



INFORMATION CIRCULAR: ISHARES TRUST

TO: Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading,
Structured Products Traders

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EXCHANGE-TRADED FUND

	SYMBOL	CUSIP #
iShares Intermediate Credit Bond ETF	CIU	464288638
iShares U.S. Credit Bond ETF	CRED	464288620
iShares 1-3 Year Credit Bond ETF	CSJ	464288646
iShares Select Dividend ETF	DVY	464287168
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iShares Exponential Technologies ETF	XT	46434V381

BACKGROUND INFORMATION ON THE FUND

The iShares Trust and iShares, Inc. (each, a “Trust”) are management investment companies registered under the Investment Company Act of 1940, as amended (the “1940 Act”), consisting of several investment portfolios. This circular relates only to the Funds listed above (each, a “Fund” and together, the (“Funds”). The shares of the Funds are referred to herein as “Shares.” BlackRock Fund Advisors (“Adviser” or “BFA”) is the investment adviser to the Funds.

iShares Intermediate Credit Bond ETF

The iShares Intermediate Credit Bond ETF (“CIU”) seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade corporate, sovereign, supranational, local authority and non-U.S. agency bonds with remaining maturities between one and ten years.

The Fund seeks to track the investment results of the Barclays U.S. Intermediate Credit Bond Index (the “CIU Index”), which measures the performance of investment-grade corporate debt and sovereign, supranational, local authority and non-U.S. agency bonds that are U.S. dollar-denominated and have a remaining maturity of greater than one year and less than or equal to ten years. As of December 31, 2015, there were 4,328 issues in the CIU Index. The CIU Index may include large-, mid- or small-capitalization companies. Components of the CIU Index primarily include consumer staples, financials and industrials companies. The components of the CIU Index, and the degree to which these components represent certain industries, are likely to change over time.

The CIU Index includes investment-grade credit securities that have a remaining maturity of greater than one year and less than or equal to ten years and have \$250 million or more of outstanding face value. In addition, the securities in the CIU Index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. Excluded from the CIU Index are structured notes with embedded swaps or other special features, private placements, floating-rate securities and bonds that have been issued in one country's currency, but are traded outside of that country in a different country and regulatory system (“Eurobonds”). The CIU Index is market capitalization-weighted, and the securities in the CIU Index are updated on the last business day of each month.

BFA uses a “passive” or indexing approach to try to achieve CIU’s investment objective. Unlike many investment companies, CIU does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that CIU will substantially outperform the CIU Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage CIU. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the CIU Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the CIU Index. CIU may or may not hold all of the securities in the CIU Index.

CIU generally invests at least 90% of its assets in securities of the CIU Index. CIU may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the CIU Index, but which BFA believes will help CIU track the CIU Index. CIU seeks to track the investment results of the CIU Index before fees and expenses of CIU.

CIU may lend securities representing up to one-third of the value of CIU's total assets (including the value of any collateral received).

iShares U.S. Credit Bond ETF

The iShares Core U.S. Credit Bond ETF (“CRED”) seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade corporate, sovereign, supranational, local authority and non-U.S. agency bonds.

CRED seeks to track the investment results of the Barclays U.S. Credit Bond Index (the “CRED Index”), which measures the performance of investment-grade corporate debt and sovereign, supranational, local authority and non-U.S. agency bonds that are U.S. dollar denominated and have a remaining maturity of greater than or equal to one year. As of December 31, 2015, there were 6,459 issues in the CRED Index. The CRED Index may include large-, mid- or small-capitalization companies. Components of the CRED Index primarily include consumer staples, financials, industrials, telecommunications and utilities companies. The components of the CRED Index, and the degree to which these components represent certain industries, are likely to change over time.

The CRED Index includes investment-grade credit securities that have a remaining maturity of greater than or equal to one year and have \$250 million or more of outstanding face value. In addition, the securities in the CRED Index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. Excluded from the CRED Index are structured notes with embedded swaps or other special features, private placements, floating-rate securities and bonds that have been issued in one country's currency, but are traded outside of that country in a different country and regulatory system (“Eurobonds”). The CRED Index is market capitalization-weighted, and the securities in the CRED Index are updated on the last business day of each month.

BFA uses a “passive” or indexing approach to try to achieve CRED’s investment objective. Unlike many investment companies, CRED does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that CRED will substantially outperform the CRED Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage CRED. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the CRED Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the CRED Index. CRED may or may not hold all of the securities in the CRED Index.

CRED generally invests at least 90% of its assets in securities of the CRED Index. CRED may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not

included in the CRED Index, but which BFA believes will help CRED track the CRED Index. CRED seeks to track the investment results of the CRED Index before fees and expenses of CRED.

CRED may lend securities representing up to one-third of the value of CRED's total assets (including the value of any collateral received).

iShares 1-3 Year Credit Bond ETF

The iShares 1-3 Year Credit Bond ETF (“CSJ”) seeks to track the investment results of an index composed of U.S. dollar-denominated, investment-grade corporate, sovereign, supranational, local authority and non-U.S. agency bonds with remaining maturities between one and three years.

CSJ seeks to track the investment results of the Barclays U.S. 1-3 Year Credit Bond Index (the “CSJ Index”), which measures the performance of investment-grade corporate debt and sovereign, supranational, local authority and non-U.S. agency bonds that are U.S. dollar-denominated and have a remaining maturity of greater than one year and less than or equal to three years. As of December 31, 2015, there were 1,294 issues in the CSJ Index. The CSJ Index may include large-, mid- or small-capitalization companies. Components of the CSJ Index primarily include agency securities, sovereign entities, and consumer staples, financials and industrials companies. The components of the CSJ Index, and the degree to which these components represent certain industries, are likely to change over time.

The CSJ Index includes investment-grade credit securities that have a remaining maturity of greater than one year and less than or equal to three years and have \$250 million or more of outstanding face value. In addition, the securities in the CSJ Index must be denominated in U.S. dollars and must be fixed-rate and non-convertible. Excluded from the CSJ Index are structured notes with embedded swaps or other special features, private placements, floating-rate securities and bonds that have been issued in one country's currency but are traded outside of that country in a different monetary and regulatory system (“Eurobonds”). The CSJ Index is market capitalization-weighted, and the securities in the CSJ Index are updated on the last business day of each month.

BFA uses a “passive” or indexing approach to try to achieve CSJ’s investment objective. Unlike many investment companies, CSJ does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that CSJ will substantially outperform the CSJ Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage CSJ. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the CSJ Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the CSJ Index. CSJ may or may not hold all of the securities in the CSJ Index.

CSJ generally invests at least 90% of its assets in securities of the CSJ Index. CSJ may invest the remainder of its assets in securities not included in the CSJ Index, but which BFA believes will help CSJ track the CSJ Index. CSJ may also invest its other assets in futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. CSJ seeks to track the investment results of the CSJ Index before fees and expenses of CSJ.

CSJ may lend securities representing up to one-third of the value of CSJ's total assets (including the value of any collateral received).

iShares Select Dividend ETF

The iShares Select Dividend ETF (“DVY”) seeks to track the investment results of an index composed of relatively high dividend paying U.S. equities.

