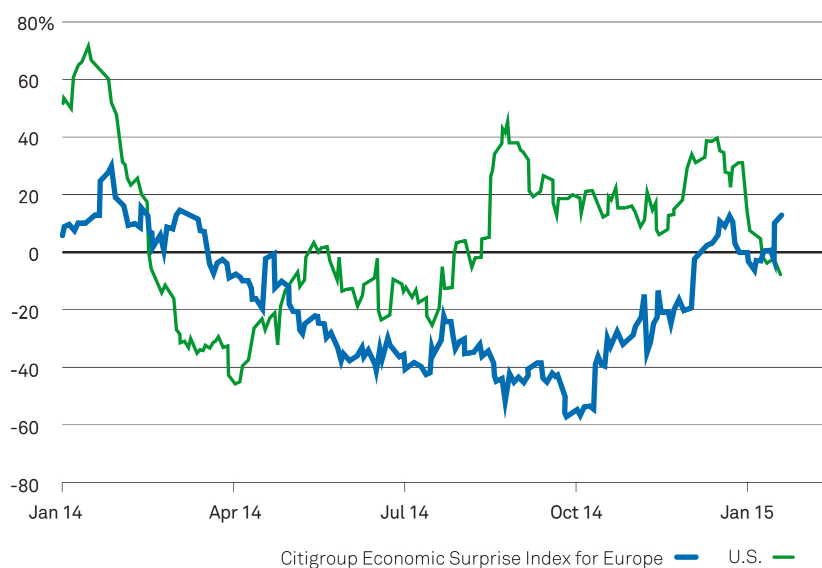
By itself, QE is unlikely to spur European growth, but it should go a long way in mitigating the risk of deflation and supporting European equities, particularly in peripheral countries, where stocks are already up sharply year-to-date. Part of the benefit is likely to come from a weaker euro, which we expect to continue to depreciate against the U.S. dollar.

But the euphoria over Europe may hit a snag. With the Syriza party winning the early Greek election and forming an anti-austerity coalition government, all eyes are on how the new government will manage debt negotiations with the troika—the ECB, European Commission and International Monetary Fund. A prolonged period of heightened tension and difficult debt negotiations is a possibility, though the ECB QE is serving as a sort of backstop and holding down contagion risks for now. Keep in mind: The majority of Greeks want to stay in the eurozone. Compromises on debt terms and budget constraints are likely in our view.

What does this all mean to your investments? Monetary conditions and less stretched valuations are acting as tailwinds for international stock markets, even after accounting for European politics. The flip side is that with more of the world's bonds being purchased by the ECB and other central banks, bonds are ever more expensive.

POSITIVE ECONOMIC SURPRISES IN EUROPE

Not only did the ECB's QE beat investor expectations, but European economic data has surprised to the upside too.



Sources: Thomson Reuters Datastream, Citigroup, BlackRock Investment Institute, as of 2/6/15.

EQUITY FACTORS

Global Region	Valuations	Growth	Profit-ability	Risk/ Sentiment	Momentum	Our View underweight	◀	neutral	▶	overweight	Related iShares ETF Tickers
DEVELOPED MARKETS								●			
North America											
United States	−	+	+	+	+		●				EUSA
Canada			−	+				●			EWC
Europe											
Eurozone	+	−	−		−				●		EZU, HEZU
Switzerland	−						●				EWL
United Kingdom				+	−			●			EWU
Asia Pacific											
Japan	+	−								●	EWJ, HEWJ
Australia			−			●					EWA
EMERGING MARKETS								●			
Asia Pacific											
China	+	+	+		+					●	MCHI
India	−	+	+		+			●			INDA
South Korea		+			−			●			EWY
Latin America											
Brazil		−		−	−			●			EWZ
Mexico								●			EWW
Emerging EMEA											
Russia	+	−	−	−	−			●			ERUS
South Africa	−	−		−	+	●					EZA

Global Sector & Style	Valuations	Growth	Profit-ability	Risk/ Sentiment	Momentum	Our View underweight	◀	neutral	▶	overweight	Related iShares ETF Tickers
CYCLICAL SECTORS											
Consumer Discretionary								●			RXI
Energy	+	−	−	−	−			●			IXC
Financials									●		IXG
Industrials								●			EXI
Information Technology		+	+	+	+				●		IXN
Materials	+	−	−	−	−			●			MXI
DEFENSIVE SECTORS											
Consumer Staples	−	−				●					KXI
Healthcare	−	+		+	+			●			IXJ
Telecommunications			+	−				●			IXP
Utilities	−		−		+			●			JXI
STYLES											
U.S. Small/Mid Caps	−		−					●			IWM
U.S. Mega/Large Caps	+		+					●			OEF

