



Investing for a Sustainable Future

CFA Virginia Meeting

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October 12 2017



BLACKROCK®

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BlackRock's commitment to sustainability

“Over the long-term, environmental, social and governance (ESG) issues – ranging from climate change to diversity to board effectiveness – have real and quantifiable financial impacts.”

- Larry Fink's 2016 Corporate Governance Letter to CEOs

Dedicated BlackRock Resources



BlackRock Sustainable



ESG Integration



Investment Stewardship

BlackRock Corporate Responsibility



ICGN
International Corporate Governance Network



Source: <https://www.blackrock.com/corporate/en-zz/literature/press-release/ldf-corp-gov-2016.pdf>

Investors preferences and perceptions about sustainability are changing

75%

- **Senior executives at investment firms** > 75% agree that a company's sustainability performance is materially important to their investment decisions.¹

\$62T

- **Asset owners** > \$62T in assets managed by 1,700 signatories across 50 countries of the UN Principles for Responsible Investments (*Blackrock is a signatory*).²

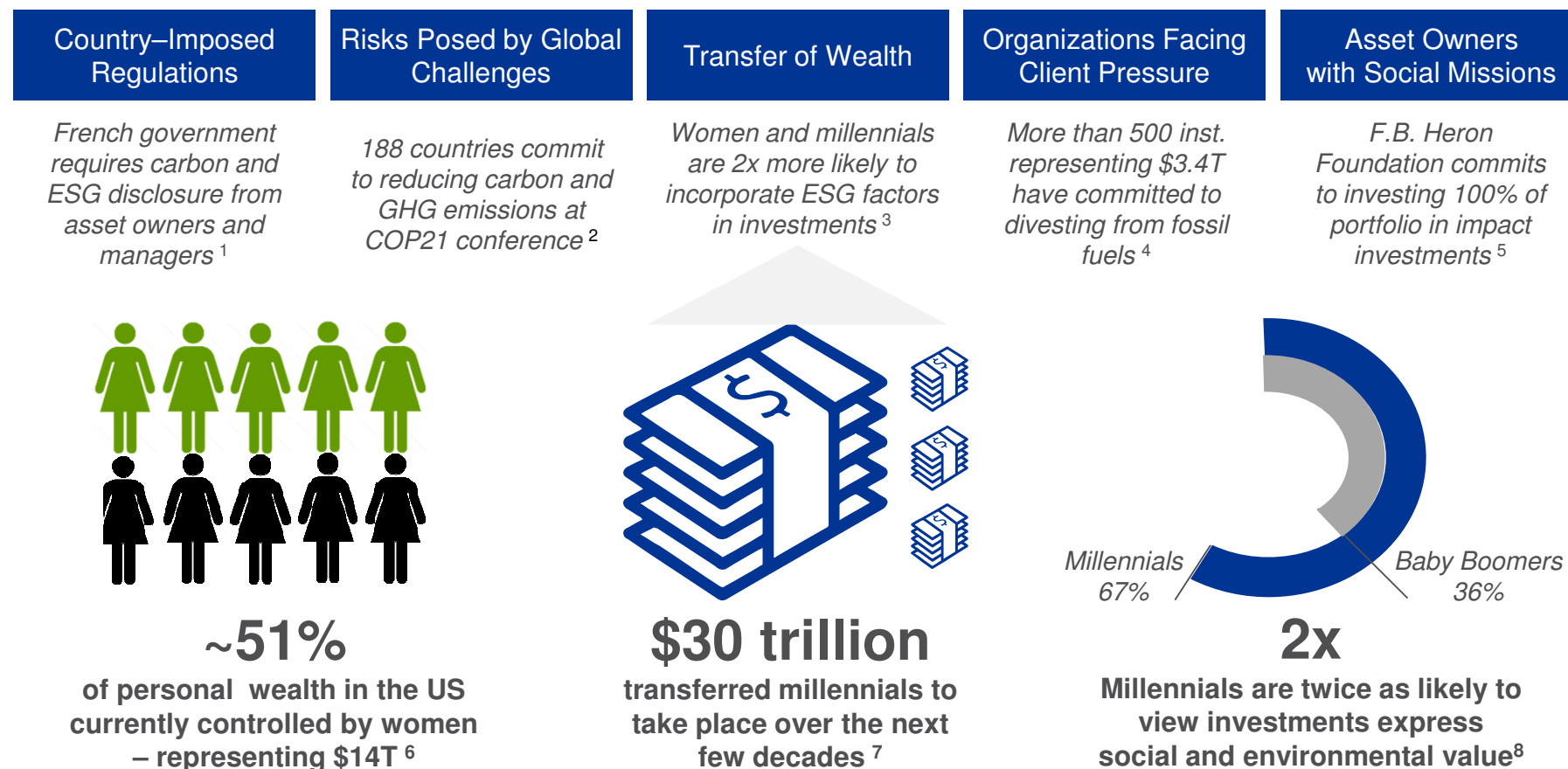
500 Institutions

- **Institutions facing client pressure** > 500 institutions, which combined managed over \$3.4T in assets managed, have committed to divesting from fossil fuels.³

1. 'Investing for Sustainable Future' (BCG & MIT SMR). <http://sloanreview.mit.edu/projects/investing-for-a-sustainable-future/>
2. UN PRI (as of 6.2017). <https://www.unpri.org/>
3. GoFossilFuelFree.org. <http://gofossilfree.org/commitments/>

Global growth of sustainable assets

Demand driven by range of investor motivations



1. Investment Europe. "French Institutional Investors to Disclose Carbon Footprint." <http://www.investmenteurope.net/regions/france/french-institutional-investors-to-disclose-carbon-footprint/>

2. United Nations Conference on Climate Change (COP21/CMP11). <http://www.cop21.gouv.fr/en/>

3. Morgan Stanley Institute for Sustainable Investing. "Sustainable Signals: The Individual Investor Perspective." Feb 2015 https://www.morganstanley.com/sustainableinvesting/pdf/Sustainable_Signals.pdf