DVY seeks to track the investment results of the Dow Jones U.S. Select Dividend Index (the “DVY Index”), which measures the performance of a selected group of equity securities issued by companies that have provided relatively high dividend yields on a consistent basis over time. Dividend yield is calculated using a stock's unadjusted indicated annual dividend (not including any special dividends) divided by its unadjusted price. The DVY Index is comprised of 100 of the highest dividend-yielding securities (excluding real estate investment trusts (“REITs”)) in the Dow Jones U.S. Index, a broad-based index representative of the total market for U.S. equity securities. To be included in the DVY Index, each security (i) must have a non-negative historical five-year dividend-per-share growth rate; (ii) must have a five-year average dividend coverage ratio of greater than or equal to 167%; (iii) must have a three-month average daily trading volume of 200,000 shares; (iv) must have paid dividends in each of the previous five years; (v) must have a non-negative trailing 12 month earnings-per-share (EPS); and (vi) must have a float-adjusted market cap of at least \$1 billion (\$750 million for current constituents). “Dividend payout ratio” reflects the percentage of a company’s earnings paid out as dividends. A ratio of 60% would mean that the company issuing the security paid out approximately 60% of its earnings as dividends. A company with a lower dividend payout ratio has more earnings to support dividends, and adjustments or changes in the level of earnings are therefore less likely to significantly affect the level of dividends paid. Positive dividend growth rate is a measure of dividend consistency, since it provides some indication of a company’s ability to continue to pay dividends. The DVY Index is reviewed and rebalanced annually.

The DVY Index may include large-, mid- or small-capitalization companies. Components of the DVY Index primarily include consumer discretionary, financials, industrials and utilities companies. The components of the DVY Index, and the degree to which these components represent certain industries, are likely to change over time.

BFA uses a “passive” or indexing approach to try to achieve DVY’s investment objective. Unlike many investment companies, DVY does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that DVY will substantially outperform the DVY Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage DVY. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the DVY Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the DVY Index. DVY may or may not hold all of the securities in the DVY Index.

DVY generally invests at least 90% of its assets in securities of the DVY Index and in depository receipts representing securities of the DVY Index. DVY may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the DVY Index, but which BFA believes will help DVY track the DVY Index. DVY seeks to track the investment results of the DVY Index before fees and expenses of DVY.

DVY may lend securities representing up to one-third of the value of DVY's total assets (including the value of any collateral received).

iShares J.P. Morgan USD Emerging Markets Bond ETF

The iShares J.P. Morgan USD Emerging Markets Bond ETF (“EMB”) seeks to track the investment results of an index composed of U.S. dollar-denominated, emerging market bonds.

EMB seeks to track the investment results of the J.P. Morgan EMBI Global Core Index (the “EMB Index”), which is a broad, diverse U.S. dollar-denominated emerging markets debt benchmark that tracks the total return of actively traded external debt instruments in emerging market countries. The methodology is designed to distribute the weight of each country within the EMB Index by limiting the weights of countries with higher debt outstanding and reallocating this excess to countries with lower debt outstanding.

The EMB Index was comprised of 51 countries as of September 30, 2016. As of September 30, 2016, the EMB Index's five highest weighted countries were Mexico, Indonesia, Russia, Turkey and Philippines.

The EMB Index may change its composition and weighting monthly upon rebalancing. The EMB Index includes both fixed-rate and floating-rate instruments issued by sovereign and quasi-sovereign entities from index-eligible countries. Quasi-sovereign entities are entities whose securities are either 100% owned by their respective governments or subject to a 100% guarantee that does not rise to the level of constituting the full faith and credit by such governments. Only those instruments which (i) are denominated in U.S. dollars, (ii) have a current face amount outstanding of \$1 billion or more, (iii) have at least 2.5 years until maturity to be eligible for inclusion and have at least 2 years until maturity to remain in the index, (iv) are able to settle internationally through Euroclear or another institution domiciled outside the issuing country and (v) have bid and offer prices that are available on a daily and timely basis — sourced from a third party valuation vendor — are considered for inclusion in the EMB Index. As of September 30, 2016, the EMB Index consisted of both investment-grade and non-investment-grade bonds. Convertible bonds are not eligible for inclusion in the EMB Index. The EMB Index is market value weighted and is rebalanced monthly on the last business day of the month.

BFA uses a “passive” or indexing approach to try to achieve EMB’s investment objective. Unlike many investment companies, EMB does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that EMB will substantially outperform the EMB Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage EMB. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an applicable EMB Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of an applicable EMB Index. EMB may or may not hold all of the securities in an applicable EMB Index.

EMB generally will invest at least 90% of its assets in the component securities of the EMB Index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates (“BlackRock Cash Funds”), as well as in securities not included in the EMB Index, but which BFA believes will help EMB track the EMB Index. From time to time when conditions warrant, however, EMB may invest at least 80% of its assets in the component securities of the EMB Index and may invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of BlackRock Cash Funds, as well as in securities not included in the EMB Index, but which BFA believes will help EMB track the EMB Index. EMB seeks to track the investment results of the EMB Index before fees and expenses of EMB.

EMB may lend securities representing up to one-third of the value of EMB's total assets (including the value of any collateral received).

iShares Currency Hedged MSCI Germany ETF

The iShares Currency Hedged MSCI Germany ETF (“HEWG”) seeks to track the investment results of an index composed of large- and mid-capitalization German equities while mitigating exposure to fluctuations between the value of the euro and the U.S. dollar.

HEWG seeks to track the investment results of the MSCI Germany 100% Hedged to USD Index (the “HEWG Index”), which consists of stocks traded primarily on the Frankfurt Stock Exchange with the currency risk inherent in the securities included in the HEWG Index hedged to the U.S. dollar on a monthly basis. The HEWG Index may include large- and mid-capitalization companies. Components of the HEWG Index primarily include consumer discretionary, financials and healthcare companies. The components of the HEWG Index, and the degree to which these components represent certain industries, are likely to change over time.

Currently, HEWG achieves its investment objective by investing a substantial portion of its assets in the Underlying Fund.

BFA uses a “passive” or indexing approach to try to achieve HEWG’s investment objective. Unlike many investment companies, HEWG does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that HEWG will substantially outperform the HEWG Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage HEWG and the Underlying Fund. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities or other instruments comprising an applicable HEWG Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of an applicable HEWG Index. HEWG and the Underlying Fund may or may not hold all of the securities and other components of an applicable HEWG Index.

HEWG generally will invest at least 90% of its assets in the component securities (including indirect investments through the Underlying Fund) and other instruments of the HEWG Index and in investments that have economic characteristics that are substantially identical to the component securities of the HEWG Index (i.e., depositary receipts representing securities of the HEWG Index) and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the HEWG Index, but which BFA believes will help HEWG track the HEWG Index. Components of the HEWG Index include equity securities and foreign currency forward contracts (both deliverable and non-deliverable) designed to hedge non-U.S. currency fluctuations against the U.S. dollar. The notional exposure to foreign currency forward contracts (both deliverable and non-deliverable) generally will be a short position that hedges the currency risk of the equity portfolio. HEWG seeks to track the investment results of the HEWG Index before fees and expenses of HEWG.

