

WEBINAR SERIES

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An Evolving Fixed Income Landscape?

Presented by

BlackRock

September 22, 2020 | 1:00 PM EDT

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BlackRock

An Evolving Fixed Income Landscape?

Peter Gailliot, Global CIO of the Financial Institutions Group (FIG) and Head of Fixed Income FIG Portfolio Management, BlackRock

Steve Laipply, U.S. Head of iShares Fixed Income ETFs, BlackRock

Jean LaTorre, Executive Vice President and CIO, The Guardian Life Insurance Company of America (moderator)



Peter Gailliot, Managing Director, is the Global CIO of the Financial Institutions Group (FIG) and Head of Fixed Income FIG Portfolio Management. He is responsible for portfolio performance, strategic positioning, and customized solution creation across the full FIG platform at BlackRock. Prior to his current role, Mr. Gailliot was Head of US Fixed Income for FIG within BlackRock's Global Fixed Income team. In this role he was responsible for setting the group's Multi-Sector Total Return strategies, as well as managing client portfolios as a Senior Portfolio Manager. Mr. Gailliot joined BlackRock in 2004 in the Institutional Client Business Group, and was responsible for developing and maintaining relationships with insurance and other taxable clients. Mr. Gailliot began his career in 2002 as an Internal Wholesaler on the AXA Distributors Annuity Sales Desk at AXA Financial. Mr. Gailliot earned a BA degree in economics from Duke University in 2002.



Stephen Laipply, Managing Director, is the U.S. Head of iShares Fixed Income ETFs for BlackRock. His cross-functional team is responsible for supporting client engagement for both institutional and wealth investors, creating thought leadership on fixed income markets and fixed income ETFs, driving new product innovations, and partnering with fixed income broker/dealers. Mr. Laipply is also a member of BlackRock's Investment Strategies and Insights team and has authored and co-authored articles on fixed income markets and investing that have been published in the Journal of Portfolio Management, the Journal of Index Investing, and the Journal of Trading. Previously, Mr. Laipply was the Head of U.S. iShares Fixed Income Strategy and was a member of BlackRock's Systematic Fixed Income Product Strategy Team. Prior to joining BlackRock in 2009, Mr. Laipply was a senior member of the Interest Rate Structuring and Strategic Solutions groups at Bank of America Merrill Lynch where he helped to develop investment and risk management solutions for institutional clients across interest rate, credit and securitized exposures. Mr. Laipply earned a BS degree in finance from Miami University, and an MBA in finance from the Wharton School of the University of Pennsylvania.



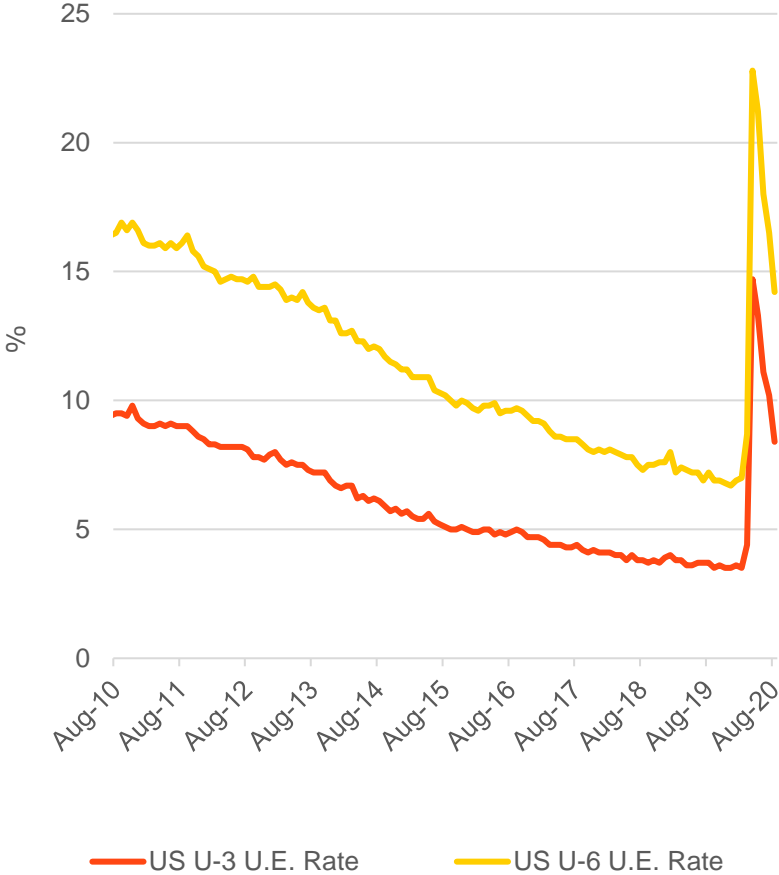
Jean LaTorre is executive vice president and chief investment officer for Guardian, Park Avenue Institutional Advisers, and other Guardian subsidiaries. She is responsible for managing investment policy and strategy in public and private equity, fixed income, and commercial real estate. Jean joined Guardian in 2020 after nearly 30 years at Aetna, where she was most recently chief investment officer and corporate economist overseeing the management of over \$40 billion in diversified assets. Additionally, chaired Aetna Capital Management, the company's fully owned hedge fund. Prior to Aetna she worked at the Municipal Bond Insurance Association and Donaldson, Lufkin & Jenrette. Jean has 37 years of investment experience. Jean, a Chartered Financial Analyst (CFA), holds a B.S. business administration and English from the State University of New York at Albany and an M.B.A. from New York University's Stern School of Business.