4. GoFossilFuelFree.org. <http://gofossilfree.org/commitments/>

5. The Heron Foundation. April 2012. <http://heron.org/engage/publications/world-has-changed-and-so-must-we>

6. Bank of Montreal Wealth Institute, April, 2015. <https://newsroom.bmo.com/press-releases/bmo-report-despite-controlling-14-trillion-in-we-tsx-bmo-201504020999980001>

7. Accenture. "The 'Greater' Wealth Transfer – Capitalizing on the Intergenerational Shift in Wealth." June 2012

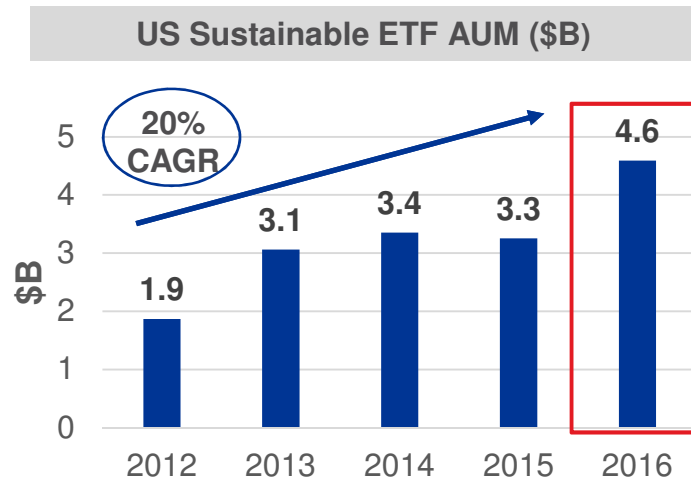
https://www.accenture.com/us-en/~media/Accenture/Conversion-Assets/DocCom/Documents/Global/PDF/Industries_5/Accenture-CM-AWAMS-Wealth-Transfer-Final-June2012-Web-Version.pdf

8. US Trust. "Insights on Wealth and Worth 2014." <http://www.ustrust.com/publish/ust/capitalacumen/summer2014/features/wealth-worth-2014.html>

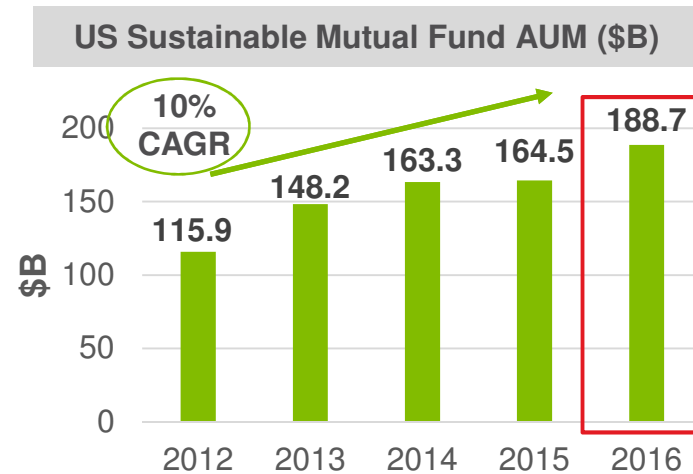
Sustainable Investment Trends

Combining an emerging ESG trend with the steady growth of ETFs

Sustainable ETF market is far behind the MFs; however, development of new ETFs is picking up rapidly and market is experiencing strong growth rates.



- Multitude of new entrants into the ETF space



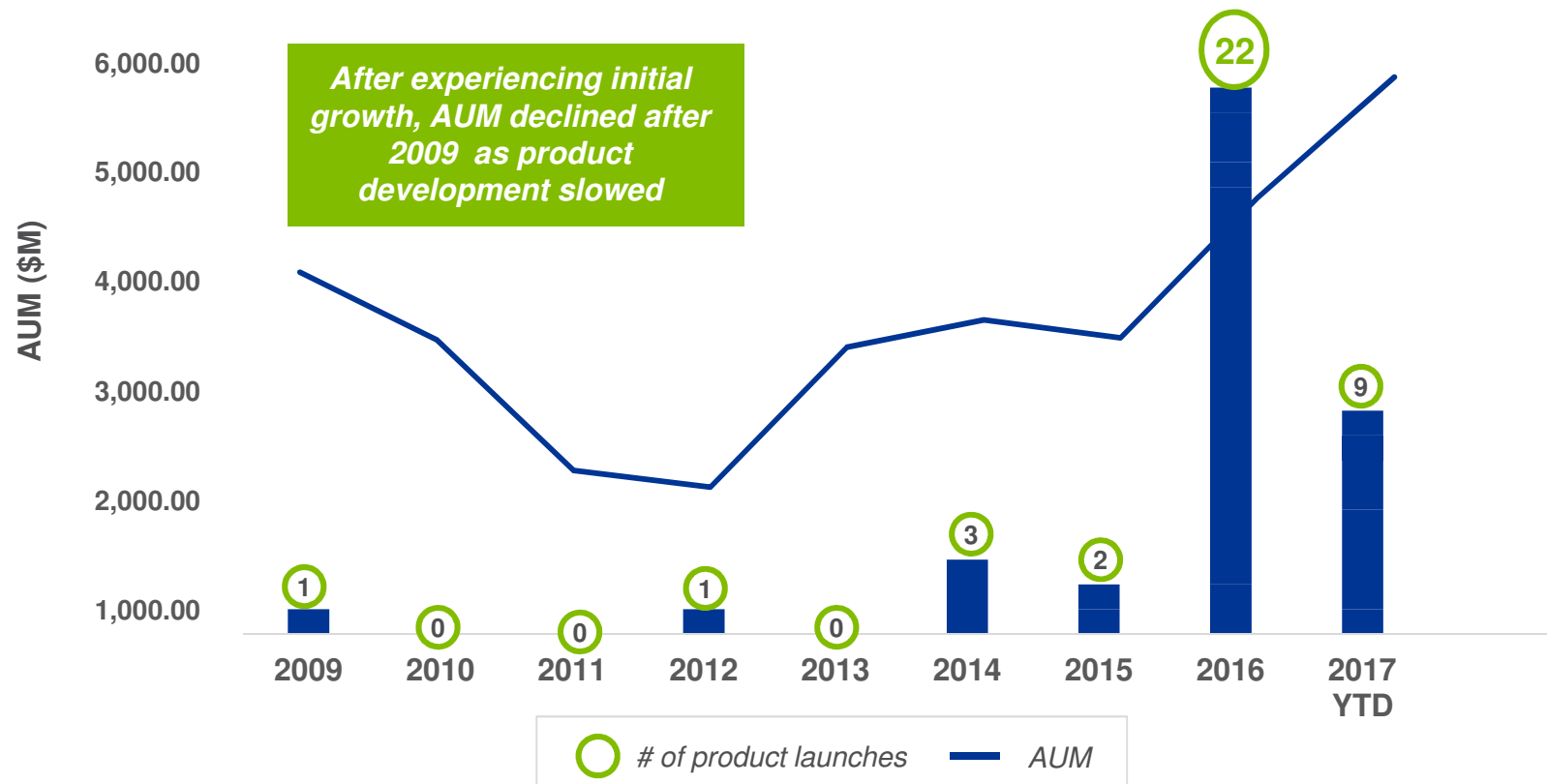
- One of the few areas of active investing that is still rapidly expanding