The HEWG Index sells forward the total value of the non-U.S. dollar denominated securities included in the HEWG Index at a one-month forward rate to effectively create a “hedge” against fluctuations in the relative value of the euro in relation to the U.S. dollar. The hedge is reset on a monthly basis. The HEWG Index is designed to have higher returns than an equivalent unhedged investment when the euro is weakening relative to the U.S. dollar. Conversely, the HEWG Index is designed to have lower returns than an equivalent unhedged investment when the euro is rising relative to the U.S. dollar.

In order to replicate the “hedging” component of the HEWG Index, HEWG intends to enter into foreign currency forward contracts designed to offset HEWG’s exposure to the euro. A foreign currency forward contract is a contract between two parties to buy or sell a specified amount of a specific currency in the future at an agreed-upon exchange rate. HEWG’s exposure to foreign currency forward contracts is based on the aggregate exposure of HEWG to the euro. While this approach is designed to minimize the impact of currency fluctuations on Fund returns, it does not necessarily eliminate HEWG’s exposure to the euro. The return of the foreign currency forward contracts may not perfectly offset the actual fluctuations between the euro and the U.S. dollar.

HEWG may also use non-deliverable forward (“NDF”) contracts to execute its hedging transactions. An NDF is a contract where there is no physical settlement of two currencies at maturity. Rather, based on the movement of the currencies and the contractually agreed-upon exchange rate, a net cash settlement will be made by one party to the other in U.S. dollars.

HEWG may lend securities representing up to one-third of the value of HEWG's total assets (including the value of any collateral received).

iShares 7-10 Year Treasury Bond ETF

The iShares 7-10 Year Treasury Bond ETF (“IEF”) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between seven and ten years.

IEF seeks to track the investment results of the ICE U.S. Treasury 7-10 Year Bond Index (the “IEF Index”), which measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than seven years and less than or equal to ten years. As of December 31, 2015, there were 17 issues in the IEF Index.

The IEF Index includes publicly-issued U.S. Treasury securities that have a remaining maturity of greater than seven years and less than or equal to ten years and have \$300 million or more of outstanding face value, excluding amounts held by the Federal Reserve. In addition, the securities in the IEF Index must be fixed-rate and denominated in U.S. dollars. Excluded from the IEF Index are inflation-linked securities, Treasury bills, cash management bills, any government agency debt issued with or without a government guarantee and zero-coupon issues that have been stripped from coupon-paying bonds. The IEF Index is weighted by market capitalization, and the securities in the IEF Index are updated on the last business day of each month. Prior to the selection of the IEF Index on April 1, 2016, IEF tracked the Barclays U.S. 7-10 Year Treasury Bond Index.

BFA uses a “passive” or indexing approach to try to achieve IEF’s investment objective. Unlike many investment companies, IEF does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that IEF will substantially outperform the IEF Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage IEF. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the IEF Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the IEF Index. IEF may or may not hold all of the securities in the IEF Index.

IEF generally invests at least 90% of its assets in the bonds of the IEF Index and at least 95% of its assets in U.S. government bonds. IEF may invest up to 10% of its assets in U.S. government bonds not included in the IEF Index, but which BFA believes will help IEF track the IEF Index. IEF also may invest

up to 5% of its assets in repurchase agreements collateralized by U.S. government obligations and in cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. IEF seeks to track the investment results of the IEF Index before fees and expenses of IEF.

IEF may lend securities representing up to one-third of the value of IEF's total assets (including the value of any collateral received)

iShares 3-7 Year Treasury Bond ETF

The iShares 3-7 Year Treasury Bond ETF ("IEI") seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between three and seven years.

IEI seeks to track the investment results of the ICE U.S. Treasury 3-7 Year Bond Index (the "IEI Index"), which measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than three years and less than or equal to seven years. As of December 31, 2015, there were 99 issues in the IEI Index.

The IEI Index includes publicly-issued U.S. Treasury securities that have a remaining maturity of greater than three years and less than or equal to seven years and have \$300 million or more of outstanding face value, excluding amounts held by the Federal Reserve. In addition, the securities in the IEI Index must be fixed-rate and denominated in U.S. dollars. Excluded from the IEI Index are inflation-linked securities, Treasury bills, cash management bills, any government agency debt issued with or without a government guarantee and zero-coupon issues that have been stripped from coupon-paying bonds. The IEI Index is weighted by market capitalization, and the securities in the IEI Index are updated on the last business day of each month. Prior to the selection of the IEI Index on April 1, 2016, IEI tracked the Barclays U.S. 3-7 Year Treasury Bond Index.

BFA uses a "passive" or indexing approach to try to achieve IEI's investment objective. Unlike many investment companies, IEI does not try to "beat" the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that IEI will substantially outperform the IEI Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage IEI. "Representative sampling" is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the IEI Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the IEI Index. IEI may or may not hold all of the securities in the IEI Index.

IEI generally invests at least 90% of its assets in the bonds of the IEI Index and at least 95% of its assets in U.S. government bonds. IEI may invest up to 10% of its assets in U.S. government bonds not included in the IEI Index, but which BFA believes will help IEI track the IEI Index. IEI also may invest up to 5% of its assets in repurchase agreements collateralized by U.S. government obligations and in

cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. IEI seeks to track the investment results of the IEI Index before fees and expenses of IEI.

IEI may lend securities representing up to one-third of the value of IEI's total assets (including the value of any collateral received).

iShares S&P Small-Cap 600 Growth ETF

The iShares S&P Small-Cap 600 Growth ETF (“IJT”) seeks to track the investment results of an index composed of small-capitalization U.S. equities that exhibit growth characteristics.

IJT seeks to track the investment results of the S&P SmallCap 600 Growth Index (the “IJT Index”), which measures the performance of the small-capitalization growth sector of the U.S. equity market. It is a subset of the S&P SmallCap 600 and consists of those stocks in the S&P SmallCap 600 exhibiting the strongest growth characteristics, as determined by S&P Dow Jones Indices LLC (the “Index Provider” or “SPDJ”), a subsidiary of S&P Global, Inc., representing approximately 66.4% of the market capitalization of the S&P SmallCap 600 as of March 31, 2016. The stocks in the IJT Index have a market capitalization between \$400 million and \$1.8 billion (which may fluctuate depending on the overall level of the equity markets). Components primarily include financials, healthcare and information technology companies. The components of the IJT Index, and the degree to which these components represent certain industries, are likely to change over time.

BFA uses a “passive” or indexing approach to try to achieve IJT’s investment objective. Unlike many investment companies, IJT does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that IJT will substantially outperform the IJT Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage IJT. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the IJT Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the IJT Index. IJT may or may not hold all of the securities in the IJT Index.

IJT generally invests at least 90% of its assets in securities of the IJT Index and in depositary receipts representing securities of the IJT Index. IJT may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the IJT Index, but which BFA believes will help IJT track the IJT Index. IJT seeks to track the investment results of the IJT Index before fees and expenses of IJT.

IJT may lend securities representing up to one-third of the value of IJT's total assets (including the value of any collateral received)

iShares Core 1-5 Year USD Bond ETF

The iShares Core 1-5 Year USD Bond ETF (“ISTB”) seeks to track the investment results of an index composed of U.S. dollar-denominated bonds that are rated either investment-grade or high yield with remaining maturities between one and five years.

