DIG DEEPER INTO DIVIDENDS

An iShares guide to dividend investing with ETFs

iShares by BlackRock

iCRMH0221U/S-1513325-1/16

Investors are increasingly turning to dividend-paying stocks to seek yield and add stability to portfolios.

Exchange traded funds (ETFs) provide access to a wide variety of dividend strategies with the benefits of daily holdings disclosures, low costs and tax efficiency.

iShares ETFs offer the broadest range of dividend funds designed to help investors meet their goals.*

This guide will cover:

- How dividend investing strategies can potentially help investors improve their portfolios.
- Key considerations when selecting between high-dividend and dividend-growth strategies.
- How iShares dividend ETFs offer investors broad exposures with the potential to reduce risk.

* As of 11/29/2020, BlackRock is one of the largest providers of dividend ETFs based on AUM and number of dividend ETFs which provide exposure to high dividend strategy or dividend growth strategy stocks.

iCRMH0221U/S-1513325-2/16

CONTENTS

iCRMH0221U/S-1513325-3/16

THE CASE FOR DIVIDEND ETFs

Investors have long sought out shares of dividend-paying companies for help meeting a wide variety of investment objectives.

1

Seek attractive total returns
Dividend strategies, including higher-dividend-yielding and dividend growth stocks may help to enhance a key driver of portfolio returns.

2

Pursue steady income
Dividend stocks can provide a regular source of income and help investors meet current spending needs.

3

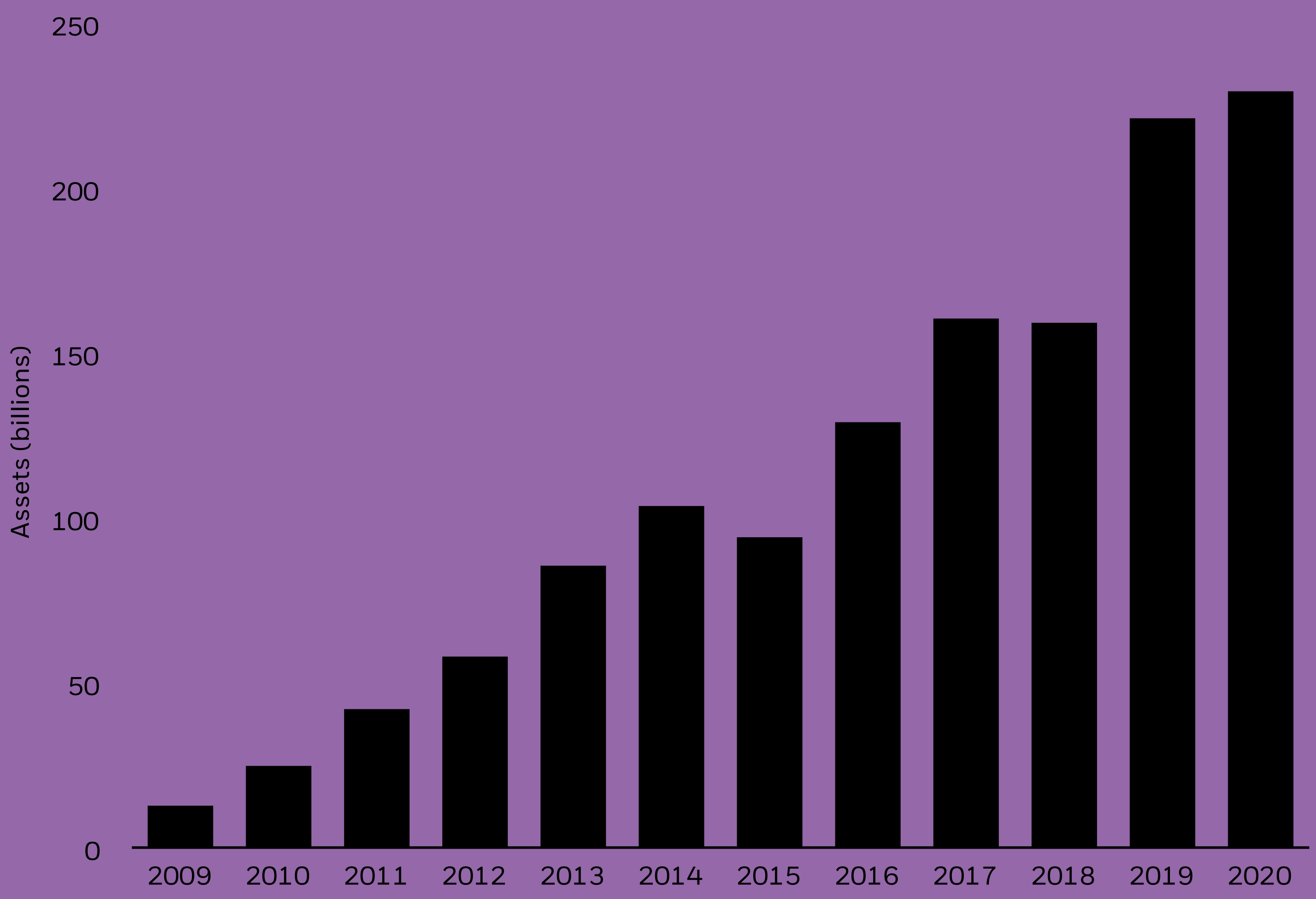
Reduce risk
Dividend-oriented funds have offered lower volatility and reduced downside risk relative to other strategies.