Market outlook through fixed income lens

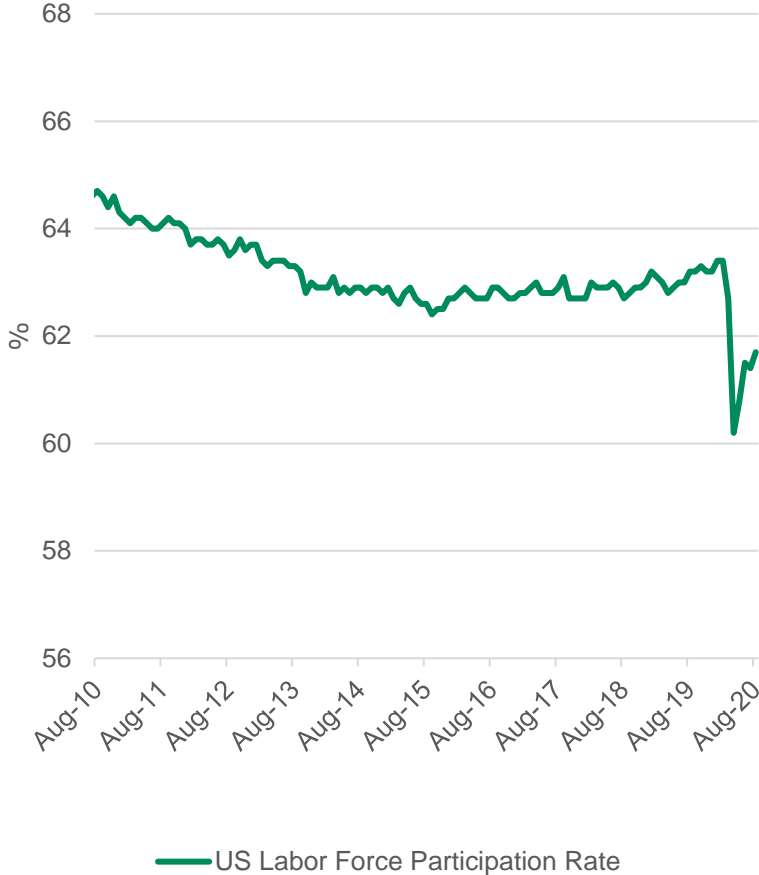
Peter Gailliot, Global CIO of the Financial Institutions Group (FIG) and Head of Fixed Income FIG Portfolio Management, BlackRock