ISTB seeks to track the investment results of the Bloomberg Barclays U.S. Universal 1-5 Year Index (the “ISTB Index”), which measures the performance of U.S. dollar-denominated taxable bonds that are rated either investment-grade or high yield with remaining effective maturities between one and five years. The ISTB Index includes U.S. Treasury bonds, government-related bonds (i.e., U.S. and non-U.S. agencies, sovereign, quasi-sovereign, supranational and local authority debt), investment-grade and high yield U.S. corporate bonds, mortgage-backed pass-through securities (“MBS”), commercial mortgage-backed securities (“CMBS”), asset-backed securities (“ABS”), Eurodollar bonds, bonds registered with the SEC or exempt from registration at the time of issuance, or offered pursuant to Rule 144A with or without registration rights (“Rule 144A Bonds”) and U.S. dollar-denominated emerging market bonds. The ISTB Index is a subset of the Bloomberg Barclays U.S. Universal Index.

The ISTB Index may include large-, mid- or small-capitalization companies. Components of the ISTB Index primarily include treasury securities and financials and industrials companies. The components of the ISTB Index, and the degree to which these components represent certain industries, are likely to change over time. The securities in the ISTB Index must be denominated in U.S. dollars and non-convertible. Excluded from the ISTB Index are tax-exempt municipal securities, coupon issues that have been stripped from bonds, structured notes, private placements (excluding Rule 144A Bonds) and bonds denominated in euros.

Most transactions in fixed-rate mortgage-backed pass-through securities occur through standardized contracts for future delivery in which the exact mortgage pools to be delivered are not specified until a few days prior to settlement (“to-be-announced (TBA) transactions”). ISTB may enter into such contracts on a regular basis. ISTB, pending settlement of such contracts, will invest its assets in high-quality, liquid short-term instruments, including shares of money market funds advised by BFA or its affiliates. ISTB will assume its pro rata share of the fees and expenses of any money market fund that it may invest in, in addition to ISTB's own fees and expenses. ISTB may also acquire interests in mortgage pools through means other than such standardized contracts for future delivery.

The ISTB Index is market capitalization-weighted and is rebalanced on the last day of the month.

BFA uses a “passive” or indexing approach to try to achieve ISTB’s investment objective. Unlike many investment companies, ISTB does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that ISTB will substantially outperform the ISTB Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage ISTB. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively

has an investment profile similar to that of an applicable ISTB Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of an applicable ISTB Index. ISTB may or may not hold all of the securities in an applicable ISTB Index.

ISTB generally will invest at least 90% of its assets in the component securities of the ISTB Index and in investments that have economic characteristics that are substantially identical to the component securities of the ISTB Index (i.e., TBAs) and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates (“BlackRock Cash Funds”), as well as in securities not included in the ISTB Index, but which BFA believes will help ISTB track the ISTB Index. From time to time when conditions warrant, however, ISTB may invest at least 80% of its assets in the component securities of the ISTB Index and in investments that have economic characteristics that are substantially identical to the component securities of the ISTB Index and may invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of BlackRock Cash Funds, as well as in securities not included in the ISTB Index, but which BFA believes will help ISTB track the ISTB Index. ISTB seeks to track the investment results of the ISTB Index before fees and expenses of ISTB.

ISTB may lend securities representing up to one-third of the value of ISTB's total assets (including the value of any collateral received).

iShares Core Total USD Bond Market ETF

The iShares Core Total USD Bond Market ETF (“IUSB”) seeks to track the investment results of an index composed of U.S. dollar-denominated bonds that are rated either investment-grade or high yield.

IUSB seeks to track the investment results of the Bloomberg Barclays U.S. Universal Index (the “IUSB Index”), which measures the performance of U.S. dollar-denominated taxable bonds that are rated either investment-grade or high yield. The IUSB Index includes U.S. Treasury bonds, government-related bonds (i.e., U.S. and non-U.S. agencies, sovereign, quasi-sovereign, supranational and local authority debt), investment-grade and high yield U.S. corporate bonds, mortgage-backed pass-through securities (“MBS”), commercial mortgage-backed securities, asset-backed securities, Eurodollar bonds, bonds registered with the SEC or exempt from registration at the time of issuance or offered pursuant to Rule 144A with or without registration rights and U.S. dollar-denominated emerging market bonds.

The securities in the IUSB Index must be denominated in U.S. dollars. The IUSB Index was comprised of 109 countries as of September 30, 2016. The IUSB Index may include large-, mid- or small-capitalization companies. Components of the IUSB Index primarily include mortgage-backed securities, U.S. Treasury bonds and industrials companies. The components of the IUSB Index, and the degree to which these components represent certain industries, are likely to change over time.

BFA uses a “passive” or indexing approach to try to achieve IUSB’s investment objective. Unlike many investment companies, IUSB does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that IUSB will substantially outperform the IUSB Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage IUSB. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an applicable IUSB Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of an applicable IUSB Index. IUSB may or may not hold all of the securities in an applicable IUSB Index.

IUSB generally will invest at least 90% of its assets in the component securities of the IUSB Index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates (“BlackRock Cash Funds”), as well as in securities not included in the IUSB Index, but which BFA believes will help IUSB track the IUSB Index. From time to time when conditions warrant, however, IUSB may invest at least 80% of its assets in the component securities of the IUSB Index and may invest up to 20% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of BlackRock Cash Funds, as well as in securities not included in the IUSB Index, but which BFA believes will help IUSB track the IUSB Index. IUSB seeks to track the investment results of the IUSB Index before fees and expenses of IUSB.

IUSB may lend securities representing up to one-third of the value of IUSB's total assets (including the value of any collateral received).

iShares Core S&P U.S. Growth ETF

The iShares Core S&P U.S. Growth ETF (“IUSG”) seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities that exhibit growth characteristics.

IUSG seeks to track the investment results of the S&P 900 Growth Index (the “IUSG Index”), which measures the performance of the large- and mid- capitalization growth sector of the U.S. equity market. It is a subset of the S&P 900, which combines the S&P 500 and the S&P MidCap 400 and consists of those stocks in the S&P 900 exhibiting strong growth characteristics, as determined by S&P Dow Jones Indices LLC (the “Index Provider” or “SPDJ”), a subsidiary of S&P Global, Inc., representing approximately 54.71% of the market capitalization of the S&P 900, as of May 5, 2017. As of March 31, 2017, a significant portion of the IUSG Index is represented by securities of consumer discretionary and information technology companies. The components of the IUSG Index, and the degree to which these components represent certain industries, are likely to change over time. Prior to the selection of the IUSG Index on January 23, 2017, IUSG tracked the Russell 3000 Growth Index.

BFA uses a “passive” or indexing approach to try to achieve IUSG’s investment objective. Unlike many investment companies, IUSG does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that IUSG will substantially outperform the IUSG Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage IUSG. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an applicable IUSG Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of an applicable IUSG Index. IUSG may or may not hold all of the securities in an applicable IUSG Index.

IUSG generally invests at least 90% of its assets in securities of the IUSG Index and in depository receipts representing securities of the IUSG Index. IUSG may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the IUSG Index, but which BFA believes will help IUSG track the IUSG Index. IUSG seeks to track the investment results of the IUSG Index before fees and expenses of IUSG.