Fixed Income Sector	Valuations	Economics	Risk/ Sentiment	Momentum	Our View underweight	◀	neutral	▶	overweight	Related iShares ETF Tickers
Emerging Markets		−					●			EMB
U.S. High Yield Credit	+	+	−	−				●		HYG
U.S. Investment Grade Credit	−	+					●			LQD
U.S. Mortgage-Backed Securities		+					●			MBB, GNMA
U.S. Municipals				+				●		MUB
Non-U.S. Developed Markets	−	−				●				ISHG, IGOV
U.S. TIPS	−	−		+	●					STIP, TIP
U.S. Treasuries	−	−		+		●				SHV, SHY, IEI, IEF, TLH, TLT

	Supply & Demand	Opportunity Holding Cost	Safe Haven Demand	Inflation Hedge Demand	Momentum	Our View underweight	◀	neutral	▶	overweight	ETF Tickers
Gold*		−	−	−	−	●					

− unattractive | neutral | + attractive | ● underweight outlook | ● slightly underweight outlook | ● current neutral outlook | ● slightly overweight outlook | ● overweight outlook

Underweight: Potentially decrease allocation **Neutral**: Consider benchmark allocation **Overweight**: Potentially increase allocation

* See the appendix for an explanation of the methodology for our gold views and other outlooks. Note that the time frame for these views is generally three to 12 months. Please note that the views expressed above in the factor table are for time frames of at least three months. This material represents 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 regarding the iShares Funds or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future holdings or portfolio of any BlackRock client.

Appendix

The analysis behind our equity views:

Our country and sector views are based on an analysis of the extent to which macroeconomic factors have been priced in at the country and sector level. We are overweight (underweight) countries and sectors where market valuations are low (high) relative to the underlying fundamentals, with the expectation that the economic factors will be fully incorporated into prices in the future. To determine our country views, we look at these macroeconomic factors:

Valuations: If a country has a low price-to-book ratio (P/B) relative to both its own trading history and to other emerging or developed countries, we assign it a "+"; if high, a "-."

Growth prospects: We assign a "+" to countries that are growing faster (as measured by leading indicators and earnings growth prospects) than their past trends and a "-" to countries growing slower.

Corporate sector profitability: A country with a relatively profitable corporate sector (as measured by ROA) is assigned a "+" and we give a "-" to countries growing more slowly.

Risk / sentiment: A country that is perceived as relatively safe (according to historical volatilities and credit default swap (CDS) spreads) is assigned a "+"; a risky country is assigned a "-."

Momentum: An asset with a relatively good return performance within the previous year is assigned a "+"; an asset with relatively poor returns is assigned a "-."

The factors are not equally important in driving returns at a given point in time. As a result, when it comes to formulating our final views, the various factor readings are not additive. For example, a "+" value factor may overshadow negative readings in other factors, leading us to still like the country.

We use a similar methodology for coming up with our sector and style views, focusing on valuations (P/B and P/E), profitability (ROA), risk / sentiment (historical volatilities and sector spreads) and momentum. In addition, we consider the global growth outlook for cyclical and defensive sectors.

In addition, our view on gold is similarly based on the macroeconomic factors that historically impact gold returns. These include the opportunity cost of holding gold (real interest rates); supply and demand; inflation (gold as a real asset tends to act as an inflation hedge); safe haven demand (during periods of high financial stress, demand for gold tends to increase); and momentum.

The analysis behind our fixed income views:

In general, when formulating our fixed income views, we put more weight on the Valuations bucket than on either the Economics or Risk / sentiment buckets.

Valuations: We focus on discounted risk-adjusted cash flows relative to market prices. When a sector exhibits market prices well above what our model sees as fair, we assign the sector a "-"; we assign a "+" when the opposite is true.

Economics: In general, when the overall economic environment (as measured by basic economic and/or aggregate balance-sheet fundamentals) is particularly favorable for a given fixed income sector, we assign a "+"; we assign a "-" when the opposite is true.