Source: Morningstar. Data as of Dec 2016.

Investors have more sustainable ETF options than ever before

- 2016 was a pivotal year for sustainable ETF product development
- Significant product increase due to market forces such as client demand, regulatory interpretations, political shifts, and senior executive buy-in

AUM and Number of U.S. Sustainable ETFs



What is ESG?

ESG is about risks and opportunities

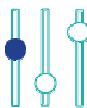
ESG issues not captured in financial analysis¹



Governance



Corporate Strategy



Compensation



Climate Risk

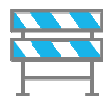


Human Capital

RISK

PERMANENT LOSS OF CAPITAL

Limit surprises from idiosyncratic event risks



Accidents



Fraud



Shutdowns



Strikes

Limit exposure to systematic risk factors



Weather Patterns



Water Scarcity



Data Security



Skills Shortages

OPPORTUNITY

ENHANCE LONG-TERM PERFORMANCE

Seek exposure to companies with lower cost of capital²

Analysis of 160+ academic studies demonstrates that companies with high ESG ratings have a lower cost of capital.

Seek exposure to companies with historically lower price volatility³

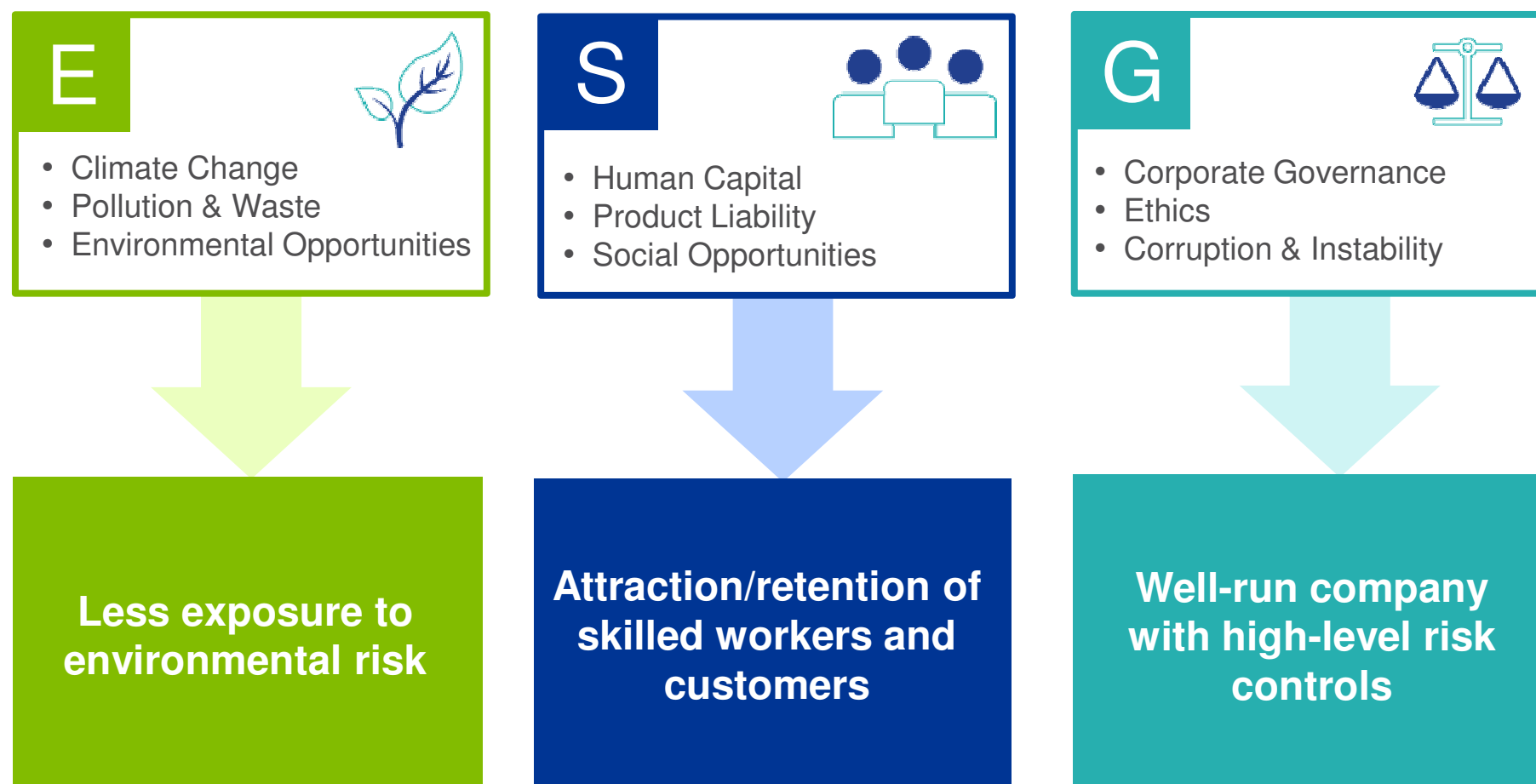
Studies have found that companies with transparent disclosure of ESG data have historically lower price volatility

¹BlackRock's 2017-2018 Investment Stewardship Engagement Priorities

²DB Climate Change Advisors, Deutsche Bank Group, Sustainable Investing: Establishing Long-Term Value and Performance (Jun. 2012), available at https://www.db.com/cr/en/docs/Sustainable_Investing_2012.pdf.