IUSG may lend securities representing up to one-third of the value of IUSG's total assets (including the value of any collateral received).

The IUSG Index is a product of SPDJI, which is independent of IUSG and BFA. The Index Provider determines the composition and relative weightings of the securities in the IUSG Index and publishes information regarding the market value of the IUSG Index.

iShares Core S&P U.S. Value ETF

The iShares Core S&P U.S. Value ETF (the “Fund”) seeks to track the investment results of an index composed of large- and mid-capitalization U.S. equities that exhibit value characteristics.

The Fund seeks to track the investment results of the S&P 900 Value Index (the “Underlying Index”), which measures the performance of the large- and mid-capitalization value sector of the U.S. equity market. It is a subset of the S&P 900, which combines the S&P 500 and the S&P MidCap 400 and consists of those stocks in the S&P 900 exhibiting strong value characteristics, as determined by S&P 900. The Underlying Index may include large- and mid-capitalization companies. As of March 31, 2017, a significant portion of the Underlying Index is represented by securities of financials companies. The components of the Underlying Index, and the degree to which these components represent certain industries, are likely to change over time. Prior to the selection of the Underlying Index on January 23, 2017, the Fund tracked the Russell 3000 Value Index.

BFA uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many investment companies, the Fund does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that the Fund will substantially outperform the Underlying Index but also may reduce some of the risks of active management, such as poor security selection.

Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage the Fund. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an applicable underlying index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of an applicable underlying index. The Fund may or may not hold all of the securities in an applicable underlying index.

The Fund generally invests at least 90% of its assets in securities of the Underlying Index and in depositary receipts representing securities of the Underlying Index. The Fund may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the Underlying Index, but which BFA believes will help the Fund track the Underlying Index. The Fund seeks to track the investment results of the Underlying Index before fees and expenses of the Fund.

The Fund may lend securities representing up to one-third of the value of the Fund's total assets (including the value of any collateral received).

iShares MBS ETF

The iShares MBS ETF (“MBB”) seeks to track the investment results of an index composed of investment-grade mortgage-backed pass-through securities issued and/or guaranteed by U.S. government agencies.

MBB seeks to track the investment results of the Barclays U.S. MBS Index (the “MBB Index”), which measures the performance of investment-grade mortgage-backed pass-through securities issued by the Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Government National Mortgage Association (“Ginnie Mae”). The MBB Index includes fixed-rate mortgage-backed pass-through securities issued by Ginnie Mae, Fannie Mae and Freddie Mac that have 30-, 20-, 15-year maturities, as well as hybrid adjustable rate mortgages (“ARMs”). All securities in the MBB Index must have a remaining weighted average maturity of at least one year; hybrid ARMs must be at least one year away from initial reset, must be investment-grade, and must have \$1 billion or more of outstanding face value. In addition, the securities in the MBB Index must be denominated in U.S. dollars and must be non-convertible. The MBB Index is market capitalization-weighted and the securities in the MBB Index are updated on the last business day of each month.

BFA uses a “passive” or indexing approach to try to achieve MBB’s investment objective. Unlike many investment companies, MBB does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that MBB will substantially outperform the MBB Index but also may reduce some of the risks of active management, such as poor security selection.

BFA uses a representative sampling indexing strategy to manage MBB. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the MBB Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the MBB Index. MBB may or may not hold all of the securities in the MBB Index.

MBB seeks to track the performance of the MBB Index by investing at least 90% of its assets in the securities of the MBB Index and in investments that provide substantially similar exposure to securities in the MBB Index. MBB may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the MBB Index, but which BFA believes will help MBB track the MBB Index. MBB seeks to track the investment results of the MBB Index before fees and expenses of MBB.

As of December 31, 2015, approximately 99.24% of the bonds represented in the MBB Index were U.S. agency mortgage-backed pass-through securities. The MBB Index is represented by approximately 99.24% fixed-rate mortgages and 0.76% hybrid ARMs. Most transactions in mortgage-backed pass-through securities occur through standardized contracts for future delivery in which the exact mortgage pools to be delivered are not specified until a few days prior to settlement (“to-be-announced (TBA) transactions”). MBB may enter into such contracts for fixed-rate pass-through securities on a regular basis. MBB, pending settlement of such contracts, will invest its assets in liquid, short-term instruments, including shares of money market funds advised by BFA or its affiliates. MBB will assume its pro rata share of the fees and expenses of any money market fund that it may invest in, in addition to MBB's own fees and expenses. MBB may also acquire interests in mortgage pools through means other than such standardized contracts for future delivery.

MBB may lend securities representing up to one-third of the value of MBB's total assets (including the value of any collateral received).

iShares U.S. Preferred Stock ETF

The iShares U.S. Preferred Stock ETF (“PFF”) seeks to track the investment results of an index composed of U.S. preferred stocks.

PFF seeks to track the investment results of the S&P U.S. Preferred Stock Index (the “PFF Index”), which measures the performance of a select group of preferred stocks listed on the New York Stock Exchange (“NYSE”), NYSE Arca, Inc. (“NYSE Arca”), NYSE Amex, NASDAQ Global Select Market, NASDAQ Select Market or NASDAQ Capital Market. The PFF Index does not seek to directly reflect the performance of the companies issuing the preferred stock. The PFF Index includes preferred stocks with a market capitalization over \$100 million that meet minimum price, liquidity, trading volume, maturity and other requirements determined by S&P Dow Jones Indices LLC (the “Index Provider” or “SPDJ”), a subsidiary of S&P Global, Inc. The PFF Index excludes certain issues of preferred stock, such as those that are issued by special ventures (e.g., toll roads or dam operators) or structured products and brand name products issued by financial institutions that are packaged securities linked to indices or other stocks.

In general, preferred stock is a class of equity security that pays a specified dividend that must be paid before any dividends can be paid to common stockholders and takes precedence over common stock in the event of a company's liquidation.

Although preferred stocks represent a partial ownership interest in a company, preferred stocks generally do not carry voting rights and have economic characteristics similar to fixed-income securities. Preferred stocks generally are issued with a fixed par value and pay dividends based on a percentage of that par value at a fixed or variable rate. Additionally, preferred stocks often have a liquidation value that generally equals the original purchase price of the preferred stock at the date of issuance. The PFF Index may include many different categories of preferred stock, such as floating, variable and fixed-rate preferred, callable preferred, convertible preferred, cumulative and non-cumulative preferred, trust preferred or various other traditional and hybrid issues of preferred stock.

As of March 31, 2016, the PFF Index was concentrated in the financial industry group, which comprised approximately 84% of the market capitalization of the PFF Index. The PFF Index may include large-, mid- or small-capitalization companies. Components of the PFF Index primarily include financials, real estate, telecommunications and utilities companies. The components of the PFF Index, and the degree to which these components represent certain industries, are likely to change over time.

Unlike many investment companies, PFF does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that PFF will substantially outperform the PFF Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage PFF. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the PFF Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the PFF Index. PFF may or may not hold all of the securities in the PFF Index.

PFF generally will invest at least 90% of its assets in the component securities of the PFF Index and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the PFF Index, but which BFA believes will help PFF track the PFF Index. PFF seeks to track the investment results of the PFF Index before fees and expenses of PFF.

