

BUILD AN INCOME-SEEKING STRATEGY



Together we'll cover...

**Today's
income
challenge**

**Why Use
ETFs**

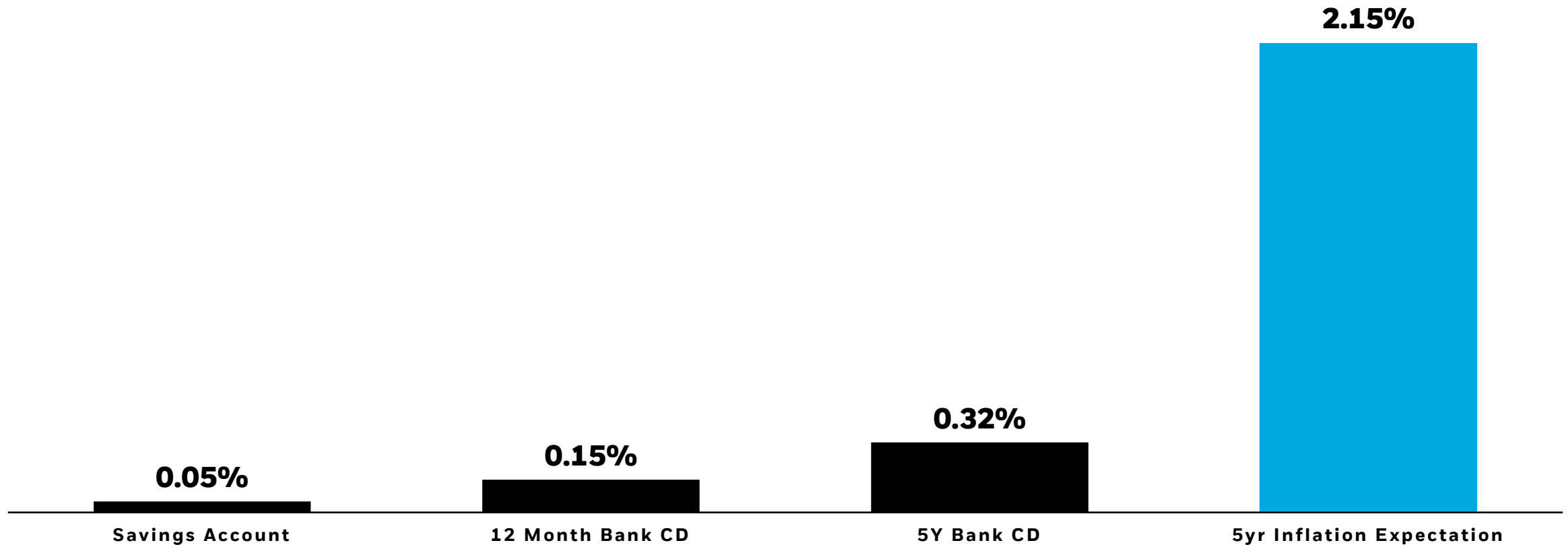
**The
income
ETF
toolkit**

TODAY'S INCOME CHALLENGE



Cash doesn't work as hard as it needs to

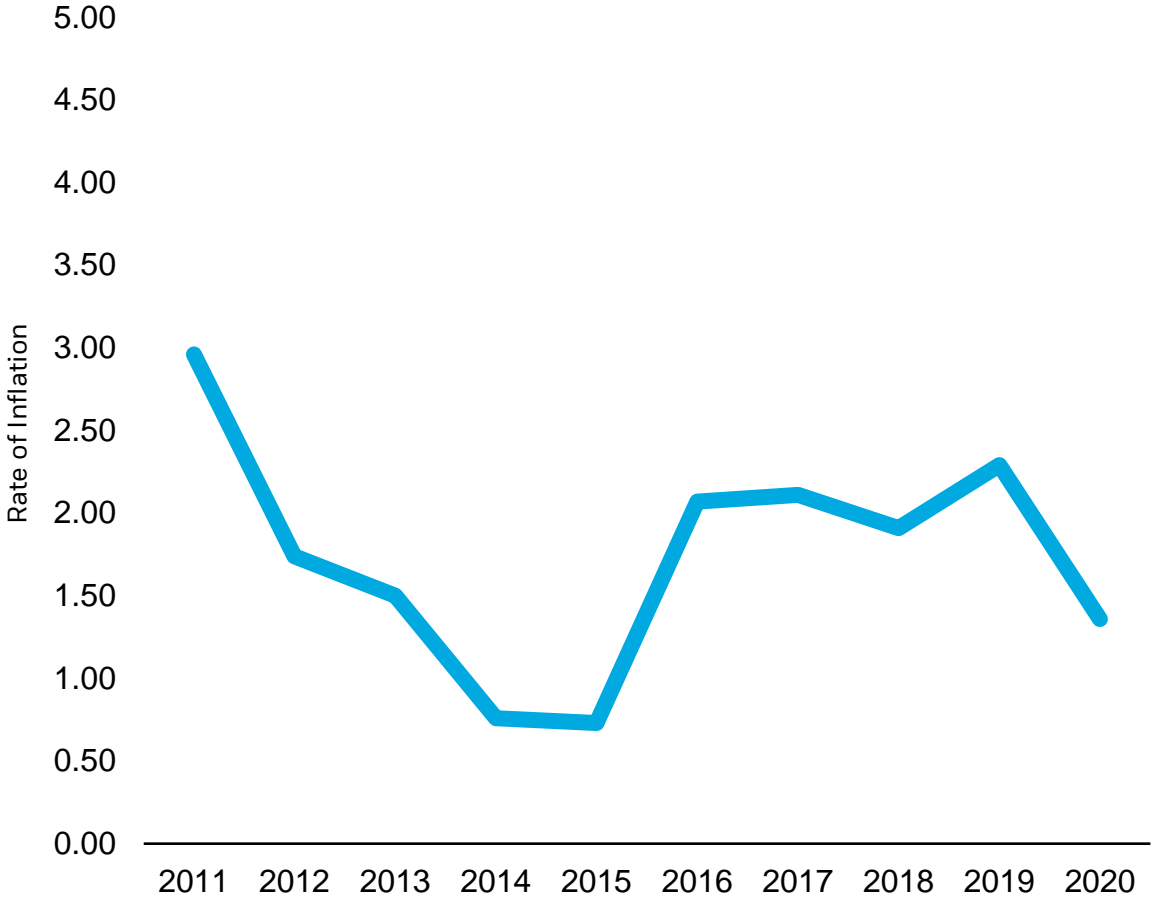
Average yield for cash savings options



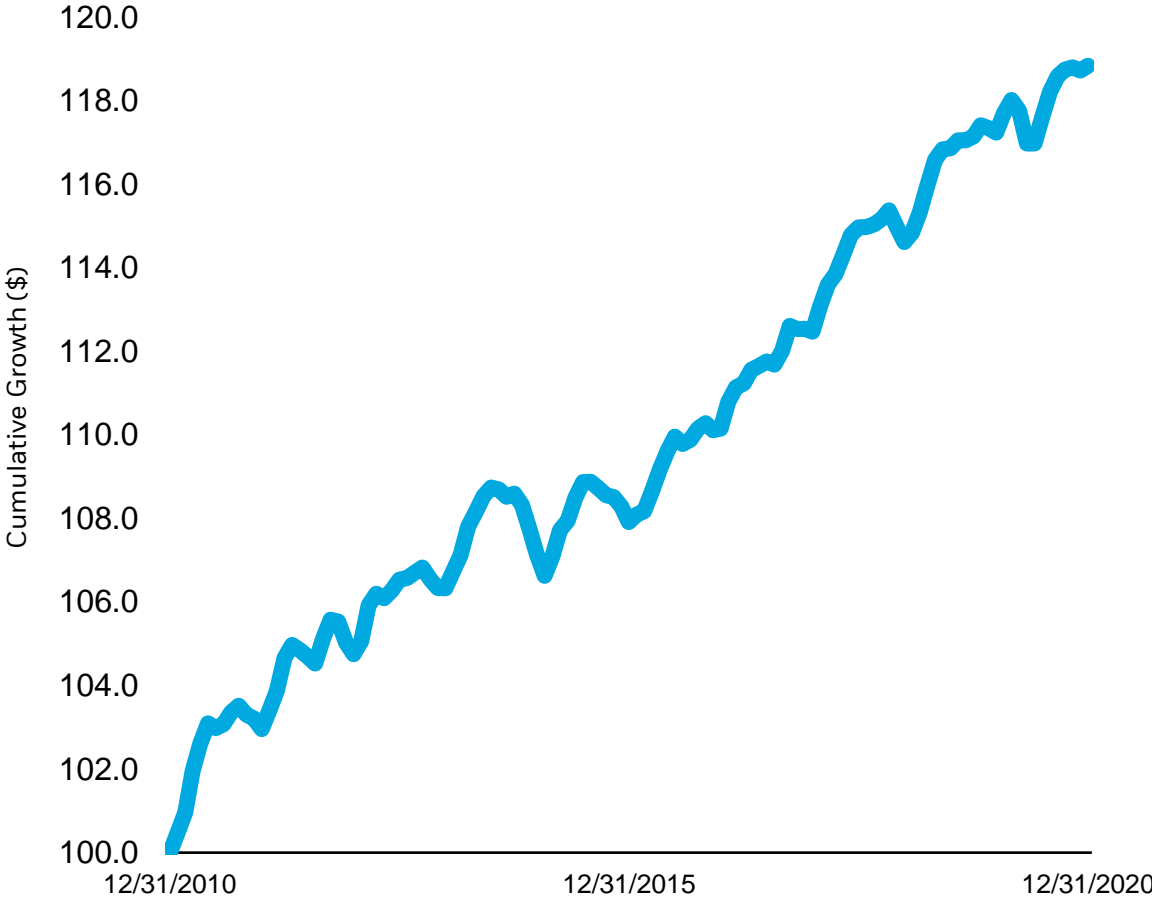
Sources: FDIC as of 1/25/20. "Savings Account", "12 Month Bank CD", "5 Year Bank CD" figures are national averages per category. The "5 year inflation expectation" is from St. Louis Federal Reserve Bank as of 1/25/20.