iCRMH0221U/S-1513325-4/16

Dividend investing with ETFs

Dividend ETFs bring together a proven investment strategy with the benefits of ETF investing: low costs, tax efficiency and transparency that includes daily disclosure of holdings.

Total U.S. dividend ETF assets



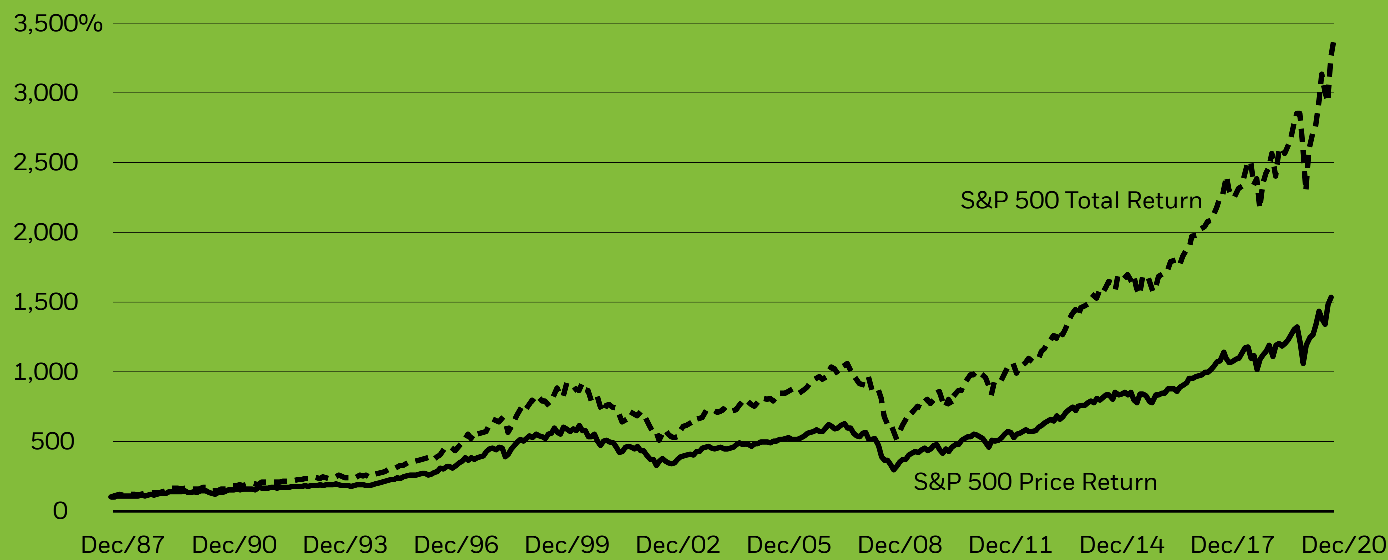
Source: BlackRock Global Business Intelligence as of 12/31/2020

Seek attractive total return

Equity investments offer two sources of potential return: dividend income and price appreciation. The compounding effects of dividend income can be powerful drivers of portfolios returns over time. For instance, the reinvested dividends for the S&P 500 has explained almost 50% of total equity market return over the past 30 years.