³Studies have found that companies with transparent disclosure of ESG data have **lower price volatility**. Teresa Czerwińska and Piotr Kaźmierkiewicz, ESG Rating in Investment Risk Analysis of Companies Listed on the Public Market in Poland, ECONOMICNOTES, Vol. 44, Issue 2, at 211-248 (Jul. 2015), available at <http://dx.doi.org/10.1111/ecno.12031>.

Breaking down each dimension of ESG provides a set of tangible metrics

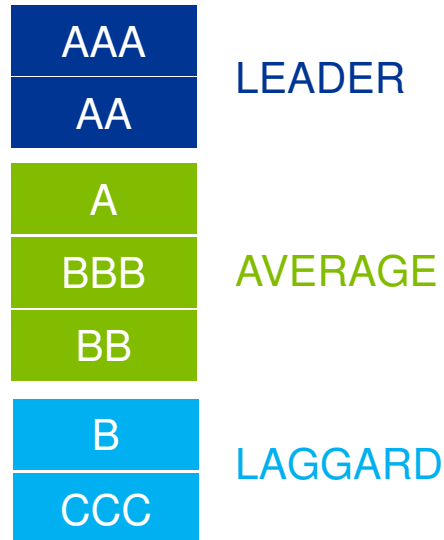


Overview of MSCI's ESG ratings

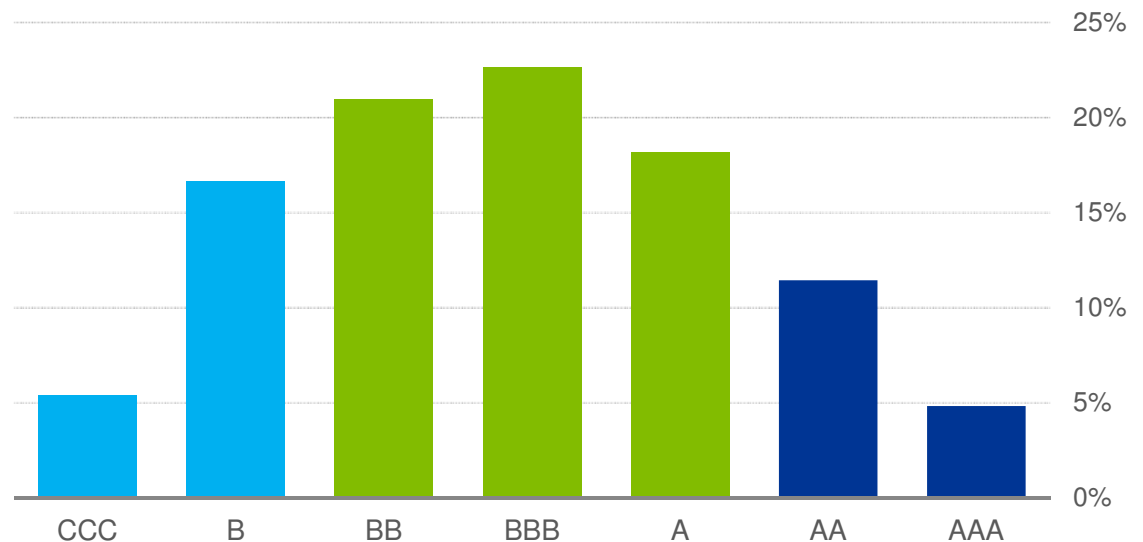
MSCI's ESG ratings are designed to identify environmental, social, and governance risks or opportunities not captured through conventional analysis

- Relevant data collected from 100+ sources is used to answer two questions:
 1. How exposed is a company to each material ESG issue?
 2. How is the company managing each material ESG issue?
- The results are segmented into key issue scores and weights specific to different industries
- The key issue scores and weights are combined and normalized per industry to offer an overall ESG rating (AAA-CCC) for each issuer

MSCI ESG Rating Framework



ESG representation in MSCI ACWI Index



Source: MSCI, June 2016. Ratings breakdown is by number of companies.