Risk / sentiment: When a sector has exhibited strong positive returns/risk appetite (as measured by trailing returns) over the previous several months, we score it a "+"; we assign a "-" when the opposite is true.

Momentum: An asset with a relatively good return performance within the previous year is assigned a "+"; an asset with relatively poor returns is assigned a "-."

RISK APPETITE DIAL

Risk Appetite Index

Risk appetite weakened from our last *Investment Directions* update, driven by a correction in the global equity markets and slowing U.S. growth momentum.

Contributors

Russ Koesterich, CFA, is the Chief Investment Strategist for BlackRock, and Chief Global Investment Strategist for iShares. He is a founding member of the BlackRock Investment Institute, delivering BlackRock's insights on global investment issues.

Nelli Oster, PhD, is a Global Investment Strategist for BlackRock, where her responsibilities include developing the tactical country, sector and asset allocation models.

Heidi Richardson is a Global Investment Strategist for BlackRock, where her responsibilities include relating the Investment Strategy Team's research and investment views to key institutional and financial advisor clients.

Kurt Reiman is a Global Investment Strategist for BlackRock, where his responsibilities include relating the Investment Strategy Team's research and investment views to key institutional and financial advisor clients.

Matt Tucker, CFA, is the Head of North American Fixed Income iShares Strategy within BlackRock's Fixed Income Portfolio Management team.

Stephen Laipply is a Product Strategist for BlackRock's Model-Based Fixed Income Portfolio Management Group.

Terry Simpson, CFA, is a Global Investment Strategist for BlackRock, where his responsibilities include relating the Investment Strategy Team's research and investment views to key institutional and financial advisor clients.

LET US KNOW...

How do you use this market commentary and do you find it useful? Please share your feedback and any questions or concerns you have at **questions@iShares.com.**

You also can find the latest market commentary from the Investment Strategy Group at **BlackRockblog.com, BlackRock.com** and **iShares.com**.

WHY BLACKROCK®

BlackRock helps millions of people, as well as the world's largest institutions and governments, pursue their investing goals. We offer:

- A comprehensive set of innovative solutions
- Global market and investment insights
- Sophisticated risk and portfolio analytics

BlackRock, the world's largest investment manager. Trusted to manage more money than any other investment firm in the world.*

blackrock.com

*Based on $4.65 trillion in AUM as of 12/31/14.

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

The BlackRock funds are actively managed and their characteristics will vary. Investing in long/ short strategies presents the opportunity for significant losses, including the loss of your total investment. Such strategies have the potential for heightened volatility and, in general, are not suitable for all investors.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets, in concentrations of single countries or smaller capital markets. Frontier markets involve heightened risks related to the same factors and may be subject to a greater risk of loss than investments in more developed and emerging markets. There is no guarantee that any fund will pay dividends.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. There may be less information on the financial condition of municipal issues. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable. Noninvestment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

An investment in the Fund(s) is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and its return and yield will fluctuate with market conditions.

The iShares Funds are not sponsored, endorsed, issued, sold or promoted by Markit Indices Limited, MSCI Inc., or S&P Dow Jones Indices LLC. None of these companies make any representation regarding the advisability of investing in the Funds. BlackRock is not affiliated with the companies listed above. Index data related to the underlying indexes is provided by the respective companies above.

The iShares Funds and BlackRock mutual funds that are registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 ("Funds") are distributed in the U.S. by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

This material is solely for educational purposes and does not constitute an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund (nor shall any such shares be offered or sold to any person) in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities law of that jurisdiction.

In Latin America: FOR INSTITUTIONAL AND PROFESSIONAL INVESTORS ONLY (NOT FOR PUBLIC DISTRIBUTION)

It is possible that some or all of the funds mentioned or inferred to in this material have not been registered with the securities regulator of Brazil, Chile, Colombia, Mexico, Peru, Uruguay or any other securities regulator in any Latin American country, and thus, might not be publicly offered within any such country. The securities regulators of such countries have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America.