Even low inflation can hurt in the long run...

Inflation by Year



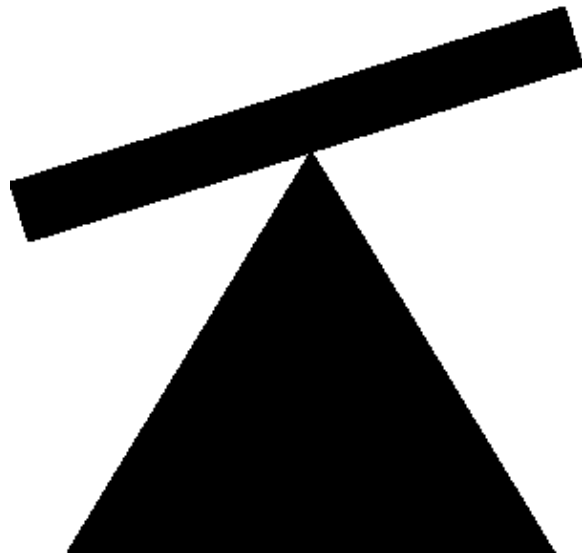
Consumer Price Index



Source: Bureau of Labor Statistics, Morningstar 12/31/2020.

Two primary risks to fixed income investing

Interest Rates



Credit Risk



A



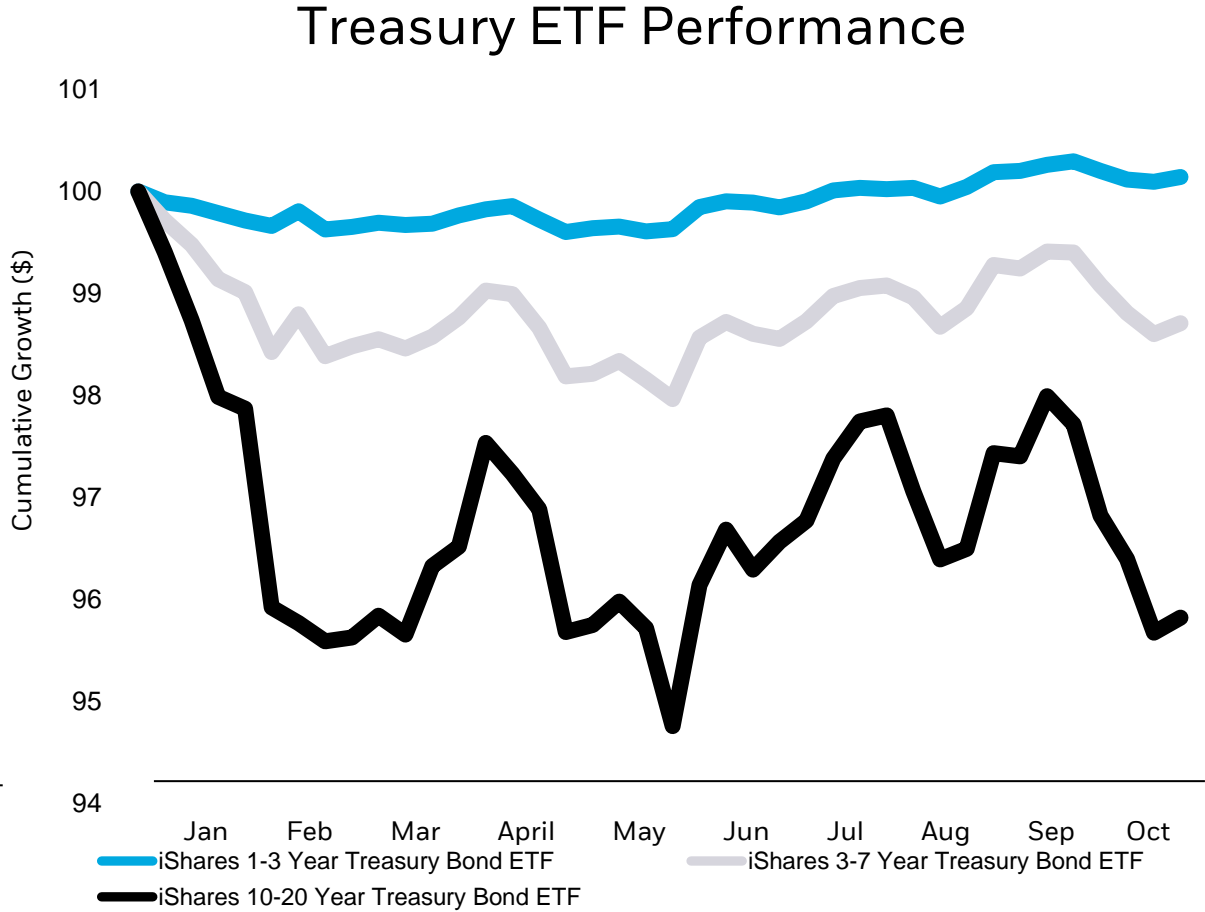
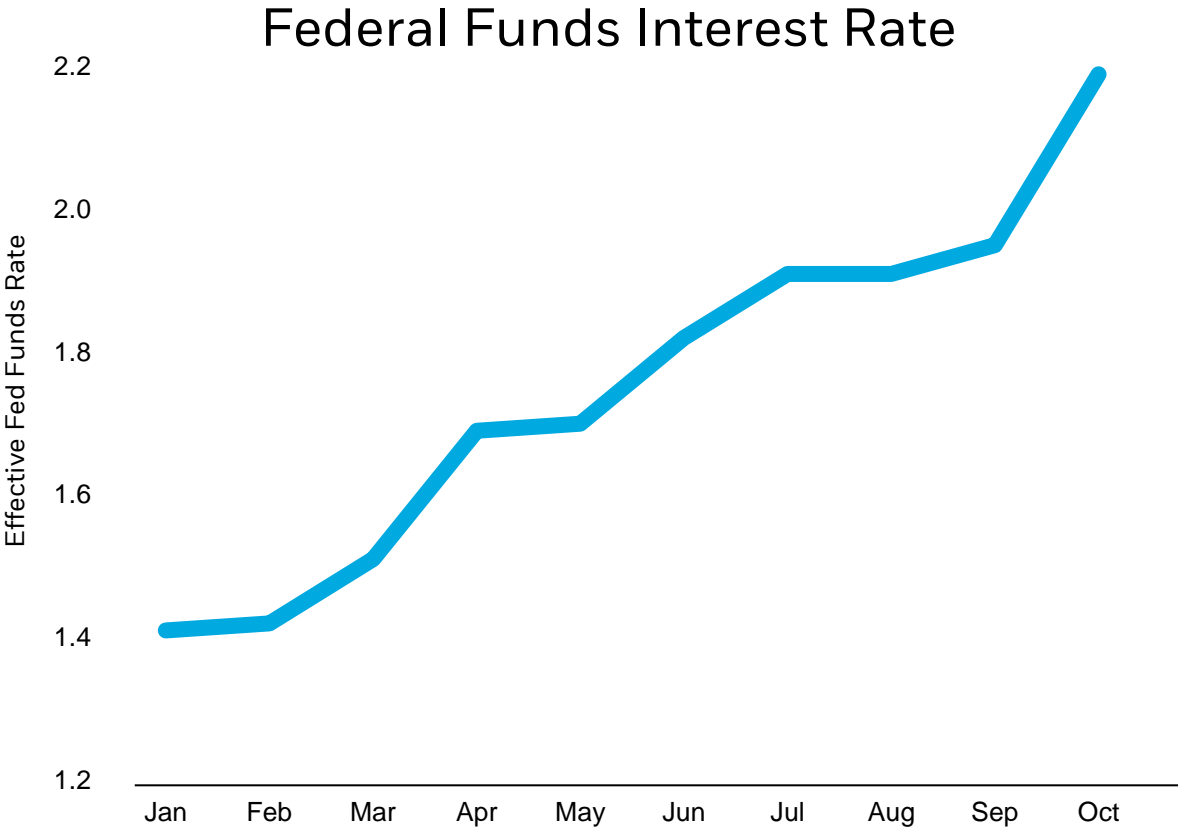
B



C

Interest rate risk: A look back

Snapshot of most recent Fed interest rate increase - 2018 (Q1 through Q3)



Source: Bloomberg, Morningstar for the period of 1/1/2018 – 10/31/2018.

Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance see www.iShares.com. For standardized performance see slides entitled *Standardized Performance* at the end of this presentation.

Bond ratings

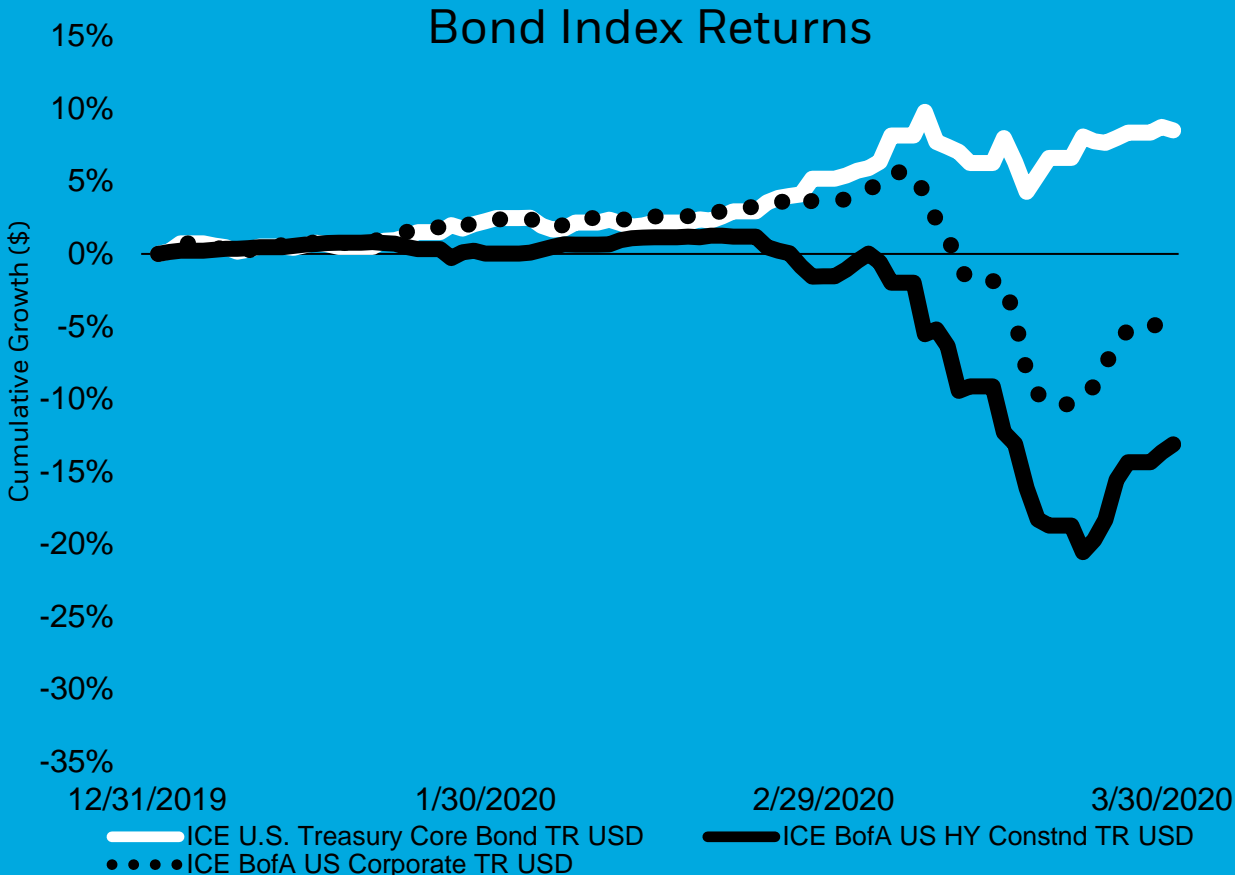
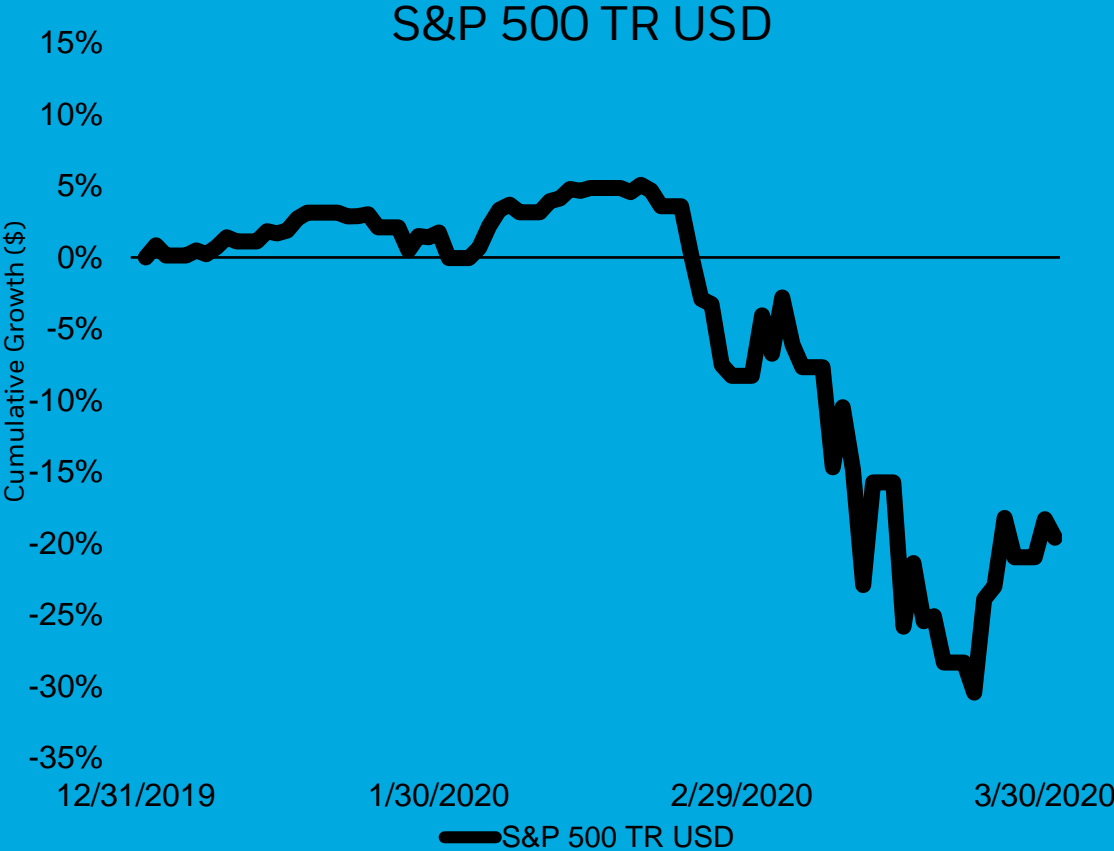
Investment Grade	Standard & Poor's
Strongest	AAA
	AA+
	AA
	AA-
	A+
	A
	A-
	BBB+
	BBB
	BBB-

Non-investment grade	Standard & Poor's
	BB+
	BB
	BB-
	B+
	B
	B-
	CCC+
	CCC
	CCC-
	CC
	C
Weakest	D

Source: Fidelity as of 12/31/20. <https://www.fidelity.com/learning-center/investment-products/fixed-income-bonds/bond-ratings>