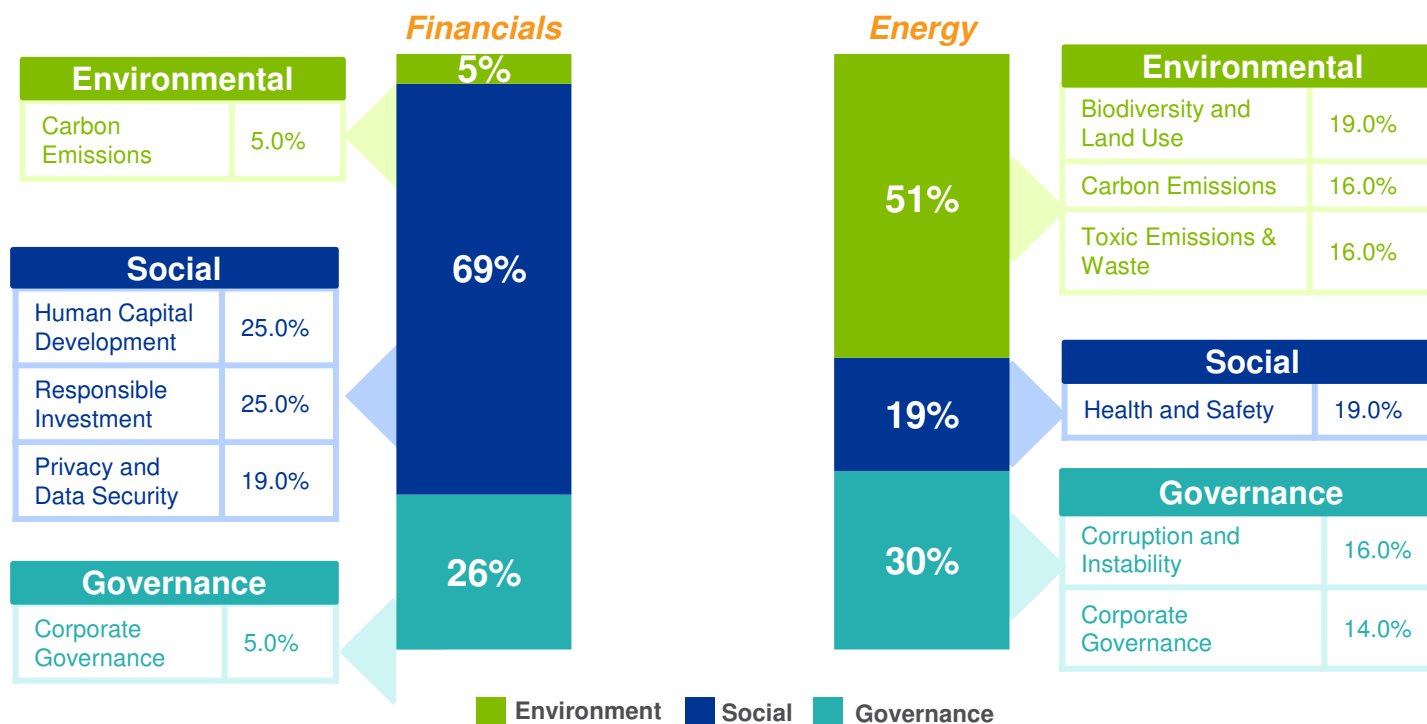
The issues used to determine a company's MSCI ESG rating vary by sector

For each sector

5-10 KEY ESG ISSUES

identified that cause companies to generate large environmental or social externalities¹

Example: Breakdown of Contribution to MSCI ESG Rating for Financial vs Energy Industries²



1. Key issue weights can significantly vary across the 156 GIC sub-industries. Weights based on: Contribution to externality vs other industries, Time horizon of risk factor for industry, Number and significance of other issues 2. Source: MSCI ESG Research, June 2016. For illustrative purposes only.

Approaches to Sustainable Investing

Framework for sustainable investing

Sustainable Investing an investment approach that incorporates non-traditional financial objectives

- Targets social and/or environmental outcomes alongside financial returns
- Universe consists of exclusionary screens, ESG factors, and targeted impact investments

Investors can incorporate sustainable investing in various ways:

Exclusionary Screens



Avoid objectionable exposures by removing industries or companies that are involved in controversial businesses, such as tobacco, weapons, fossil fuels

ESG Factors



Overweight companies that have strong Environmental, Social, and Governance considerations, such as companies with lower carbon footprints and a diverse workforce

Impact Targets



Target defined and measurable impact outcomes across social and environmental issue areas including, alternative energy, health, and empowerment

MSCI Index Comparison- U.S. Equity ESG Exposure

MSCI offers a range of USA ESG indexes

	MSCI USA ESG Focus Index	MSCI USA ESG Select Index	MSCI KLD 400 Social Index
Value Proposition	Seek to maximize ESG scores while aiming for traditional financial performance	Target highest rated ESG companies within the US	Remove unwanted exposures while maintaining a broad US exposure
Parent Index	MSCI USA Index	MSCI USA Index	MSCI USA IMI index
Market Cap	Large- and mid-caps	Large- and mid-caps	Large-, mid- and small-caps
Index Weighting Methodology	Uses optimization to maximize exposure to high ESG ratings, while keeping risk/return similar to parent index	Uses optimization to maximize exposure to high ESG ratings, while keeping risk/return similar to parent index	Float-adjusted market cap
Index SRI Screens	<ul style="list-style-type: none"> Tobacco Controversial Weapons 	<ul style="list-style-type: none"> Tobacco** 	<ul style="list-style-type: none"> Alcohol, Gambling, Tobacco, Military Weapons, Civilian Firearms, Nuclear Power, Genetically Modified Foods (GMOs), Adult Entertainment
Index ESG Ratings	<ul style="list-style-type: none"> Excludes securities with an ESG controversy score of very severe (0) 	<ul style="list-style-type: none"> Excludes securities with an Impact Monitor controversy assessment score of very severe (0) and all non-index securities with a score of severe (0-2) 	<ul style="list-style-type: none"> Eligible to add: > BB Remove: < BB Excludes securities with an Impact Monitor controversy assessment score of very severe (0) and all non-index securities with a score of severe (0-2)
Tracking Error Optimized?	Yes – 50 bps PTE*	Yes – 180 bps PTE*	No

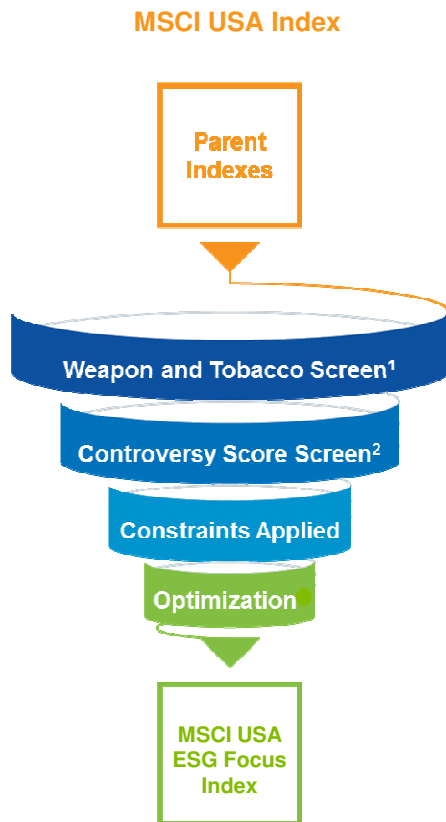
Source: MSCI

*Predicted tracking error (PTE) is an estimate of return volatility.