US Labor Market Recovery

US Unemployment



US Labor Force Participation

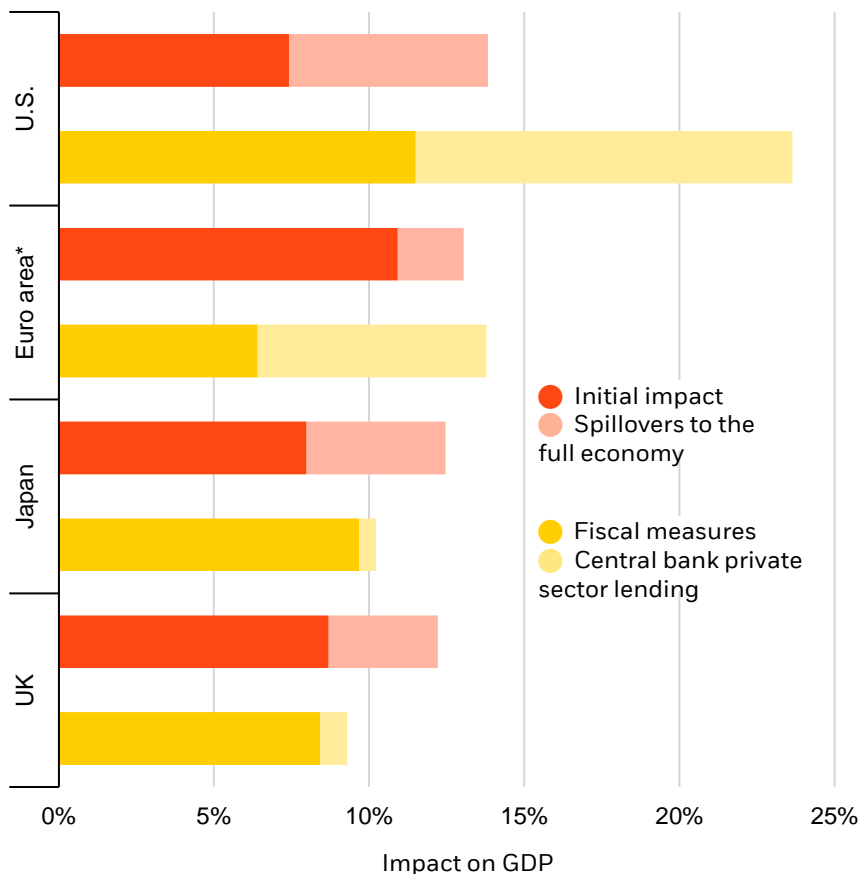


Source, both charts: Bloomberg. Data as Sept. 8, 2020

Views and data contained in the presentation reflected are of the global financial institutions group as of September 9, 2020 unless otherwise noted.

Economic Recovery

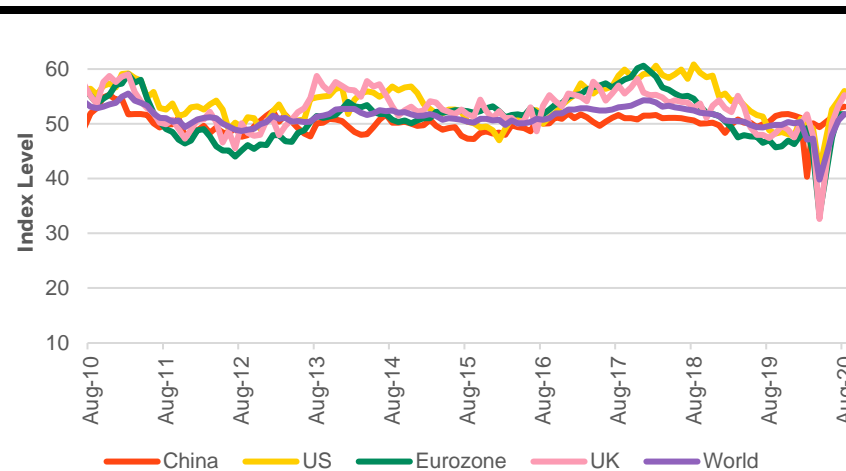
Estimated virus hit to GDP vs. offsetting policy measures, 2020



* The euro area is represented by averages of Germany, France, Italy and Spain. Sources: BlackRock Investment Institute, with data from the Federal Reserve, ECB, BOJ, BOE and Haver Analytics, July 2020. Notes: The chart shows the magnitude of the negative shock (red) and the associated positive policy response (yellow) as percentages of GDP. We use estimated 2020 targets for the U.S. and euro area central bank purchases and lending programs. The euro area includes the ECB's Targeted Longer-Term Refinancing Operations, and the UK includes central bank support for the Term Funding Scheme.

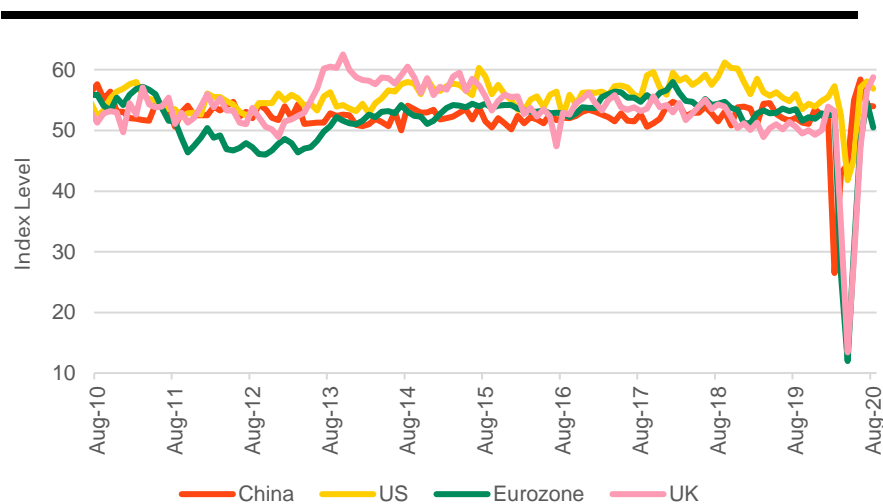
Views and data contained in the presentation reflected are of the global financial institutions group as of September 9, 2020 unless otherwise noted.