S&P 500 returns including dividends exceeded the index's price returns by more than double over the past two decades.

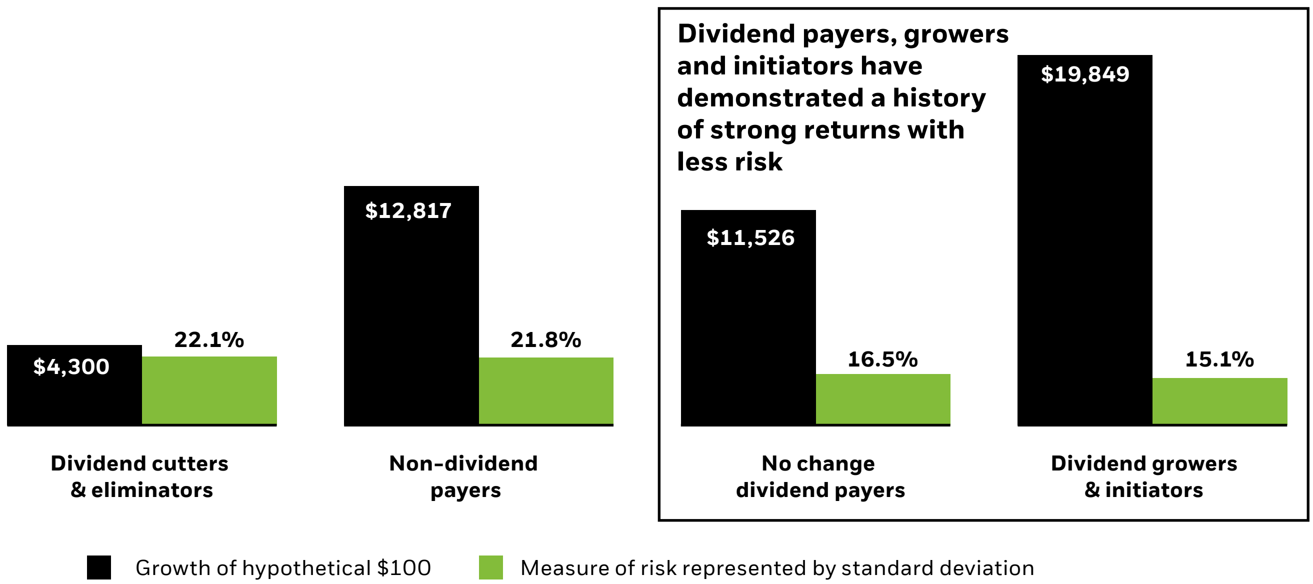
S&P 500 Total return and price return (1987 – ~~2019~~)*



Source: S&P as of 12/31/2020. **Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Index performance does not represent actual iShares Fund performance. For actual fund performance, please visit iShares.com or blackrock.com**.

Further, portfolios of dividend stocks have realized attractive risk-adjusted returns. Shares of companies that pay, grow or initiate dividends have historically delivered returns that are less risky relative to shares of companies that do not pay, cut or eliminate their dividends. The stability of returns for dividend payers, growers and initiators over time also suggests that dividend stocks may be a quality option for investors seeking income with less risk in comparison to other non-dividend paying stocks.

Risk and returns of the 500 largest U.S. stocks by dividend policy (1979 – ~~2019~~)*