**Further excludes companies who's primary revenue is derived from Alcohol, Gambling, Nuclear Power, Conventional and Controversial Weapons, and Civilian Firearms.

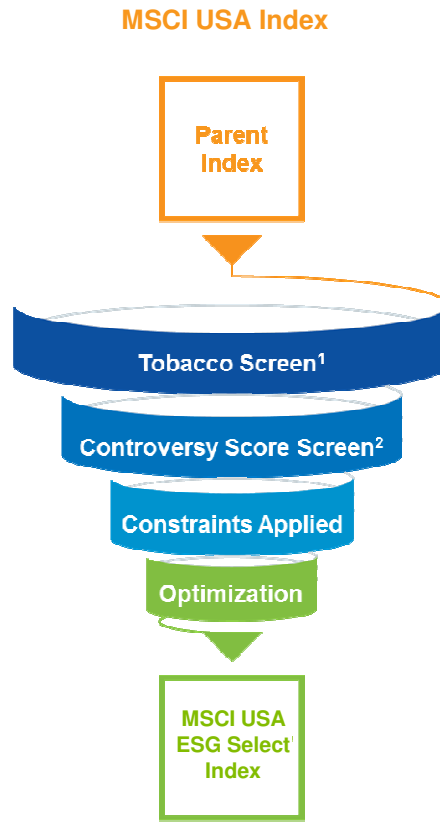
USA ESG index construction

MSCI USA ESG Focus Index



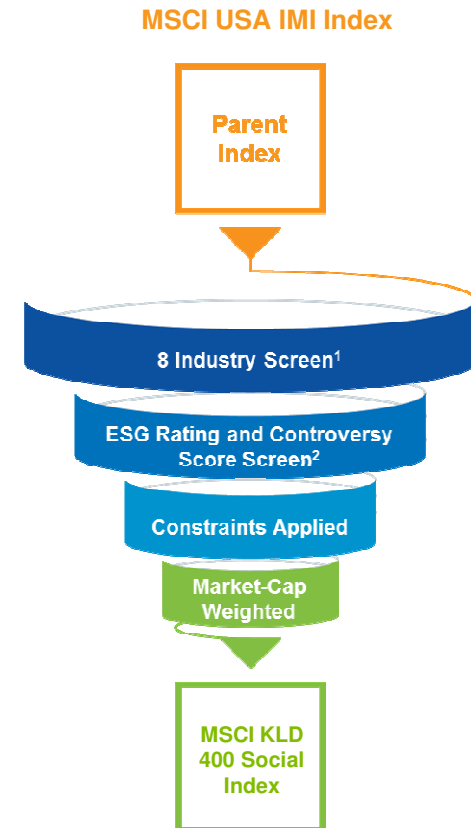
1. Controversial Weapons defined by MSCI as cluster bombs, chemical weapons and biological weapons, landmines, and depleted uranium weapons
2. Excludes securities with an ESG controversy score of very severe (0).

MSCI USA ESG Select Index



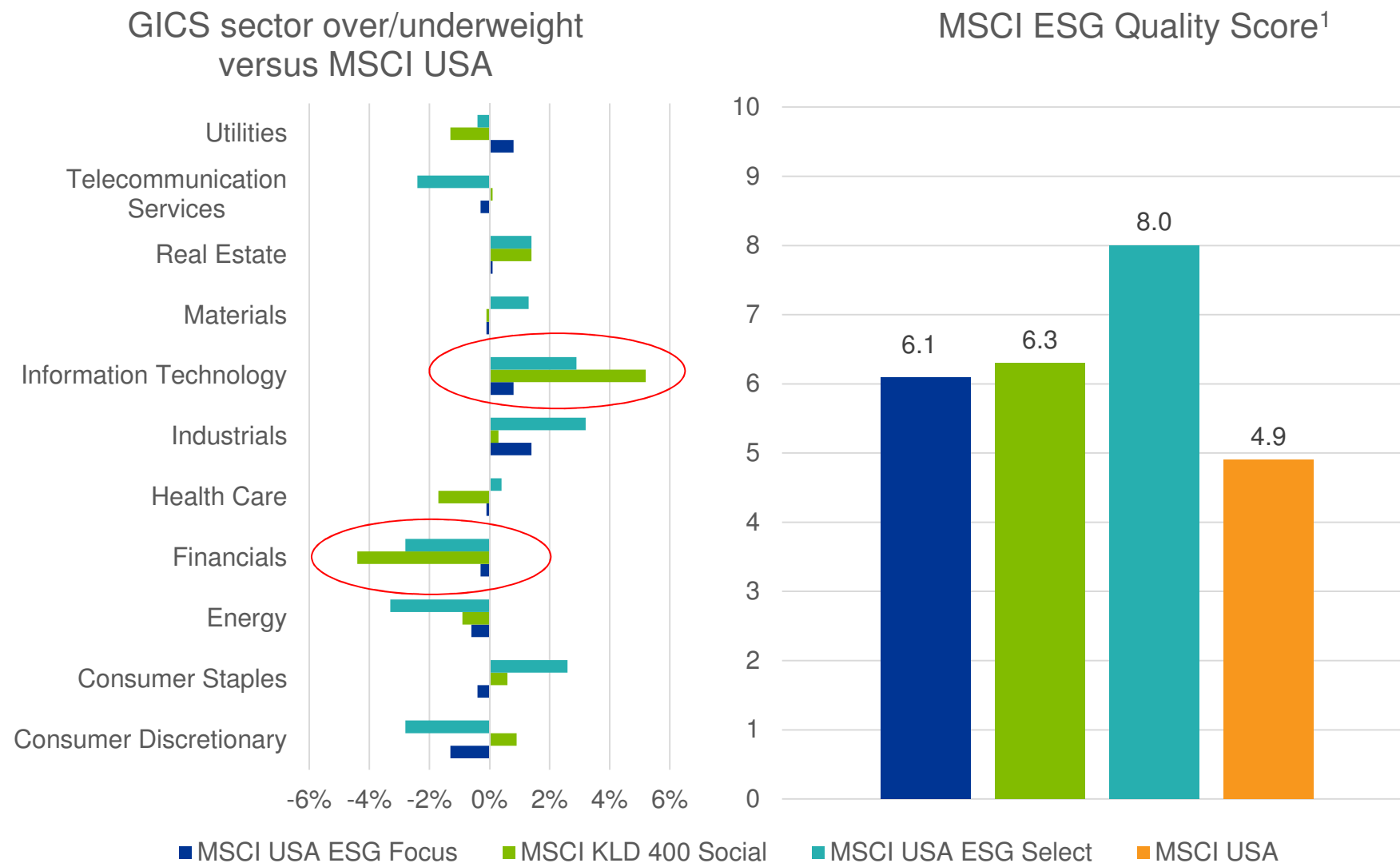
1. Further excludes companies who's primary revenue is derived from Alcohol, Gambling, Nuclear Power, Conventional and Controversial Weapons, and Civilian Firearms.
2. Existing constituents of the MSCI USA ESG Select Index must have MSCI ESG Controversies Score above 0, while companies that are currently not constituents must have an MSCI ESG Controversies Score above 2 to be added