Credit risk: A look back

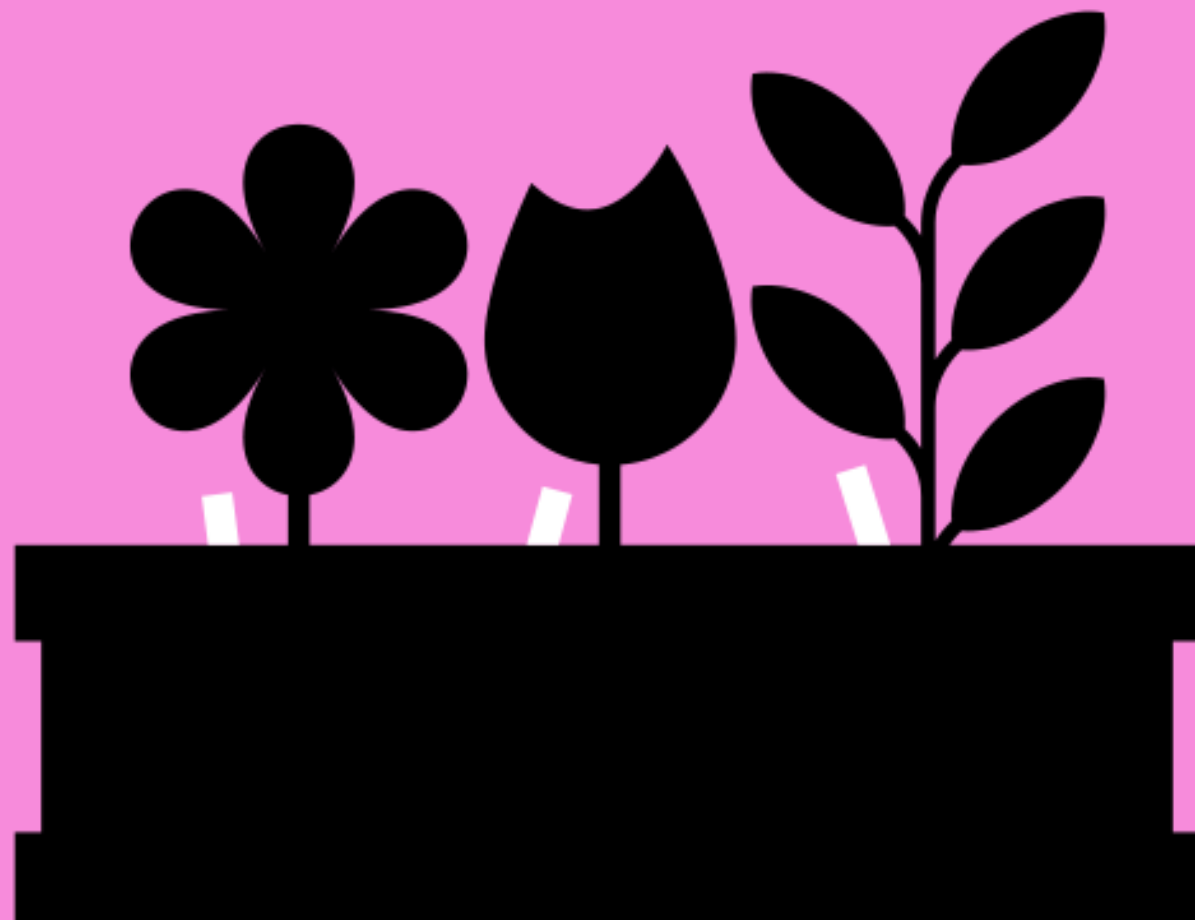
Hypothetical growth of \$100 initial investment Q1 2020



Source: Morningstar as of 3/31/2020.

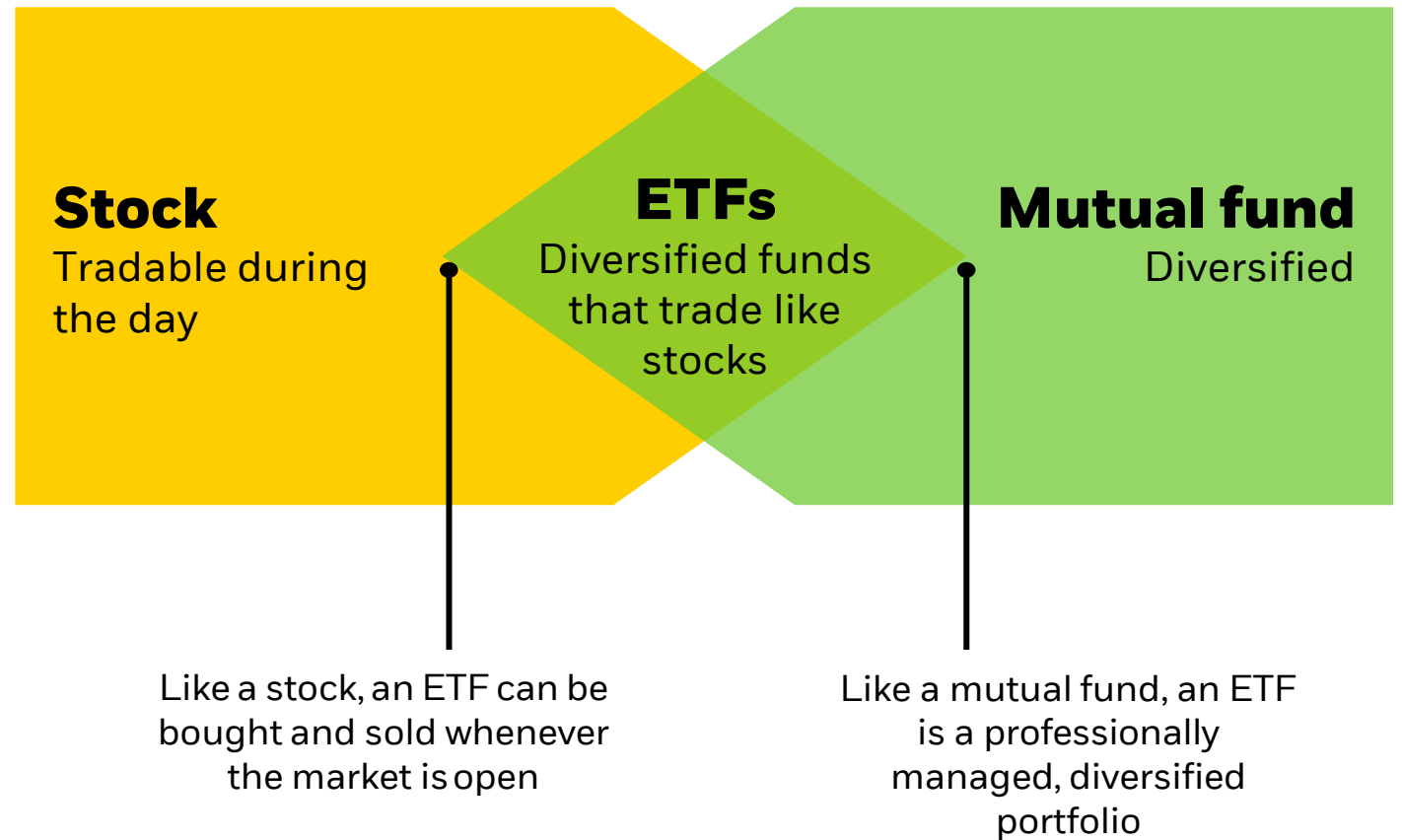
Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

WHY USE ETFs



What are ETFs?

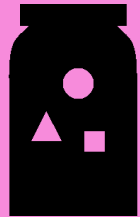
ETFs offer a low cost, tax efficient way to invest



Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. For more information on the differences between traditional mutual funds and ETFs, see the end of this document.

Why use ETFs?

DIVERSIFICATION



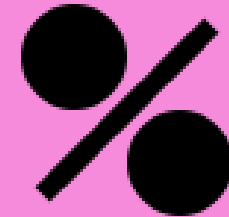
ETFs can hold hundreds of securities within a single fund to help diversify your portfolio

LOW COST



ETFs can keep fees lower than other diversified strategies because they seek to track indexes, helping to reduce costs

TAX EFFICIENT



Because of their strategy and structure, ETFs can generally help reduce tax consequences as compared to mutual funds

Transactions in shares of ETFs may result in brokerage commissions and may generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. For more information on the differences between ETFs and Mutual funds, please see the end of this presentation.