Global Manufacturing PMI



Source: Refinitiv Datastream, BlackRock. Data as Sept. 7, 2020.

Global Services PMI

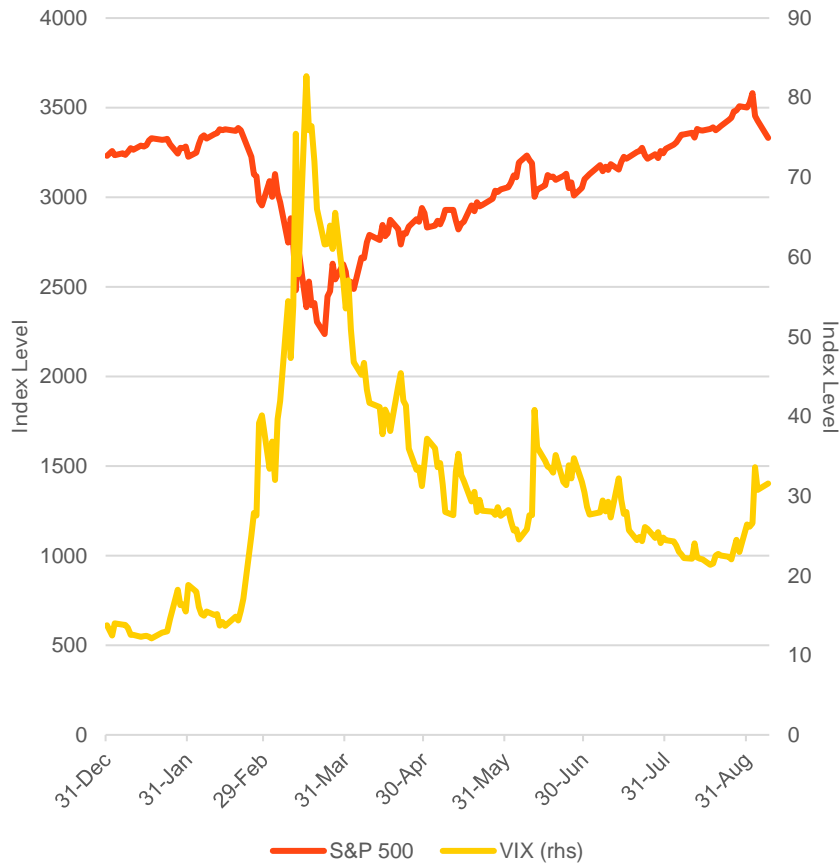


Source: Refinitiv Datastream, BlackRock. Data as Sept. 7, 2020.