MSCI KLD 400 Social Index



1. Screens Alcohol, Gambling, Tobacco, Military Weapons, Civilian Firearms, Nuclear Power, Genetically Modified Foods (GMOs), Adult Entertainment
2. Eligible to add >BB, Removes <BB, Excludes securities with an Impact Monitor Controversy assessment score of very severe (0) and all non-index securities with a score of severe (0-2)

Exposure & ESG Rating Differences for ESG Indices

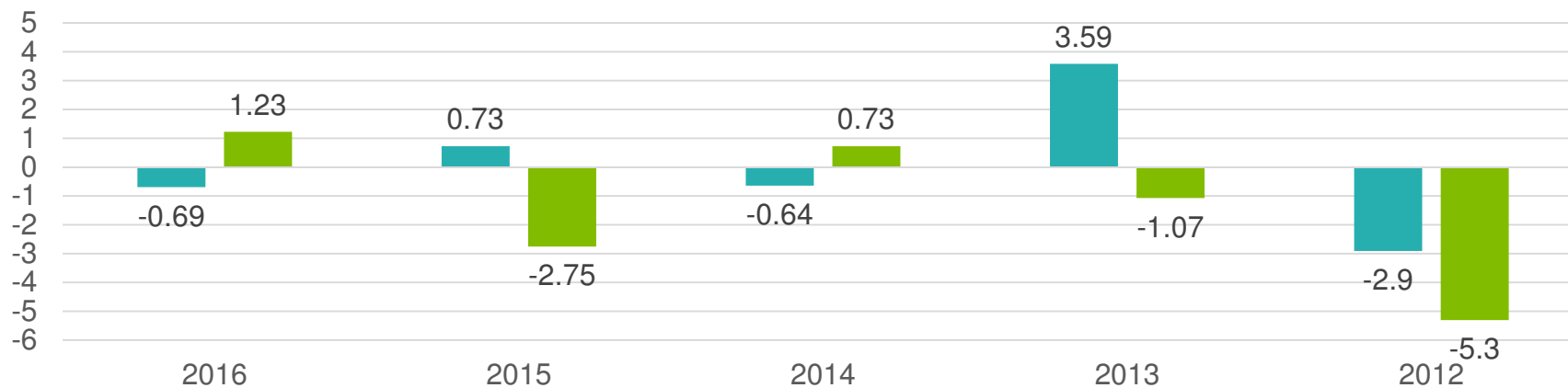


Source: MSCI, Morningstar, as of 3/31/17

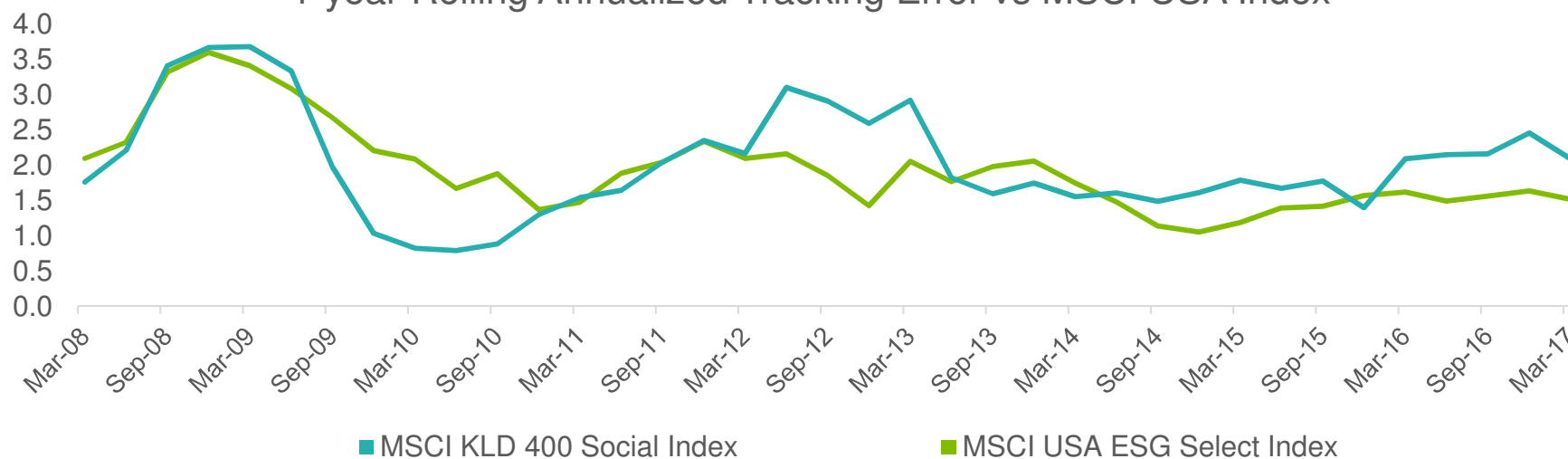
¹The overall MSCI ESG Quality Score (0-10, 10 being the best) aggregates issuer-level ESG scores to provide investors with an indication of the overall ESG quality of a fund's underlying holdings.