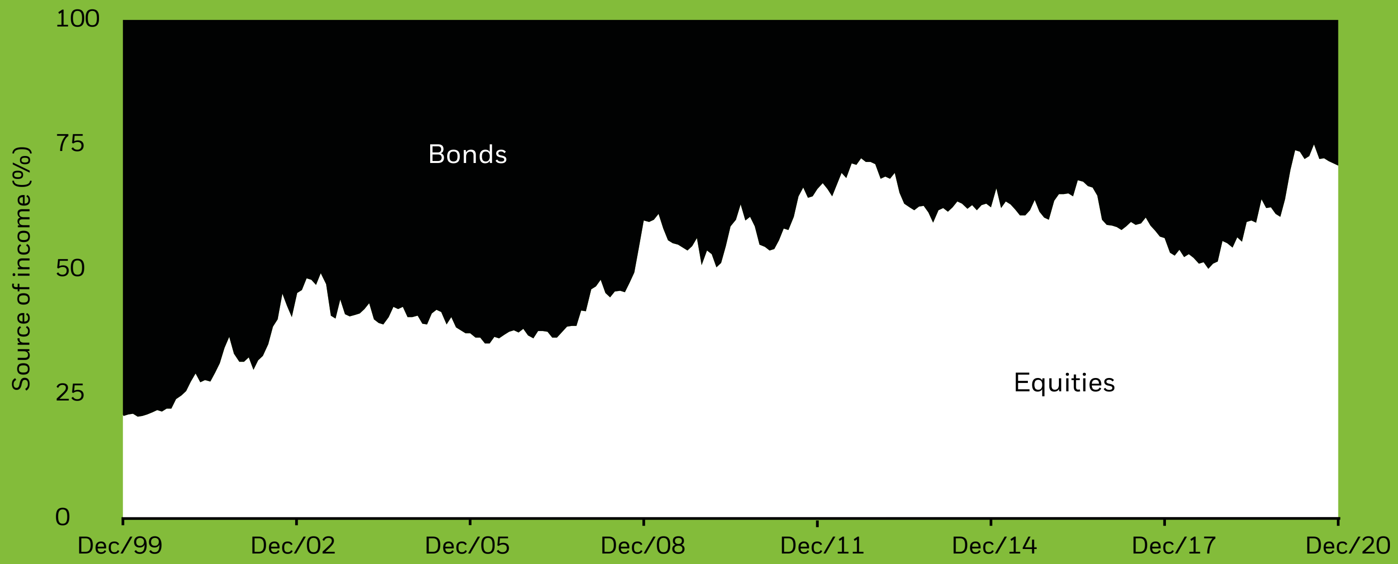
Source: BlackRock. Data from 1/1/1979 through 12/31/2020. Historical average returns (%) of dividend categories and standard deviation (%) since 1979. The investment universe is the 500 largest U.S. stocks by market cap. Dividend policy constituents are calculated on a rolling 12-month basis and are rebalanced monthly. Category returns are calculated on a monthly basis. Shown for illustrative purposes only. Past performance is not indicative of future returns. The Dividend Growers & Initiators category ("Dividend Growers" in the chart) represents performance for companies which either increased or initiated their dividend distribution. The No Change category represents performance for companies which pay a dividend but have not increased nor decreased their dividend distribution. The Nonpayers category represents performance for companies which do not pay a dividend. The Dividend Cutters & Eliminators category ("Dividend Cutters" in the chart) represents performance for companies which either cut or eliminated their dividend distribution. Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

iCRMH0221U/S-1513325-7/16

Aim for portfolio income with dividends

Most dividend-oriented ETFs distribute income to investors quarterly, a frequency that can help investors meet their current spending needs. Fixed bond payments are also regular but tend to be more exposed to inflation than equities. Because stocks may grow their dividends and realize capital appreciation, they can be better positioned to keep pace with or exceed inflation over the long term. In recent years, dividends have come to represent a greater proportion of income than bonds in a typical blended portfolio.

Equity dividends have become the primary source of income in a typical 60/40 portfolio



Since 2000, equities have shifted to become the primary source of income in a typical 60/40 portfolio.
Sources: BlackRock, Bloomberg, and MSCI as of December 2020. The chart depicts the share of income coming from equity dividends in a hypothetical illustrative portfolio that is made up of 60% MSCI World Index / 40% Bloomberg Barclays US Aggregate Bond Index. Share of income is calculated by dividing the dividend yield on the MSCI World Index by the total income on the illustrative portfolio, using the yield of the Bloomberg Barclays US Aggregate Bond Index as a proxy for bond income within the illustrative portfolio.
Past performance is no guarantee of future results. The information provided is for illustrative purposes only. It is not possible to invest directly in an index.