THE INCOME ETF TOOLKIT



The income ETF toolkit

Bonds

IGSB

SHYG

SHY

USIG

USHY

GOVT

Diversify stock portfolios

Preferred & Hybrid Securities

PFF

Diversify income sources

Equities

DGRO

HDV

IDV

Seek dividends and high-yield

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IGSB **SHYG** **SHY**

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Seek dividends and high-yield

Investment Grade Corporate Bonds

Key takeaways



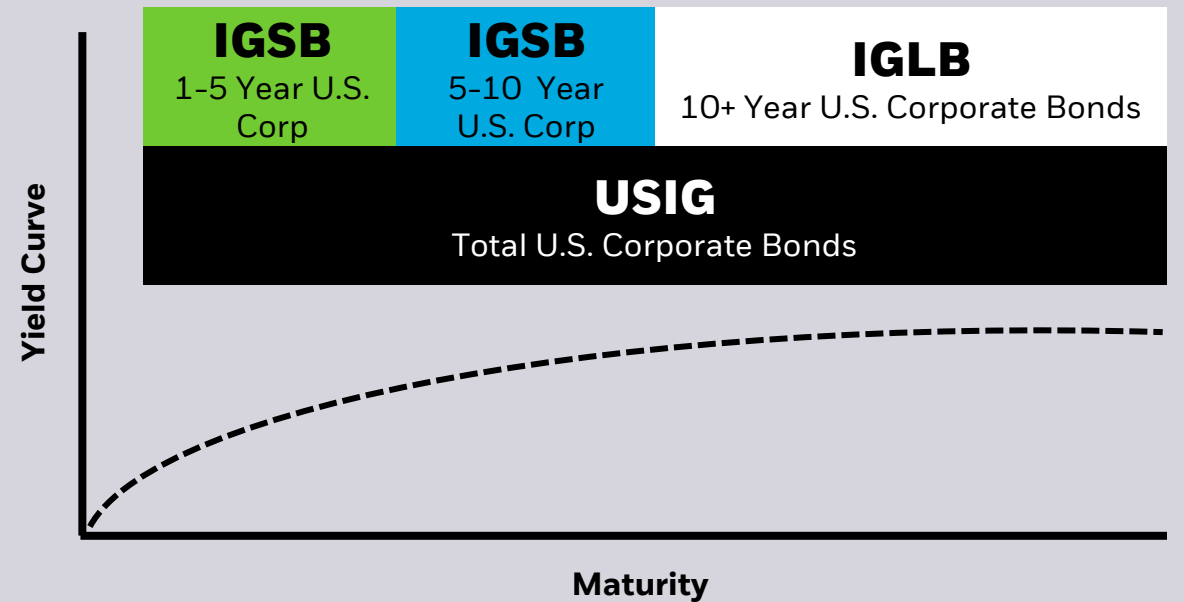
Low Cost

- Expense Ratio of 0.06%



Broad Diversification

- Exposure to hundreds of investment grade corporate bonds in each bond ETF



	IGSB	IGIB	IGLB	USIG
30-Day SEC Yield	0.75%	1.59%	2.79%	1.76%
Duration* (years)	2.71	6.39	14.86	8.3

Source: BlackRock, data as of 12/31/20. Chart for illustrative purposes only.

Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance see www.iShares.com. For standardized performance see slides entitled *Standardized Performance* at the end of this presentation.

* Effective Duration measures the sensitivity of the price of a bond with or without embedded options to changes in interest rates, taking into account the likelihood of the bond being called, put and/or sunk prior to its final maturity date while incorporating after-tax impacts on the bond. The options-based duration model used by BlackRock employs certain assumptions and may differ from other fund complexes. Effective Duration is measured at the individual bond level, aggregated to the portfolio level, and adjusted for leverage, hedging transactions and non-bond holdings, including derivatives.

High Yield Corporate Bonds

USHY

iShares Broad USD High Yield Corporate Bond ETF

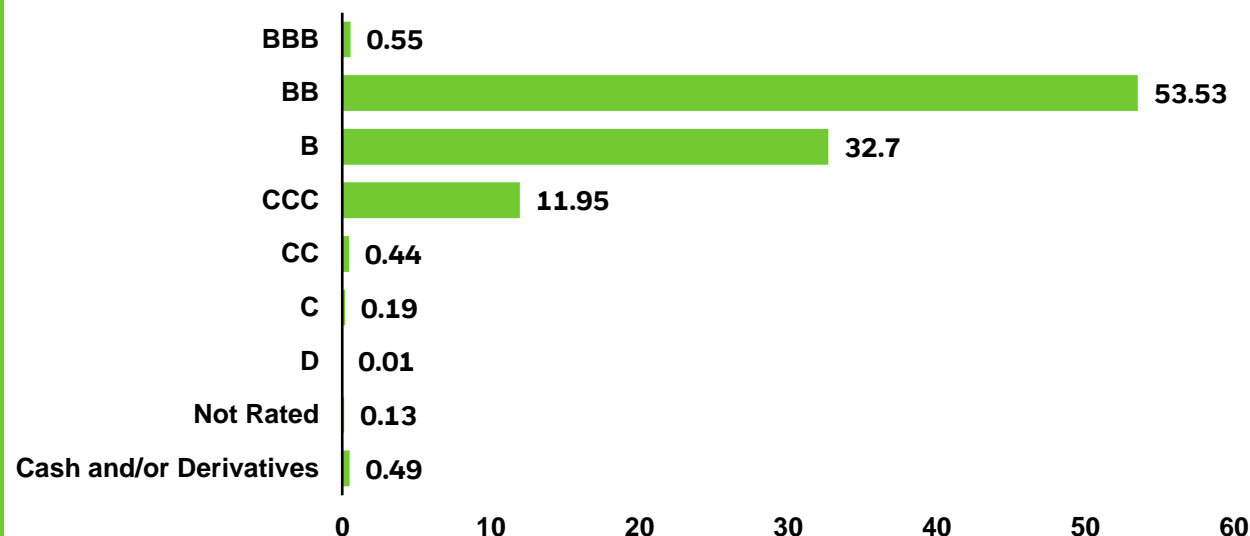
- Offers broad high yield bond market exposure at a low cost
- Use to complement core fixed income holdings to enhance portfolio income and performance potential

SHYG

iShares 0-5 Year High Yield Corporate Bond ETF

- Provides exposure to short-term US HY corporate bonds
- Use to maintain exposure to corporate bonds with potentially less interest rate risk
- A complement or alternative for the iShares Broad HY Corporate Bond ETF

Credit Rating Breakdown (%) of USHY



SHYG

USHY

30-Day SEC Yield	3.86%	4.21% / 4.14% *
Duration (years)	1.88	3.65

Source: BlackRock, data as of 12/31/20. Chart for illustrative purposes only.

Past performance does not guarantee future results. For standardized performance, see the appendix.

Credit quality ratings on underlying securities of the fund are received from S&P, Moody's and Fitch and converted to the equivalent S&P major rating category. This breakdown is provided by BlackRock and takes the median rating of the three agencies when all three agencies rate a security, the lower of the two ratings if only two agencies rate a security, and one rating if that is all that is provided.

Unrated securities do not necessarily indicate low quality. Below investment-grade is represented by a rating of BB and below. Ratings and portfolio credit quality may change over time.

* USHY's 30 Day SEC Yield is 4.21%. It's unsubsidized 30-day SEC yield is 4.14%. USHY's net expense ratio is 0.15%, and gross expense ratio is 0.22%.