Market Recovery

US Large Cap Equities

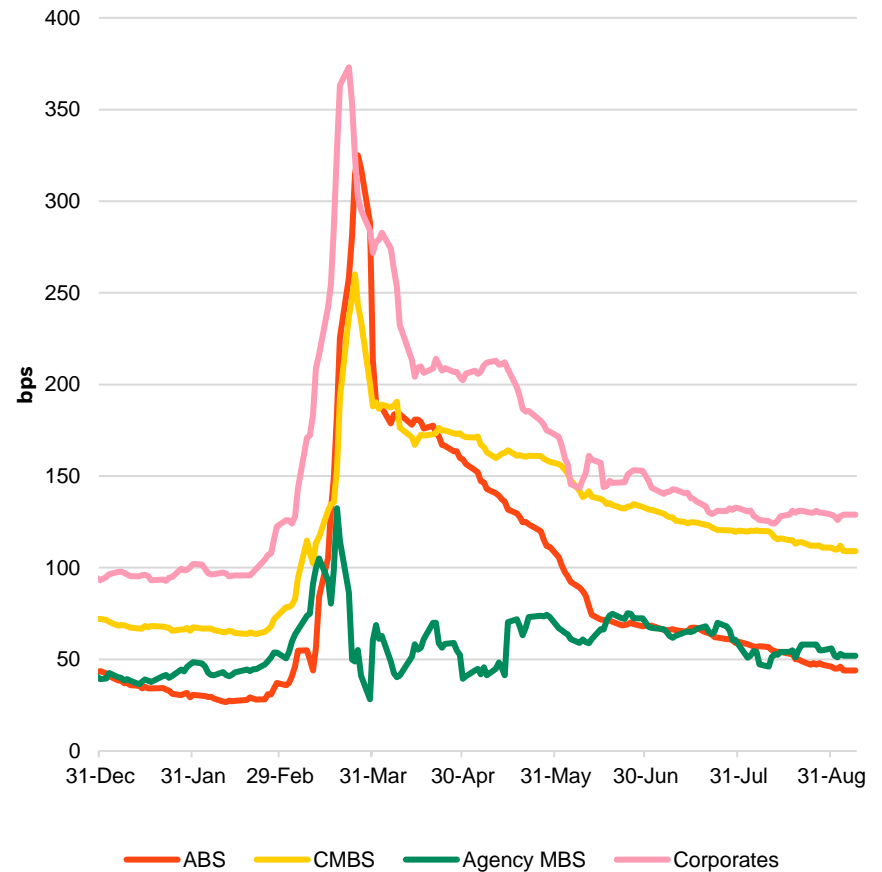
S&P 500 and VIX



Source: Bloomberg, as of Sept. 8, 2020.

Fixed Income Spread Sector OAS

Bloomberg Barclays Indices



Source: Bloomberg, Barclays, as of Sept. 8, 2020.
Spread sectors are derived from the Bloomberg Barclays Aggregate Index.

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Technicals in the Market

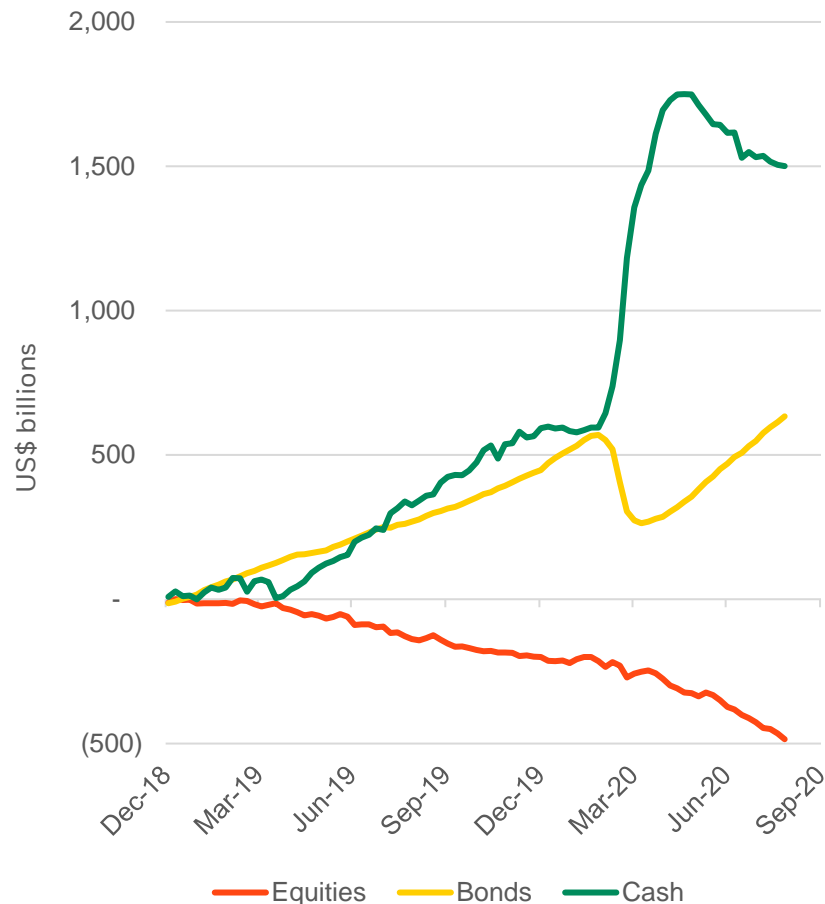
Negative Yielding Debt



Source: Bloomberg. Data as of Sept. 8, 2020

Note: Time series shows the market value of bonds having a negative yield in the Bloomberg Barclays Global Aggregate index

Cumulative Fund Flows



Source: Bloomberg, ICI, BlackRock. Data as of Sept. 8, 2020

Note: Equity and Bond data is cumulative weekly flows into the ICI Long-term categories for US domiciled mutual funds and ETFs. Cash is the weekly change in ICI reported total assets for US money market funds.