PFF may lend securities representing up to one-third of the value of PFF's total assets (including the value of any collateral received).

iShares MSCI Global Gold Miners ETF

The iShares MSCI Global Gold Miners ETF (“RING”) seeks to track the investment results of an index composed of global equities of companies primarily engaged in the business of gold mining.

RING seeks to track the investment results of the MSCI ACWI Select Gold Miners Investable Market Index (IMI) (the “RING Index”), which has been developed by MSCI Inc. (the “Index Provider” or “MSCI”) to measure the combined performance of equity securities of companies primarily engaged in the business of gold mining in both developed and emerging markets. MSCI begins with the MSCI ACWI Investable Market Index (IMI), and then selects securities of companies that are primarily focused on the exploration and production of gold, and companies that generally do not engage in hedging activity with respect to gold prices. The price of the equity securities of these companies and the price of gold may not always be closely correlated. The RING Index is a free float-adjusted market capitalization-weighted index with a capping methodology applied to issuer weights so that no single issuer of a component exceeds 25% of the RING Index weight, and all issuers with weight above 5% do not cumulatively exceed 50% of the RING Index weight. The RING Index may include large-, mid- or small-capitalization companies.

Components of the RING Index primarily include gold mining and materials companies. The components of the RING Index, and the degree to which these components represent certain industries, are likely to change over time. As of June 30, 2016, the RING Index consisted of companies in the following eight countries or regions: Australia, Canada, Hong Kong, Peru, South Africa, Turkey, the United Kingdom and the United States. RING, under normal market conditions, will invest at least 40% of its assets in issuers organized or located outside the United States or doing business outside the United States.

BFA uses a “passive” or indexing approach to try to achieve RING’s investment objective. Unlike many investment companies, RING does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued. Indexing may eliminate the chance that RING will substantially outperform the RING Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage RING. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an applicable RING Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of an applicable RING Index. RING may or may not hold all of the securities in an applicable RING Index.

RING generally will invest at least 90% of its assets in the component securities of the RING Index and in investments that have economic characteristics that are substantially identical to the component securities of the RING Index (i.e., depositary receipts representing securities of the RING Index) and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in

securities not included in the RING Index, but which BFA believes will help RING track the RING Index. RING seeks to track the investment results of the RING Index before fees and expenses of RING.

RING may lend securities representing up to one-third of the value of RING's total assets (including the value of any collateral received)

iShares Short Treasury Bond ETF

The iShares Short Treasury Bond ETF (“SHV”) seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one month and one year.

SHV seeks to track the investment results of the ICE U.S. Treasury Short Bond Index (the “SHV Index”), which measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than one month and less than or equal to one year. As of March 31, 2016, there were 78 issues in the SHV Index.

The SHV Index includes publicly-issued U.S. Treasury securities that have a remaining maturity of greater than one month and less than or equal to one year and have \$300 million or more of outstanding face value, excluding amounts held by the Federal Reserve. In addition, the securities in the SHV Index must be fixed-rate and denominated in U.S. dollars. Excluded from the SHV Index are inflation-linked securities, cash management bills, any government agency debt issued with or without a government guarantee and zero-coupon issues that have been stripped from coupon-paying bonds. The SHV Index is weighted by market capitalization, and the securities in the SHV Index are updated on the last business day of each month. Prior to the selection of the SHV Index on July 1, 2016, SHV tracked the Barclays U.S. Short Treasury Bond Index.

BFA uses a “passive” or indexing approach to try to achieve SHV’s investment objective. Unlike many investment companies, SHV does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that SHV will substantially outperform the SHV Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage SHV. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the SHV Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the SHV Index. SHV may or may not hold all of the securities in the SHV Index.

SHV generally invests at least 90% of its assets in the bonds of the SHV Index and at least 95% of its assets in U.S. government bonds. SHV may invest up to 10% of its assets in U.S. government bonds not included in the SHV Index, but which BFA believes will help SHV track the SHV Index. SHV also may invest up to 5% of its assets in repurchase agreements collateralized by U.S. government obligations and in cash and cash equivalents, including shares of money market funds advised by BFA

or its affiliates. SHV seeks to track the investment results of the SHV Index before fees and expenses of SHV.

Under normal circumstances, SHV will seek to maintain a weighted average maturity that is less than three years. Weighted average maturity is a U.S. dollar-weighted average of the remaining term to maturity of the underlying securities in SHV's portfolio.

SHV may lend securities representing up to one-third of the value of SHV's total assets (including the value of any collateral received).

iShares 1-3 Year Treasury Bond ETF

The iShares 1-3 Year Treasury Bond ETF ("SHY") seeks to track the investment results of an index composed of U.S. Treasury bonds with remaining maturities between one and three years.

SHY seeks to track the investment results of the ICE U.S. Treasury 1-3 Year Bond Index (the "SHY Index"), which measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than one year and less than or equal to three years. As of December 31, 2015, there were 90 issues in the SHY Index.

The SHY Index includes publicly-issued U.S. Treasury securities that have a remaining maturity of greater than one year and less than or equal to three years and have \$300 million or more of outstanding face value, excluding amounts held by the Federal Reserve. In addition, the securities in the SHY Index must be fixed-rate and denominated in U.S. dollars. Excluded from the SHY Index are inflation-linked securities, Treasury bills, cash management bills, any government agency debt issued with or without a government guarantee and zero-coupon issues that have been stripped from coupon-paying bonds. The SHY Index is weighted by market capitalization, and the securities in the SHY Index are updated on the last business day of each month. Prior to the selection of the SHY Index on April 1, 2016, SHY tracked the Barclays U.S. 1-3 Year Treasury Bond Index.

BFA uses a "passive" or indexing approach to try to achieve SHY's investment objective. Unlike many investment companies, SHY does not try to "beat" the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that SHY will substantially outperform the SHY Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage SHY. "Representative sampling" is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of the SHY Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity, credit ratings and yield) and liquidity measures similar to those of the SHY Index. SHY may or may not hold all of the securities in the SHY Index.

SHY generally invests at least 90% of its assets in the bonds of the SHY Index and at least 95% of its assets in U.S. government bonds. SHY may invest up to 10% of its assets in U.S. government bonds not included in the SHY Index, but which BFA believes will help SHY track the SHY Index. SHY also may invest up to 5% of its assets in repurchase agreements collateralized by U.S. government obligations and in cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. SHY seeks to track the investment results of the SHY Index before fees and expenses of SHY.

SHY may lend securities representing up to one-third of the value of SHY's total assets (including the value of any collateral received).

iShares MSCI Turkey ETF

The iShares MSCI Turkey ETF (“TUR”) seeks to track the investment results of a broad-based index composed of Turkish equities.

TUR seeks to track the investment results of the MSCI Turkey Investable Market Index (IMI) (the “TUR Index”), which is a free float-adjusted market capitalization index designed to measure broad-based equity market performance in Turkey. The TUR Index consists of stocks traded primarily on the Istanbul Stock Exchange (ISE). The TUR Index may include large-, mid- or small- capitalization companies. Components of the TUR Index primarily include consumer staples, financials and industrials companies. The components of the TUR Index, and the degree to which these components represent certain industries, are likely to change over time.