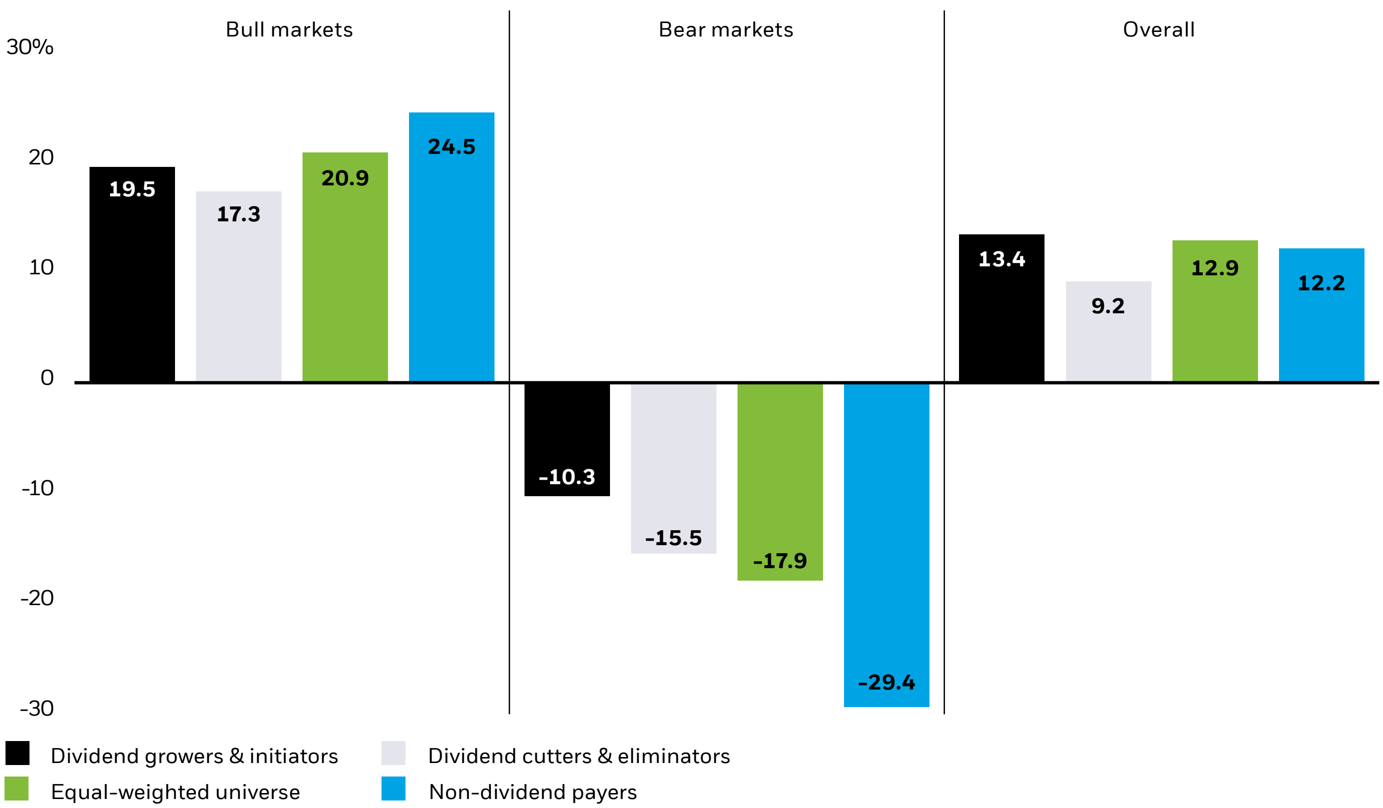
iCRMH0221U/S-1513325-8/16

Reduce risk

Dividend-paying stocks have tended to weather down equity markets better than non-payers. This is intuitive: The ability to consistently pay dividends suggests that a company is mature, has cash flow and cash on hand. Strong cash flows are a sign of a company that is relatively stable. While never guaranteed, corporate boards tend to set dividends at levels that can be maintained. Thus, dividend stocks typically pay a cash return regardless of share price movement, and this income component may help reduce losses in a down market.