US Treasuries: A Diversifier

SHY

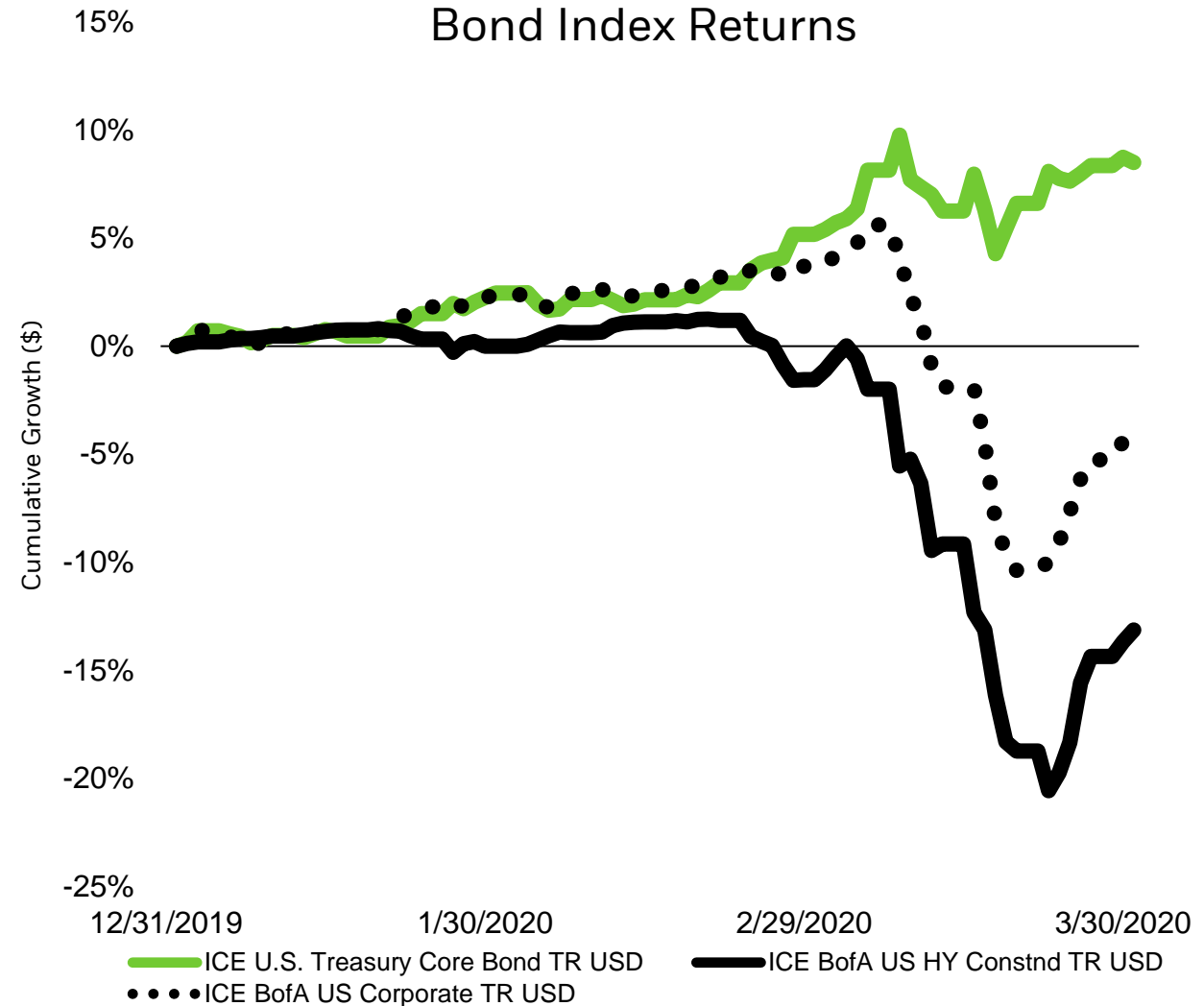
iShares 1-3 Year Treasury Bond ETF

- 100% Treasuries
- 100% AAA Rated
- Invests in Treasury bonds between 1 and 3 years to maturity

GOVT

iShares U.S. Treasury Bond ETF

- 100% Treasuries
- 100% AAA Rated
- Invests in Treasury bonds of all maturities



Source: BlackRock and Morningstar as of 12/31/20.

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The income ETF toolkit

Bonds

IGSB SHYG SHY

USIG USHY GOVT

Diversify stock portfolios

Preferred & Hybrid Securities

PFF

Diversify income sources

Equities

DGRO HDV IDV

Seek dividends and high-yield

Preferred & hybrid securities

Key takeaways



Seek income

- Preferred and hybrid securities may offer higher income than other asset classes



Access

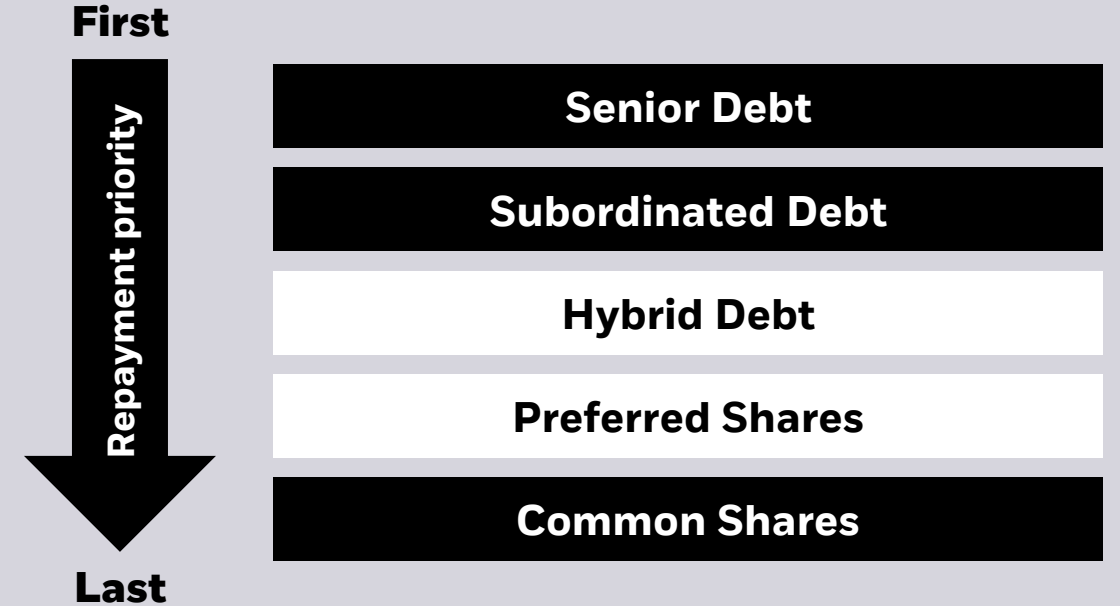
- Exposure to this specific tier of the capital structure



Diversification

- Preferred securities have offered low correlations to traditional bonds and may provide attractive diversification benefits within a broad portfolio*

How preferreds and hybrids stack up in the capital structure



PFF

iShares Preferred and Income Securities ETF

- Expense Ratio: 0.46%
- 30-Day SEC Yield: 4.68%

Past performance does not guarantee future results. For standardized performance, see the appendix.

* Source: Bloomberg as of 12/31/20. Diversification measured using 3-year correlation between ICE Exchange-Listed Preferred & Hybrid Securities Index and Bloomberg Barclays U.S. Aggregate Bond Index. The 2 indexes have a correlation of 0.30. Correlation measures how two securities move in relation to each other. Correlation ranges between +1 and -1. A correlation of +1 indicates returns moved in tandem, -1 indicates returns moved in opposite directions, and 0 indicates no correlation.. BlackRock, data as of 12/31/20. Chart for illustrative purposes only.

The income ETF toolkit

Bonds

IGSB SHYG SHY

USIG USHY GOVT

Diversify stock portfolios

Preferred & Hybrid Securities

PFF

Diversify income sources

Equities

DGRO HDV IDV

Seek dividends and high-yield

Why consider dividend strategies for portfolios?

1

Pursue current income needs

2

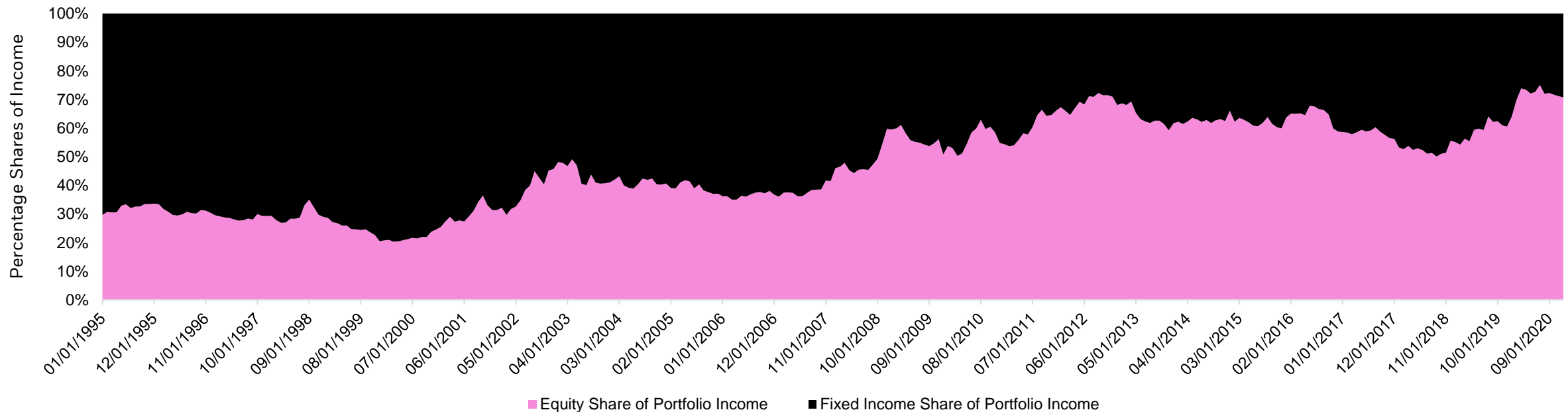
Seek elevated total returns

3

Add defensive characteristics

Dividend stocks have offered a consistent source of income that can be used to help meet current spending needs