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Modernization of the bond market

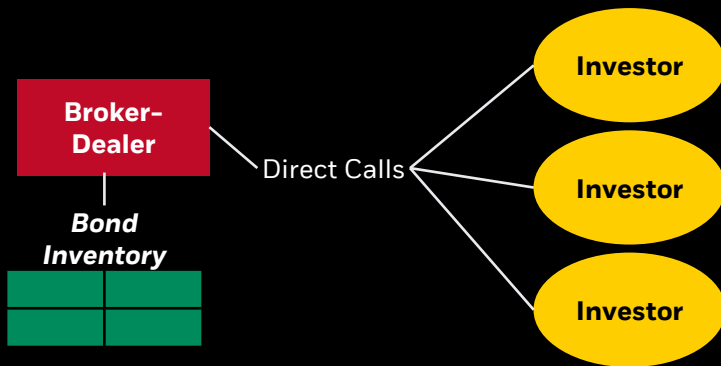
Steve Laipply, U.S. Head of iShares Fixed Income ETFs, BlackRock

An eruption of market volatility in early 2020 touched nearly every corner of the fixed income markets – and marked a turning point for the adoption of fixed income ETFs.

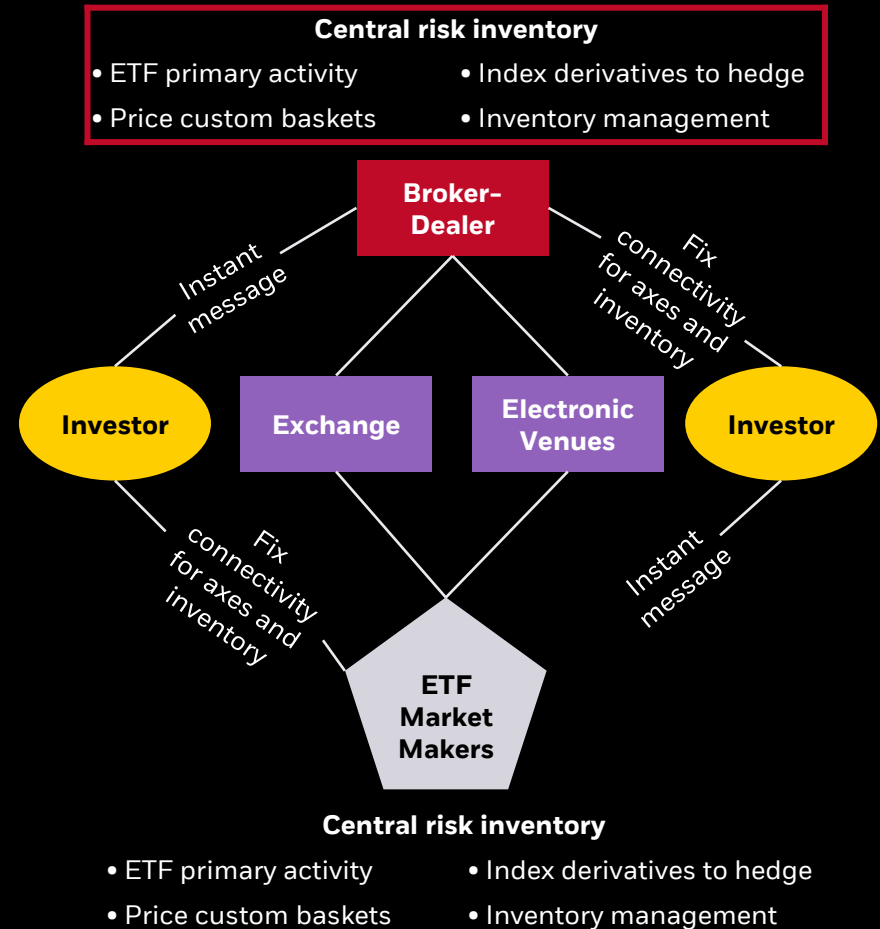


The Modernization of the Bond Market

Market structure pre-2008



Current Market Structure



Record \$1.3T in volumes in the 1st quarter of 2020

Total monthly trading volume (\$B)