Dividend growers and initiators weathered diverse markets

Historical average returns of dividend categories (12/31/1978 - 12/31/~~2019~~)



Source: Refinitiv, with data from Compustat and IDC. Data from 12/31/1978 through 12/31/2020. The investment universe is the 500 largest U.S. stocks by market cap. Dividend policy constituents are calculated on a rolling 12-month basis and are rebalanced monthly. Category returns are calculated on a monthly basis. Shown for illustrative purposes only. Past performance is not indicative of future returns. The Dividend Growers & Initiators category represents historical performance for companies which either increased or initiated their dividend distribution. The Dividend Cutters & Eliminators category represents historical performance for companies which either cut or eliminated their dividend distribution. The Equal Weighted category represents historical performance for the 500 largest U.S. stocks by market cap, calculated by assigning the same weighting (0.20%) to each constituent. The Nonpayers category represents historical performance for companies which do not pay a dividend.

DIFFERENTIATING BETWEEN DIVIDEND STRATEGIES

Dividend strategies will typically focus either on capturing high dividend yields or dividend growth — or a combination of both. While each strategy may deliver attractive results, stocks with high dividend yields may look different from stocks with high dividend growth rates. They also mean the two strategies tend to generate little holdings overlap, and can complement each other within a portfolio.

Differences in market outlook, objectives and constraints may help investors choose between high dividend yield and dividend growth strategies.

iCRMH0221U/S-1513325-10/16

High-dividend strategies

Exposure	Select companies that have paid out high dividend yields, often with fundamentals-based screens
Sector composition	Concentrated in mature industries
Style	Predominantly large value
Sensitivity to interest rate changes	Higher interest rate sensitivity than dividend growth strategies

High-dividend strategy considerations

- **Dividend sustainability screen:** The sustainability of a company's dividend payouts is an important consideration because a company paying a large dividend today doesn't guarantee it will pay one next year or the year after. Additionally, a company that is paying out too much of their earnings as dividends may curb long-term growth potential, limit earnings and threaten future distributions.
- **Distressed companies screen:** A high yield is not always an indicator of financial health. It is important for investors to understand dividend distribution trends as well as recent price movements in the stock.
- **Key takeaway:** High-dividend funds have numerous ways to screen for dividend sustainability and potential distress. It is important to understand these screens to seek maximum dividend yield, compare funds and avoid pitfalls that can result in underperformance.

iCRMH0221U/S-1513325-11/16

Dividend-growth strategies

Exposure	Select companies that have a history of sustained dividend growth and exhibit metrics that indicate future dividend growth potential
Sector composition	Mix of mature industries and mature companies within growth industries
Style	Blend of large value and large growth
Sensitivity to interest rate changes	Lower interest rate sensitivity than high dividend strategies

Dividend-growth strategy considerations

- **Dividend-growth requirement:** Dividend-growth screens can apply to long-term dividend growers as well as companies that have recently begun to grow dividends. Screens that require a long track record for dividend growth can lead to concentration in mature sectors or mature stocks.
- **Dividend payout ratios:** Companies with high dividend payout ratios, which compares dividends paid out with net income, often require further examination. In some cases, a high dividend payout ratio may be the result of negative fundamentals (falling stock price and/or deteriorating earnings).
- **Key Takeaway:** Dividend-growth funds have numerous ways to screen for dividend growth and dividend payout ratios. It is important to understand these screens to seek maximum dividend growth, compare funds and avoid pitfalls that can result in underperformance.

iCRMH0221U/S-1513325-12/16

iShares high dividend strategy ETFs

iShares ETF	Dividend sustainability screen	Distressed companies screens
iShares Core High Dividend ETF (HDV)	The underlying index for HDV screens stocks based on their economic moat, which is a measure of a firm's ability to maintain its competitive advantage over other firms in its industry.	The underlying index methodology for HDV incorporates Morningstar's Distance to Default score, which uses market and fundamental data to measure a firm's likelihood of defaulting on their outstanding debt.
iShares International Select Dividend ETF (IDV)	The underlying index for IDV specifically screens out companies that have too high of a dividend payout ratio, where a high dividend payout may not be sustainable.	The underlying index for IDV screens out companies that have a negative trailing 12-month earnings-per-share or have experienced a falling dividend-per-share growth rate, both of which may indicate financial stress.
iShares Select Dividend ETF (DVY)	The underlying index for DVY screens equity securities issued by companies that have provided relatively high dividend yields on a consistent basis over time.	The underlying index for DVY screens out stocks that have a negative historical five year dividend-per-share growth rate or has not paid dividends in each of the previous five years.