Importance of dividends for portfolio income



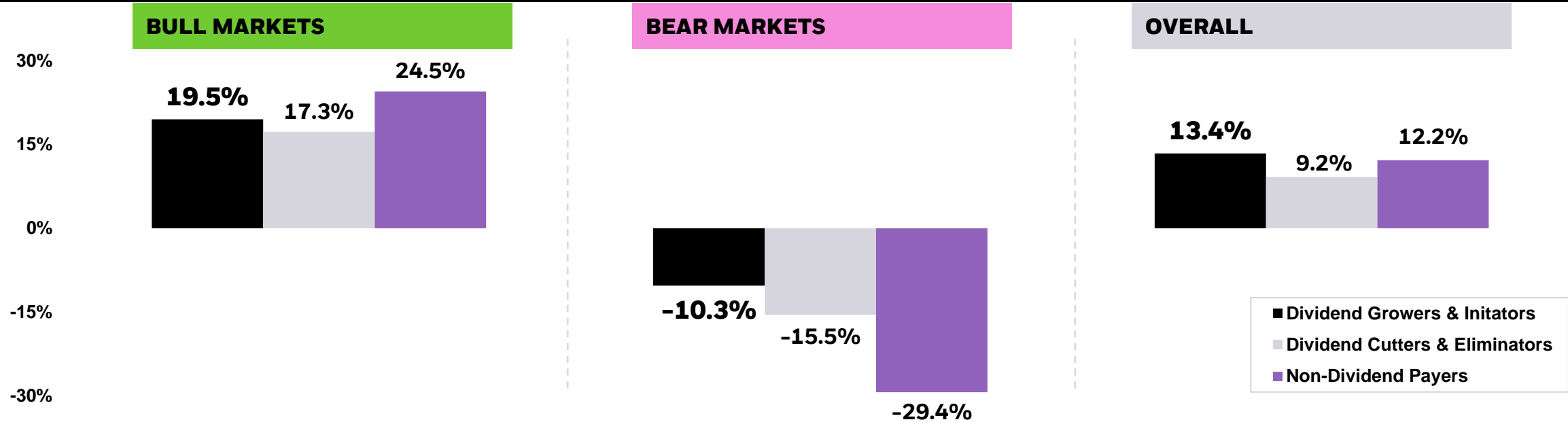
Sources: MSCI and Bloomberg, December 2020.

Notes: The chart depicts the share of income coming from equity dividends in a hypothetical illustrative portfolio that is made up of 60% MSCI World Index / 40% Bloomberg Barclays US Aggregate Bond Index. Share of income is calculated by dividing the dividend yield on the MSCI World Index by the total income on the illustrative portfolio, using the yield of the Bloomberg Barclays US Aggregate Index as a proxy for bond income within the illustrative portfolio. **Index performance is for illustrative purposes only. Index performance does 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. There is no guarantee that dividends will be paid.**

Dividend Payers Have Outperformed Non-Dividend Payers

Dividend growers and initiators weathered diverse markets

Average returns from 12/31/1978 – 12/31/2020

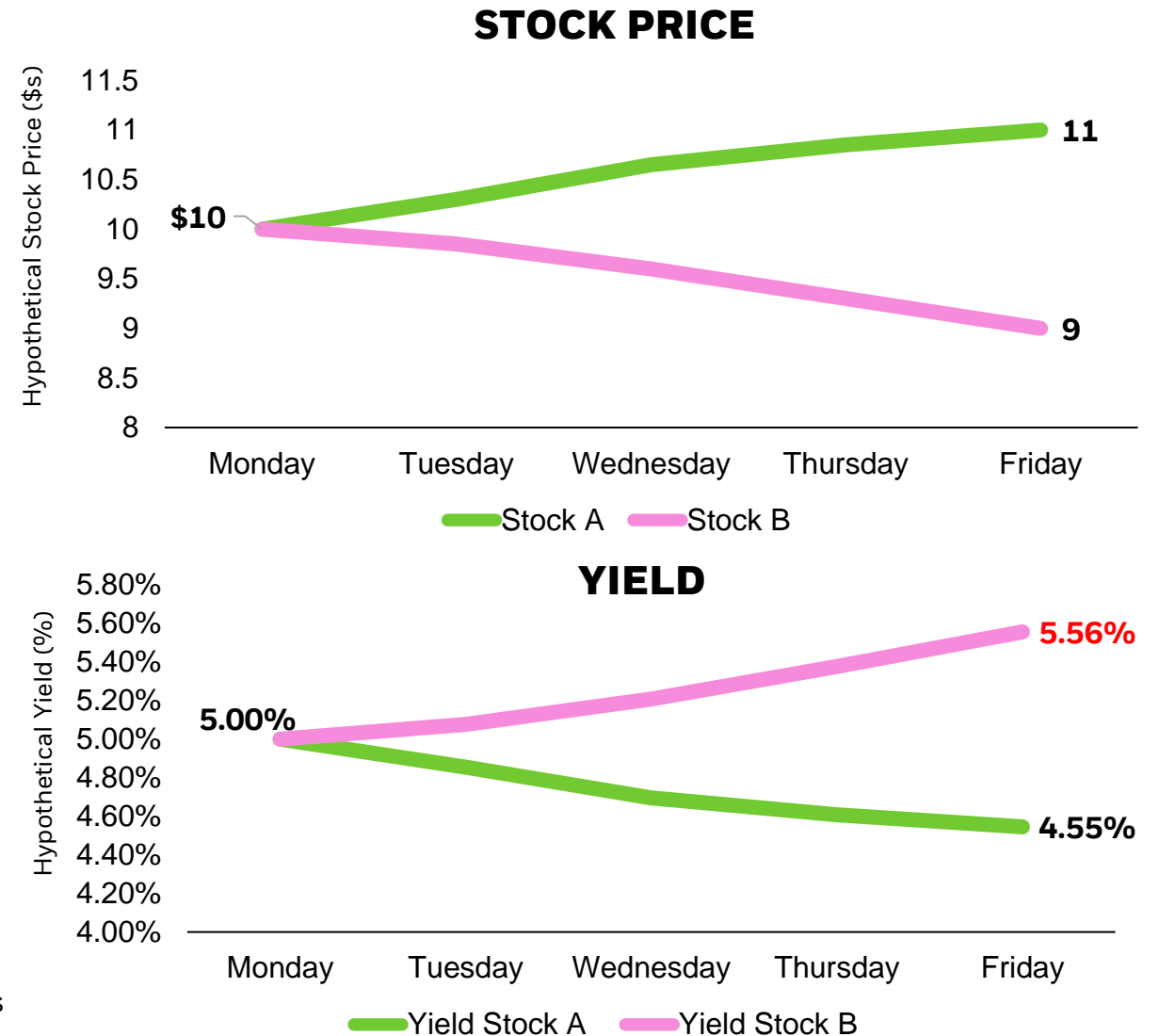


Source: BlackRock. **Past performance does not guarantee future results.** Data from 12/31/1978 through 12/31/2020. Yardeni, Refinitiv, with data from Compustat and IDC. The investment universe is the 500 largest U.S. stocks by market cap. Dividend policy constituents are calculated on a rolling 12-month basis and are rebalanced monthly. Category returns are calculated on a monthly basis. Shown for illustrative purposes only. The Dividend Growers & Initiators category represents historical performance for companies which either increased or initiated their dividend distribution. The Dividend Cutters & Eliminators category represents historical performance for companies which either cut or eliminated their dividend distribution. The Equal Weighted category represents historical performance for the 500 largest U.S. stocks by market cap, calculated by assigning the same weighting (0.20%) to each constituent. The Nonpayers category represents historical performance for companies which do not pay a dividend. Bear Market: A bear market is defined as declines of greater than -20% or more. Bull Market: A bull market is defined as the gains between bear markets, which are defined as declines of greater than -20% or more. To calculate the aggregate return for the “Overall”, “Bull Market” and “Bear Market” periods the aggregate return is defined as an annualized form of the average monthly return for the specified market period, where annualizing takes into account compounding.