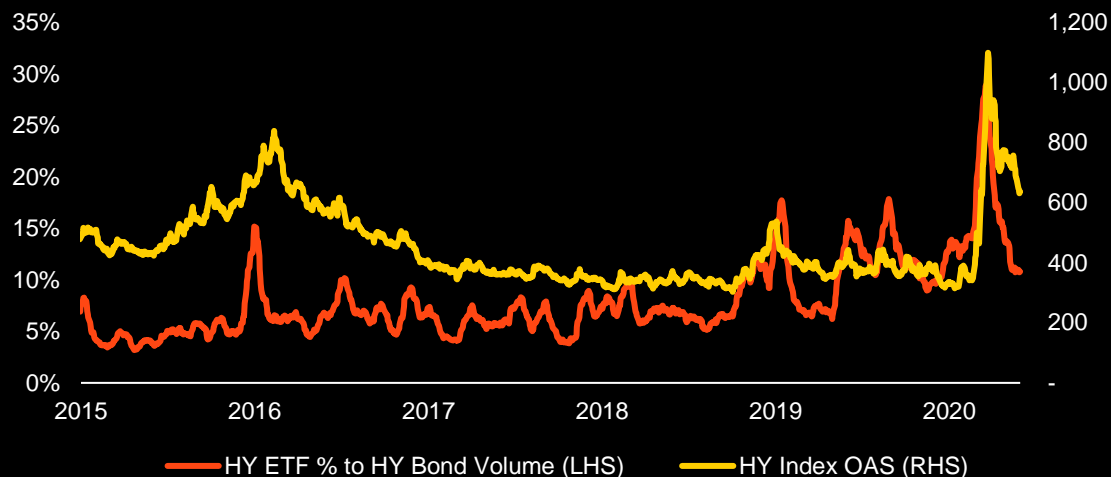


For illustrative purposes only.
Source: Bloomberg, daily volume as of March 31, 2020

There can be no assurance that an active trading market for shares of an ETF will develop or be maintained. Case study shown for illustrative purposes only. This is not meant as a guarantee of any future result or experience. This information should not be relied upon as research, investment advice or a recommendation regarding the iShares funds or any security in particular.

As bond market liquidity deteriorated, fixed income ETF trading surged

High yield corporate fixed income ETF volume increased to a record relative to individual high yield bond volume (20-day average)



Investment grade corporate fixed income ETF volume increased to a record relative to individual investment grade bond volume (20-day average)



For illustrative purposes only.

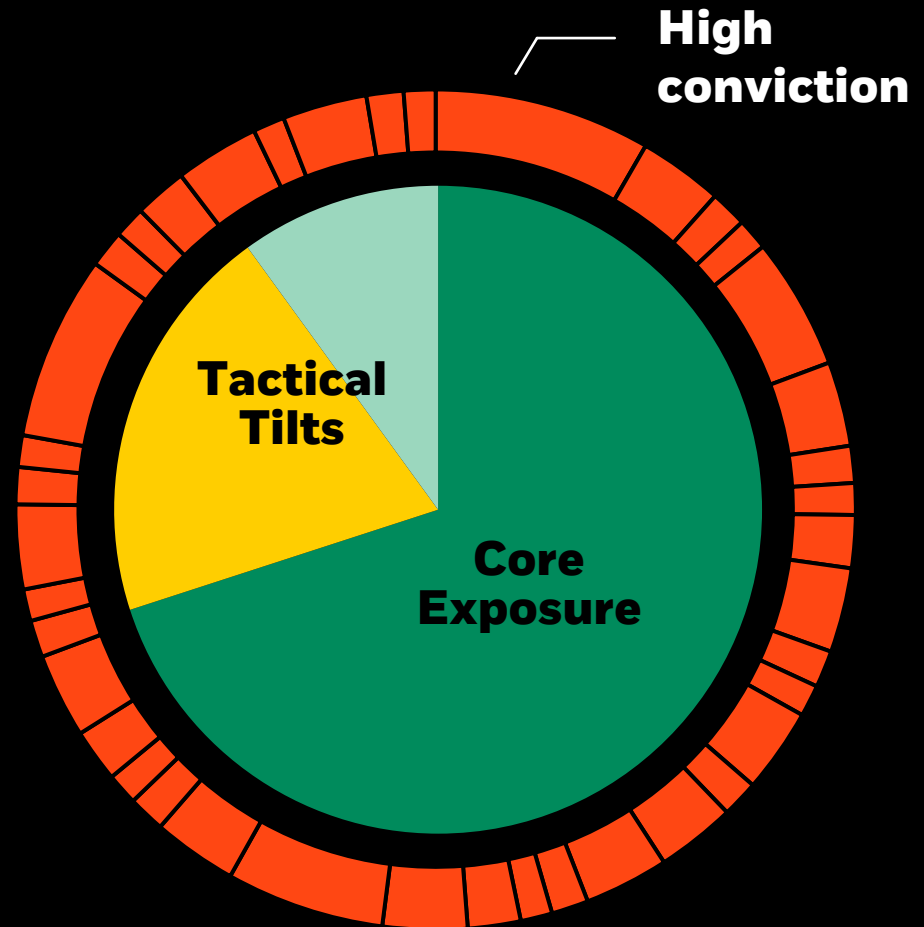
Source: Bloomberg, TRACE as of May 31, 2020