iShares dividend growth strategy ETFs

<table>
<tr><th>iShares ETF</th><th>Dividend growth requirement</th><th>Sustainable dividend growth screens</th></tr>
<tr><td>iShares Core Dividend Growth ETF (DGRO)</td><td rowspan="2">Both underlying indexes for DGRO and IGRO require that companies have at least five years of uninterrupted dividend growth for inclusion.</td><td rowspan="2">Both underlying indexes for DGRO and IGRO have additional screens of sustainable dividend growth. First, companies are required to pay out no more than 75% of earnings (less than 75% payout ratio). Next, companies in the top decile based on dividend yield are excluded.</td></tr>
<tr><td>iShares International Dividend Growth ETF (IGRO)</td></tr>
</table>

For advisors, selecting the right dividend strategy requires understanding an investor's desired outcome.

Key considerations and questions to ask:

Income needs

- Is the yield sufficient given income needs?
- What measures are used to evaluate a company's ability to continue to pay dividend yields? Is the screening forward or backward looking?
- Are there any tax considerations for using this product that might affect total return or realized yield?

Quality

- Is the fund specifically designed to screen for quality companies?
- How is dividend yield calculated and am I comparing equally across funds?

Risk

- Does the fund have any dividend risk screens?
- How is dividend risk defined and measured?
- What, if any, process is used to remove companies that are in distress?
- Are there any risks or biases that are present in the fund?

When selecting a dividend strategy, it's important to consider all of the variables that might influence dividend investments in order to avoid potential pitfalls.

iCRMH0221U/S-1513325-14/16

EXPLORE iSHARES DIVIDEND ETFs

Ticker	Expense ratio	Fund name	Dividend strategy	Exposure
U.S. dividend-paying ETFs				
DVY	0.39%	iShares Select Dividend ETF	High Dividend	Exposure to broad-cap U.S. companies with a consistent history of dividends
HDV	0.08%	iShares Core High Dividend ETF	High Dividend	Access to 75 established, dividend-paying U.S. stocks that have been screened for financial health
IDV	0.49%	iShares International Select Dividend ETF	High Dividend	Exposure to broad-cap International companies with a consistent history of dividends
DGRO	0.08%	iShares Core Dividend Growth ETF	Dividend Growth	Access U.S. companies that have a history of sustained dividend growth and that are broadly diversified across industries
DIVB	0.25%	iShares U.S. Dividend and Buyback ETF	Other	Invests in U.S. companies that return capital to shareholders through paying dividends and/or buying back their stock
International dividend-paying ETFs				
DVYE	0.49%	iShares Emerging Markets Dividend ETF	High Dividend	Exposure to broad-cap Emerging Markets companies with a consistent history of dividends
DVYA	0.49%	iShares Asia/Pacific Dividend ETF	High Dividend	Exposure to broad-cap companies in Australia, Hong Kong, Japan, New Zealand, and Singapore with a consistent history of dividends
IGRO	0.15%	iShares International Dividend Growth ETF	Dividend Growth	Access international companies that have a history of sustained dividend growth and that are broadly diversified across industries

iCRMH0221U/S-1513325-15/16

WANT TO KNOW MORE?

iShares.com

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

Investing involves risk, including possible loss of principal.

There is no guarantee that any fund will pay dividends. Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and than the general securities market.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries.

Diversification and asset allocation may not protect against market risk or loss of principal. Transactions in shares of ETFs ~~will~~ result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders.

The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective. The information presented does not take into consideration commissions, tax implications, or other transactions costs, which may significantly affect the economic consequences of a given strategy or investment decision.

This document contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a financial advisor before making an investment decision.

The iShares Funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

Not FDIC Insured • May Lose Value • No Bank Guarantee

iShares®
by BlackRock