In Hong Kong, this information is issued by BlackRock Asset Management North Asia Limited 貝萊德資產管理北亞有限公司. 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 should not be relied upon by any other persons. In Singapore, this document is issued by BlackRock (Singapore) Limited (company registration number: 200010143N) for institutional investors only. For distribution in Korea and Taiwan for Institutional Investors only (or "professional clients," as such term may apply in local jurisdictions). This document is for distribution to professional and institutional investors only and should not be relied upon by any other persons. This document is provided for informational purposes only and does not constitute a solicitation of any securities or BlackRock funds in any jurisdiction in which such solicitation is unlawful or to any person to whom it is unlawful. Moreover, it neither constitutes an offer to enter into an investment agreement with the recipient of this document nor an invitation to respond to it by making an offer to enter into an investment agreement. Past performance is not a guide to future performance. There are risks associated with investing, including loss of principal. Changes in the rates of exchange between currencies may cause the value of investments to fluctuate. This document is for informational purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock fund and has not been prepared in connection with any such offer. Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy. This document contains general information only and does not take into account an individual's circumstances and consideration should be given to talking to a financial or other professional adviser before making an investment decision. You are reminded to refer to the relevant prospectus for specific risk considerations which are available from BlackRock websites. BlackRock® is a registered trademark of BlackRock, Inc., or its subsidiaries in the United States and elsewhere. All other trademarks, servicemarks or registered trademarks are the property of their respective owners. © 2015 BlackRock Inc. All rights reserved.

Notice to residents in Australia:

FOR WHOLESALE CLIENTS AND PROFESSIONAL INVESTORS ONLY – NOT FOR PUBLIC DISTRIBUTION

Issued in Australia by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230523 ("BIMAL") to institutional investors only. iShares® exchange traded funds ("ETFs") that are made available in Australia are issued by BIMAL, iShares, Inc. ARBN 125 632 279 and iShares Trust ARBN 125 632 411. BIMAL is the local agent and intermediary for iShares ETFs that are issued by iShares, Inc. and iShares Trust. BIMAL is a wholly-owned subsidiary of BlackRock, Inc. (collectively "BlackRock"). A Product Disclosure Statement ("PDS") or prospectus for each iShares ETF that is offered in Australia is available at iShares.com.au. You should read the PDS or prospectus and consider whether an iShares ETF is appropriate for you before deciding to invest. iShares securities trade on ASX at market price (not, net asset value ("NAV")). iShares securities may only be redeemed directly by persons called "Authorised Participants."

Notice to investors in New Zealand:

FOR WHOLESALE CLIENTS ONLY – NOT FOR PUBLIC DISTRIBUTION

This material is being distributed in New Zealand by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230523 (**"BlackRock"**). In New Zealand, this information is provided for registered financial service providers and other wholesale clients only in that capacity, and is not provided for New Zealand retail clients as defined under the Financial Advisers Act 2008. BlackRock does not offer interests in iShares to the public in New Zealand, and this material does not constitute or relate to such an offer. Before investing in an iShares exchange traded fund, you should carefully consider whether such products are appropriate for you, read the applicable prospectus or product disclosure statement available at iShares.com.au and consult an investment adviser. Past performance is not a reliable indicator of future performance. Investing involves risk including loss of principal. No guarantee as to the capital value of investments nor future returns is made by BlackRock or any company in the BlackRock group. Recipients of this document must not distribute copies of the document to third parties. This information is indicative, subject to change, and has been prepared for informational or educational purposes only. No warranty of accuracy or reliability is given and no responsibility arising in any way for errors or omissions (including responsibility to any person by reason of negligence) is accepted by BlackRock. No representation or guarantee whatsoever, express or implied, is made to any person regarding this information. This information is general in nature and has been prepared without taking into account any individual's objectives, financial situation, or needs. You should seek independent professional legal, financial, taxation, and/or other professional advice before making an investment decision regarding the iShares funds. An iShares fund is not sponsored, endorsed, issued, sold or promoted by the provider of the index which a particular iShares fund seeks to track. No index provider makes any representation regarding the advisability of investing in the iShares funds.

©2015 BlackRock, Inc. All rights reserved. **BLACKROCK**, **iSHARES**, **iBONDS** and **SO WHAT DO I DO WITH MY MONEY** are registered trademarks of BlackRock, Inc. in the United States and elsewhere. All other marks are the property of their respective owners.

Not FDIC Insured • May Lose Value • No Bank Guarantee

Lit. No. MKT-ID-0215 iS-14749-0215 / 156580T-0215

BLACKROCK®