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Evolved portfolio construction

**Fixed income
ETFs as a building
block in core
allocation.**

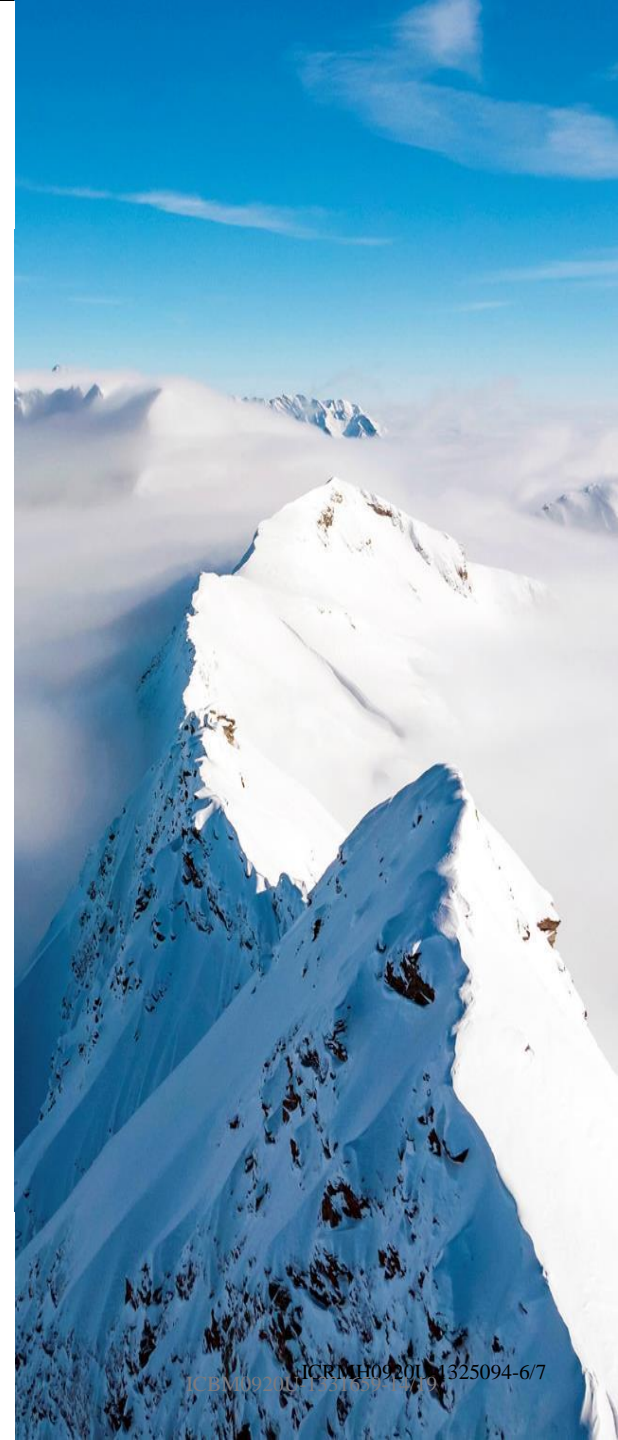


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We have long used fixed income ETFs for tactical positioning, hedging, and liquidity management. During this recent crisis, fixed income ETFs enhanced our ability to navigate these challenging markets.

Rick Rieder, BlackRock's Chief Investment Officer
of Global Fixed Income



Q&A

Appendix

Important notes

This document contains general information only and does not take into account an individual's financial circumstances. An assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a professional adviser before making an investment decision.

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Index

It is not possible to directly invest in an unmanaged index.

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Important notes

Risk

Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk. Equities may decline in value due to both real and perceived general market, economic, and industry conditions. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. High-yield, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investors will, at times, incur a tax liability. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested.

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

Investing involves risk, including possible loss of principal.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Shares of iShares ETFs may be bought and sold throughout the day on the exchange through any brokerage account. Shares are not individually redeemable from the ETF, however, shares may be redeemed directly from an ETF by Authorized Participants, in very large creation/redemption units.

There can be no assurance that an active trading market for shares of an ETF will develop or be maintained.

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