Beware of yield trap

$$\text{Yield of a stock} = \frac{\text{Historical Dividends}}{\text{Current Price}}$$

	Stock A	Stock B
MONDAY	<ul style="list-style-type: none"> ➤ Stock A Price= \$10 ➤ Dividends over past year = \$0.50 ➤ Yield = 5.00% 	<ul style="list-style-type: none"> ➤ Stock B Price = \$10 ➤ Dividends over past year = \$0.50 ➤ Yield = 5.00%
TUESDAY	Positive news that will help against the competition	Stock price moves lower on Stock A news
FRIDAY	<ul style="list-style-type: none"> ➤ Stock A = \$11 ➤ Dividends over past year = \$0.50 ➤ Yield = 4.55% 	<ul style="list-style-type: none"> ➤ Stock B = \$9 ➤ Dividends over past year = \$0.50 ➤ Yield = 5.56%

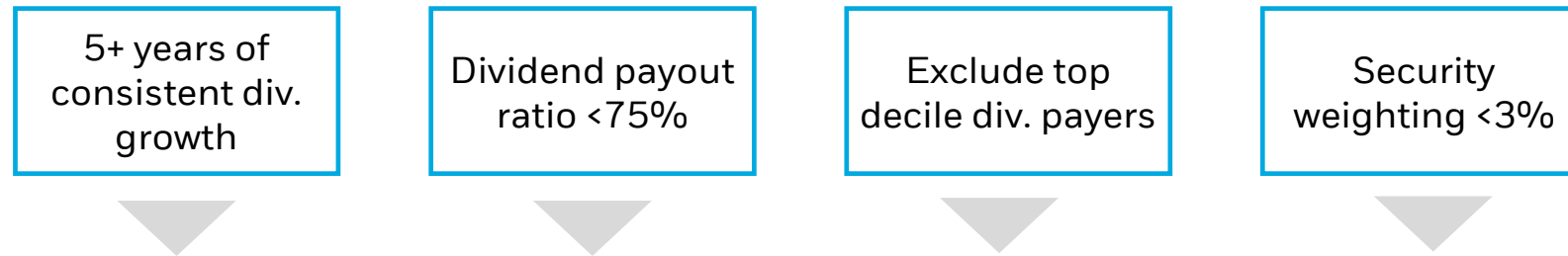


For illustrative purposes only. Yield shown is Trailing 12-Month Yield, which is calculated by dividing total dividends received by price.

iShares Core Dividend Growth ETF

Universe of US stocks

DGRO seeks to track an index that identifies US companies that are growing dividends and has the following quality screens:



Dividend weighted portfolio – growth focus



400+

U.S. Companies
With Growing
Dividends

ISSUER	%
APPLE INC	3.13
MICROSOFT CORP	3.10
JPMORGAN CHASE & CO	2.96
JOHNSON & JOHNSON	2.89
VERIZON	2.68
PROCTOR & GAMBLE	2.63
PFIZER	2.43
HOME DEPOT	2.12
CISCO	2.00
MERCK	1.98

DGRO

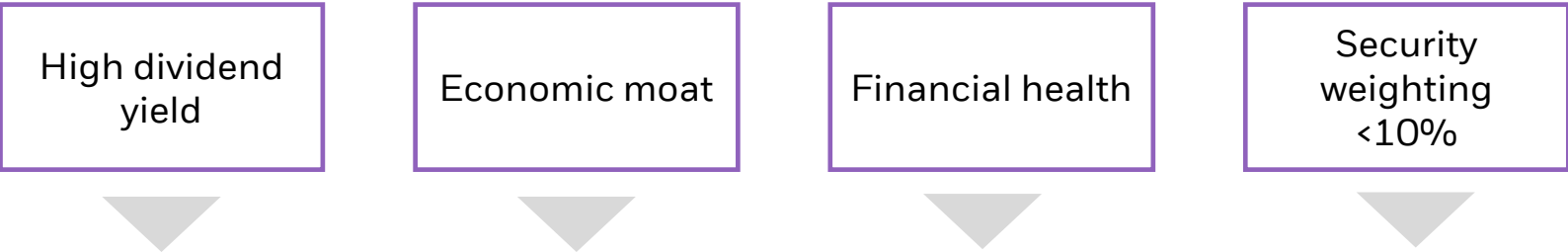
A company may remain in the index if it engages in a stock buyback, or a spin-off, in lieu of growing its dividend over the last 12 month period.

Source: BlackRock. Fund holdings as of 12/31/20, subject to change.

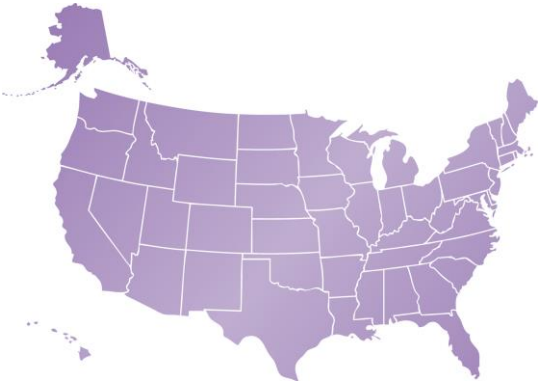
iShares Core High Dividend ETF

Universe of US stocks

The index identifies high dividend paying U.S. companies with sustainable business models and good financial health



HDV has a dividend weighted portfolio – quality focus



75
High-quality
U.S. companies

ISSUER	%
EXXON MOBIL	9.10
AT&T	8.70
JOHNSON & JOHNSON	7.02
VERIZON	6.37
CHEVRON	5.96
PROCTOR & GAMBLE	5.16
PFIZER	4.77
COCA-COLA	4.19
CISCO SYSTEMS	3.92
MERCK	3.88

Source: BlackRock. Fund holdings as of 12/31/20, subject to change.

iShares International Select Dividend ETF

Universe of International Stocks

IDV seeks to track an index that identifies companies in Europe, Pacific, Asia, and Canada that have paid dividends for the last 3 years

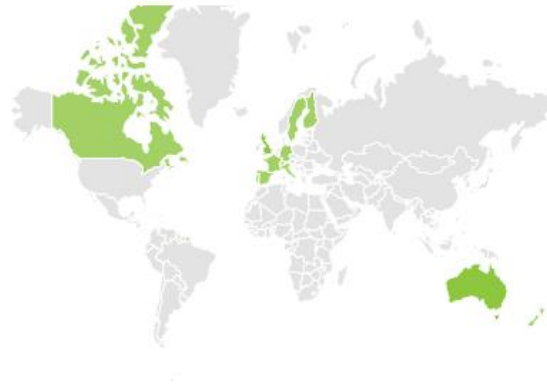
High dividend yield

Stable or growing div. per share

Security weighting <10%



Dividend Weighted Portfolio – Quality Focus



100
High-Quality
International
Companies

ISSUER	%
RIO TINTO PLC	9.58
BRITISH AMERICAN TOBACCO PLC	4.19
COMMONWEALTH BANK OF AUSTRALIA	3.94
ACS ACTIVIDADES DE CONSTRUCCION Y	2.66
HANG SENG BANK LTD	2.64
SSE PLC	2.55
NATURGY ENERGY SA	2.46
FORTESCUE METALS GROUP LTD	2.44
TOTAL	2.32
SWISSCOM AG	2.28

Source: BlackRock. Fund holdings as of 12/31/20, subject to change.

IN SUMMARY

Why ETFs

Diversification



Low cost



Tax efficient



Income Seeking ETFs

Bond ETFs

*Diversify
stock portfolios*

**Preferred &
Hybrid Security
ETFs**

*Diversify
income sources*

Stock ETFs

*Seek dividends
& high-yield*

iShares[®]
by BlackRock

ETFs and traditional mutual funds: know the differences

Criteria	Mutual funds	ETFs
Management	Active	Passive
Performance goal	Outperform a benchmark and/or deliver an outcome	Track a benchmark
Buying / selling shares	Once per day via fund company	Intraday on exchanges
Price to buy / sell	End-of-day NAV, less fees	Current market price, which may differ from NAV
Fees	Expense ratio + any sales loads / redemption fees	Expense ratio + transaction / brokerage costs
Tax impact of buyers / sellers	Shareholders may be impacted by all other shareholders' actions	Shareholders only impacted by their own action
Holdings disclosure	Typically quarterly	Daily
Benefits	<ul style="list-style-type: none"> • Opportunity to outperform the index • Potential to limiting the downside • Buy/sell decisions based on research 	<ul style="list-style-type: none"> • Exposure to market index • Generally lower fees • Typically more tax-efficient
Trade-offs	<ul style="list-style-type: none"> • Potential to underperform index • Generally higher fees • Typically less tax-efficient 	<ul style="list-style-type: none"> • Does not seek to outperform index • Participate in all of index downside • Buy/sell decisions based on index, not research

Important notes continued

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 www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

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. Non-investment-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. There may be less information on the financial condition of municipal issuers than for public corporations. The market for municipal bonds may be less liquid than for taxable bonds. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). Capital gains distributions, if any, are taxable.

An investment in the Funds are 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.

Real estate investment trusts ("REITs") are subject to changes in economic conditions, credit risk and interest rate fluctuations. Investment in a fund of funds is subject to the risks and expenses of the underlying funds.

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 and in concentrations of single countries.

Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders.

Diversification and asset allocation may not protect against market risk or loss of principal. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Preferred stocks are not necessarily correlated with securities markets generally. Rising interest rates may cause the value of the Fund's investments to decline significantly. Removal of stocks from the index due to maturity, redemption, call features or conversion may cause a decrease in the yield of the index and the Fund. There is no guarantee that any fund will pay dividends.

The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. eastern time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times.

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