BFA uses a “passive” or indexing approach to try to achieve TUR’s investment objective. Unlike many investment companies, TUR does not try to “beat” the index it tracks and does not seek temporary defensive positions when markets decline or appear overvalued.

Indexing may eliminate the chance that TUR will substantially outperform the TUR Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage TUR. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an applicable TUR Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of an applicable TUR Index. TUR may or may not hold all of the securities in an applicable TUR Index.

TUR generally will invest at least 90% of its assets in the component securities of the TUR Index and in investments that have economic characteristics that are substantially identical to the component securities of the TUR Index (i.e., depositary receipts representing securities of the TUR Index) and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the TUR Index, but which BFA believes will help TUR track the TUR Index. TUR seeks to track the investment results of the TUR Index before fees and expenses of TUR.

TUR may lend securities representing up to one-third of the value of TUR's total assets (including the value of any collateral received).

iShares Exponential Technologies ETF.

The iShares Exponential Technologies ETF (“XT”) seeks to track the investment results of an index composed of stocks of developed and emerging market companies that create or use exponential technologies

XT seeks to track the investment results of the Morningstar Exponential Technologies Index (the “XT Index”), which measures the performance of equity securities issued by companies that the Equity Research team of Morningstar, Inc. (the “Index Provider” or “Morningstar”) has determined are involved with the creation of groundbreaking technologies and/or that are users that apply such technologies within their businesses. Exponential technologies displace older technologies, create new markets and have the potential to effect significant economic impacts.

The XT Index is a subset of the Morningstar US Market Index and the Morningstar Global Markets ex-US Index family (the “Parent Indexes”). The eligible universe of securities in the XT Index must be in the Morningstar Global Equity Index family and covered by Morningstar’s Equity Research analysts. The Morningstar analysts perform fundamental research in order to score companies within the eligible universe along a three point scale based on exponential technology themes that Morningstar believes have the potential to have significant economic benefits to producers and users. As of June 30, 2016, Morningstar has identified nine exponential technology themes: big data and analytics, nanotechnology, medicine and neuroscience, networks and computer systems, energy and environmental systems, robotics, 3-D printing, bioinformatics, and financial services innovation. The themes are reviewed on an annual basis and may change over time. As a general matter, these themes focus on issuers that are either developing resources for others or are advanced in their own applications in the following areas: processing and capturing customer or other business-related data, and analyzing and leveraging that data to grow the business; engineering and technology applications focused on manipulation of matter on an atomic, molecular or supramolecular level; research in respect to developing medical areas, including the study of the nervous system; computer networks and systems; energy and environmental systems; robotics; three dimensional printing; leveraging new methods and software tools for understanding biological data; and innovative financial services.

Morningstar’s sector strategists, directors and selection committee review the scores assigned by the Morningstar analysts and may calibrate or revise the scores to ensure consistency in scoring across analysts, sectors, geographies and themes. Morningstar eliminates companies with average three month trailing daily trading volume less than \$2 million and/or market capitalization of \$300 million or less. It then ranks the remaining potential constituents in an order emphasizing exposure to the exponential technology themes, giving preference to current index constituents and also preferring smaller market capitalization companies over larger ones. Up to five leading companies within each theme are automatically included in the XT Index, with additional companies added until the XT Index has 200 constituents. The XT Index is equal weighted and is reconstituted and rebalanced annually.

The XT Index may include large-, mid- or small-capitalization companies. Components of the XT Index primarily include healthcare, industrials, information technology and technology companies. The

components of the XT Index, and the degree to which these components represent certain industries, are likely to change over time. As of June 30, 2016, the XT Index consisted of securities from the following 20 countries or regions: Australia, Belgium, Brazil, Canada, Denmark, France, Germany, India, Italy, Japan, the Netherlands, New Zealand, Norway, Russia, South Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States.

Indexing may eliminate the chance that XT will substantially outperform the XT Index but also may reduce some of the risks of active management, such as poor security selection. Indexing seeks to achieve lower costs and better after-tax performance by keeping portfolio turnover low in comparison to actively managed investment companies.

BFA uses a representative sampling indexing strategy to manage XT. "Representative sampling" is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to that of an applicable XT Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of an applicable XT Index. XT may or may not hold all of the securities in the XT Index.

XT generally will invest at least 90% of its assets in the component securities of the XT Index and in investments that have economic characteristics that are substantially identical to the component securities of the XT Index (i.e., depositary receipts representing securities of the XT Index) and may invest up to 10% of its assets in certain futures, options and swap contracts, cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates, as well as in securities not included in the XT Index, but which BFA believes will help XT track the XT Index. XT seeks to track the investment results of the XT Index before fees and expenses of XT.

XT may lend securities representing up to one-third of the value of XT's total assets (including the value of any collateral received).

For more information regarding the Funds' investment strategy, please read the prospectus for the Fund.

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 50,000 Shares (each block of Shares called a "Creation Unit"). As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or

“ET”) of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

The registration statement for the Funds describes the various fees and expenses for the Funds’ Shares. For a more complete description of the Funds and the underlying indexes, visit the Funds’ website at www.iShares.com.

PURCHASES AND REDEMPTIONS IN CREATION UNIT SIZE

BX members and PHLX members and member organizations are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust’s prospectus and Statement of Additional Information and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

PRINCIPAL RISKS

Interested persons are referred to the discussion in the prospectus for the Fund of the principal risks of an investment in the Fund. These include tracking error risk (factors causing the Fund’s performance to not match the performance of the underlying index), market trading risk (for example, trading halts, trading above or below net asset value), asset class risk, authorized participant concentration risk, call risk, concentration risk, consumer staples sector risk, credit risk, custody risk, cyber security risk, extension risk, financials sector risk, geographic risk, income risk, index-related risk, industrials sector risk, interest rate risk, issuer risk, liquidity risk, management risk, market risk, market trading risk, national closed market trading risk, non-U.S. agency debt risk, non-U.S. issuers, north American economic risk, operational risk, passive investment risk, reliance on trading partners risk, risk of investing in developed countries, risk of investing in the United States, securities lending risk, security risk, sovereign obligations risk, and tracking error risk.

EXCHANGE RULES APPLICABLE TO TRADING IN THE SHARES

Trading of the Shares on BX is on a UTP basis and is subject to BX equity trading rules. Trading of the Shares on PHLX’s PSX system is on a UTP basis and is subject to PHLX rules.

TRADING HOURS

The values of each index underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on BX between 8:00 a.m. and 7:00 p.m. ET. The Shares will trade on PSX between 9:00 a.m. and 5:00 p.m. ET. For trading during each market’s pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Fund during these sessions, when the underlying index’s values, intraday indicative value, or similar value may not be disseminated or calculated.

DISSEMINATION OF FUND DATA

The Consolidated Tape Association will disseminate real time trade and quote information for the Funds to Tape C.

Fund Name	Listing Market	Trading Symbol	IOPV Symbol	NAV Symbol
iShares Intermediate Credit Bond ETF	NASDAQ	CIU	JSML.IV	JSML.NV
iShares U.S. Credit Bond ETF	NASDAQ	CRED	CRED.IV	CRED.NV
iShares 1-3 Year Credit Bond ETF	NASDAQ	CSJ	CSJ.IV	CSJ.NV
iShares Select Dividend ETF	NASDAQ	DVY	DVY.IV	DVY.NV
iShares J.P. Morgan USD Emerging Markets Bond ETF	NASDAQ	EMB	EMB.IV	EMB.NV
iShares Currency Hedged MSCI Germany ETF	NASDAQ	HEWG	HEWG.IV	HEWG.NV
iShares 7-10 Year Treasury Bond ETF	NASDAQ	IEF	IEF.IV	IEF.NV
iShares 3-7 Year Treasury Bond ETF	NASDAQ	IEI	IEI.IV	IEI.NV
iShares S&P Small-Cap 600 Growth ETF	NASDAQ	IJT	IJT.IV	IJT.NV
iShares Core 1-5 Year USD Bond ETF	NASDAQ	ISTB	ISTB.IV	ISTB.NV
iShares Core Total USD Bond Market ETF	NASDAQ	IUSB	IUSB.IV	IUSB.NV

iShares Core S&P U.S. Growth ETF	NASDAQ	IUSG	IUSG.IV	IUSG.NV
iShares Core S&P U.S. Value ETF	NASDAQ	IUSV	IUSV.IV	IUSV.NV
iShares MBS ETF	NASDAQ	MBB	MBB.IV	MBB.NV
Shares U.S. Preferred Stock ETF	NASDAQ	PFF	PFF.IV	PFF.NV
iShares MSCI Global Gold Miners ETF	NASDAQ	RING	RING.IV	RING.NV
iShares Short Treasury Bond ETF	NASDAQ	SHV	SHV.IV	SHV.NV
iShares 1-3 Year Treasury Bond ETF	NASDAQ	SHY	SHY.IV	SHY.NV
iShares MSCI Turkey ETF	NASDAQ	TUR	TUR.IV	TUR.NV
iShares Exponential Technologies ETF	NASDAQ	XT	XT.IV	XT.NV

SUITABILITY

Trading in the Shares on BX will be subject to the provisions of BX Equity Rule 2310. Shares trading on PSX will be subject to the provisions of PHLX Rule 763. Members and member organizations recommending transactions in the Shares to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in the BX Conduct Rules.

BX members and PHLX members and member organizations should also review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their

obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

TRADING HALTS

BX will halt trading in the Shares of a Fund in accordance with BX Equity Rule 4120. PHLX will halt trading in the Shares of a Fund in accordance with PHLX Rule 3100. The grounds for a halt under these rules include a halt by the primary market because the intraday indicative value of the Fund, the value of its underlying index, or a similar value are not being disseminated as required, or a halt for other regulatory reasons. In addition, BX and PHLX will also stop trading the Shares of a Fund if the primary market delists the Fund.

DELIVERY OF A PROSPECTUS

BX members and PHLX members and member organizations should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund.

Prospectuses may be obtained through the Fund's website. The prospectus for the Funds does not contain all of the information set forth in the Fund's registration statement (including the exhibits to the registration statement), parts of which have been omitted in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). For further information about the Fund, please refer to the registration statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, BX Equity Rules 4420 and 4421, and PHLX Rule 803 require that members and member organizations, respectively, provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust for the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, members and member organizations shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by members or member organizations to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of the Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

Any BX or PHLX member or member organization carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to BX members and PHLX members or member organizations under this rule.

Upon request of a customer, BX members and PHLX members or member organizations shall provide a copy of the prospectus.

EXEMPTIVE, INTERPRETIVE AND NO-ACTION RELIEF UNDER FEDERAL SECURITIES REGULATIONS

The SEC has issued exemptive, interpretive or no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 (the "Act") regarding trading in the above mentioned exchange-traded Fund.

REGULATION M EXEMPTIONS

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of shares of the above-mentioned Fund to engage in secondary market transactions in such shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Fund (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Fund's securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

CUSTOMER CONFIRMATIONS FOR CREATION OR REDEMPTION OF FUND SHARES (SEC RULE 10B-10)

Broker-dealers who handle purchases or redemptions of Fund Shares in Creation Unit size for customers will be permitted to provide such customers with a statement of the number of Creation Unit Aggregations created or redeemed without providing a statement of the identity, number and price of shares of the individual securities tendered to the Fund for purposes of purchasing Creation Unit Aggregations ("Deposit Securities") or the identity, number and price of shares to be delivered by the Trust for the Fund to the redeeming holder ("Redemption Securities"). The composition of the securities required to be tendered to the Fund for creation purposes and of the securities to be delivered on redemption will be disseminated each business day and will be applicable to requests for creations or redemption, as the case may be, on that day. This exemptive relief under Rule 10b-10 with respect to creations and redemptions is subject to the following conditions:

- 1) Confirmations to customers engaging in creations or redemptions must state that all information required by Rule 10b-10 will be provided upon request;

- 2) Any such request by a customer for information required by Rule 10b-10 will be filed in a timely manner, in accordance with Rule 10b-10(c);
- 3) Except for the identity, number and price of shares of the component securities of the Deposit Securities and Redemption Securities, as described above, confirmations to customers must disclose all other information required by Rule 10b-10(a).

SEC RULE 14E-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

- 1) such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchased; or
- 2) purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
- 3) such bids or purchases are not effected for the purpose of facilitating such tender offer.

SECTION 11(D)(1); SEC RULES 11D1-1 AND 11D1-2

Section 11(d)(1) of the Act generally prohibits a person who is both a broker and a dealer from effecting any transaction in which the broker-dealer extends credit to a customer on any security which was part of a new issue in the distribution of which he participated as a member of a selling syndicate or group within thirty days prior to such transaction. The SEC has clarified that Section 11(d)(1) does not apply to broker-dealers that are not Authorized Participants (and, therefore, do not create Creation Unit Aggregations) that engage in both proprietary and customer transactions in Shares of the Fund in the secondary market, and for broker-dealer Authorized Participants that engage in creations of Creation Unit Aggregations. This relief is subject to specific conditions, including the condition that such broker-dealer (whether or not an Authorized Participant) does not, directly or indirectly, receive from the fund complex any payment, compensation or other economic incentive to promote or sell the Shares of the Fund to persons outside the fund complex, other than non-cash compensation permitted under NASD Rule 2830(l)(5)(A), (B) or (C). (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.) The SEC also has taken a no-action position under Section 11(d)(1) of the Act that broker-dealers may treat Shares of the Fund, for purposes of Rule 11d1-2, as "securities issued by a registered open-end investment company as defined in the Investment Company Act" and thereby extend credit or maintain or arrange for the extension or maintenance of credit on Shares that have been owned by the persons to whom credit is provided for more than 30 days, in reliance on the exemption contained in the rule.

SEC RULE 15C1-5 AND 15C1-6

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See [letter](#) from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

This Information Circular is not a statutory prospectus. BX members and PHLX members and member organizations should consult the Fund's prospectus and/or the Fund's website for relevant information.

Inquiries regarding this Information Circular should be directed to:

- Ben Haskell, Listing Qualifications, at 301.978.8092
- BX / PSX Market Sales, at 800.846.0477