Review of performance for MSCI USA ESG Indices

Past 5 Calendar Year Returns vs MSCI USA Index



1-year Rolling Annualized Tracking Error vs MSCI USA Index



Source: Morningstar, BlackRock, 3/31/2017. 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.

MSCI Fixed Income ESG Focus Indexes

Bloomberg Barclays MSCI USD Corporate Bond ESG Focus Indexes

	Bloomberg Barclays MSCI US Corporate ESG Focus Index	Bloomberg Barclays MSCI US Corporate 1-5 Year ESG Focus Index
Value Proposition	Seek to maximize ESG scores while aiming for traditional financial performance	Seek to maximize ESG scores while aiming for traditional financial performance
Parent Index	Bloomberg Barclays US Corporate Index	Bloomberg Barclays US Corporate 1-5 Years Index
Index Weighting Methodology	<ul style="list-style-type: none"> • Uses optimization to maximize exposure to high ESG ratings, while keeping risk/return similar to parent index 	
Index SRI Screens	<ul style="list-style-type: none"> • Tobacco • Controversial Weapons 	
Index ESG Ratings	<ul style="list-style-type: none"> • Excludes securities with an ESG controversy score of very severe (0) 	
Tracking Error Optimized?	Yes – Max 10 bps PTE	
Index Constraints	<ul style="list-style-type: none"> • +/- 2% <u>relative</u> Sector Weight to Parent Index • +/- 1% <u>relative</u> Issue Weight to Parent Index • Maximum 1.5% Issuer Weight of Parent Index • +/- 0.1 <u>relative</u> Modified Duration to Parent Index • Yield to Worst greater than or equal to Parent Index • Monthly Turnover: Maximum 5%; if parent index turnover is greater than 5%, then turnover can be +2% above Parent Index 	

Source: Bloomberg Barclays

Predicted tracking error (PTE) is an estimate of return volatility.

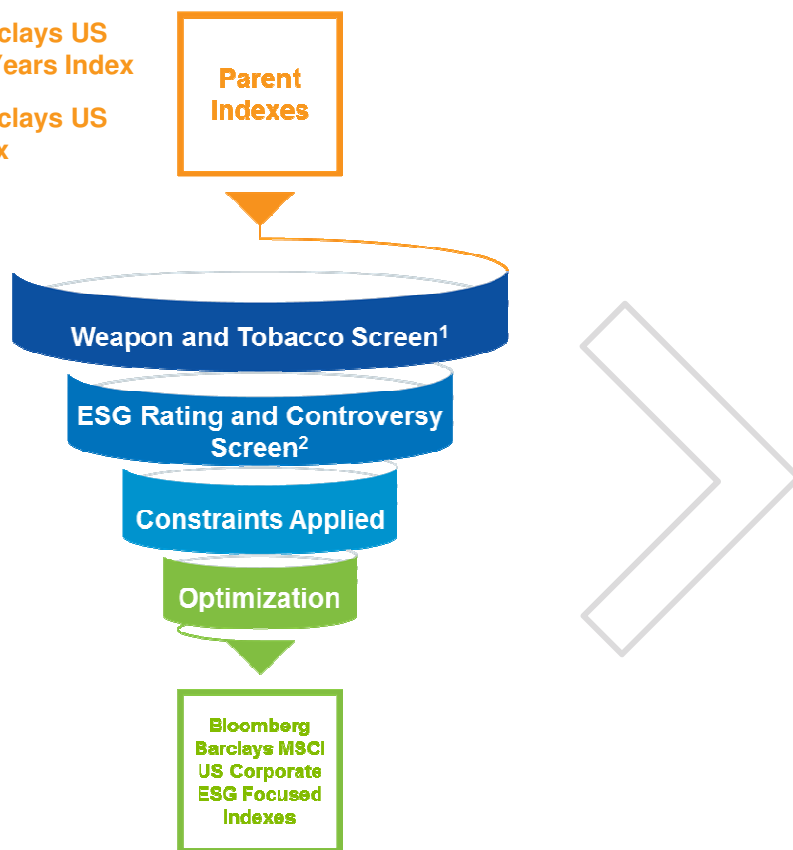
The Fixed Income ESG Optimized Approach

The **Bloomberg Barclays MSCI US Corporate ESG Focus Indexes** are designed to:

- Reflect performance of U.S. IG Bonds issues by companies that have positive ESG characteristics
- Exhibit risk/return profile similar to that of parent index

Bloomberg Barclays US
Corporate 1-5 Years Index

Bloomberg Barclays US
Corporate Index



Summary of Constraints	
Tracking Error	Maximum 10 bps annualized of Parent Index
Modified Duration	+/-0.1 year of Parent Index
Yield to Worst	Greater than or equal to Parent Index
Sector Weight	+/- 200 bps of Parent Index
Issuer Weight	Maximum +150 bps of Parent Index
Issue Weight	+/- bps of Parent Index
Monthly Turnover	Maximum 5%; if Parent Index turnover is greater than 5% then turnover can be +2% above Parent Index

Source: Bloomberg Barclays (March 17, 2017)

¹Controversial Weapons defined by MSCI as cluster bombs, chemical weapons and biological weapons, landmines, and depleted uranium weapons

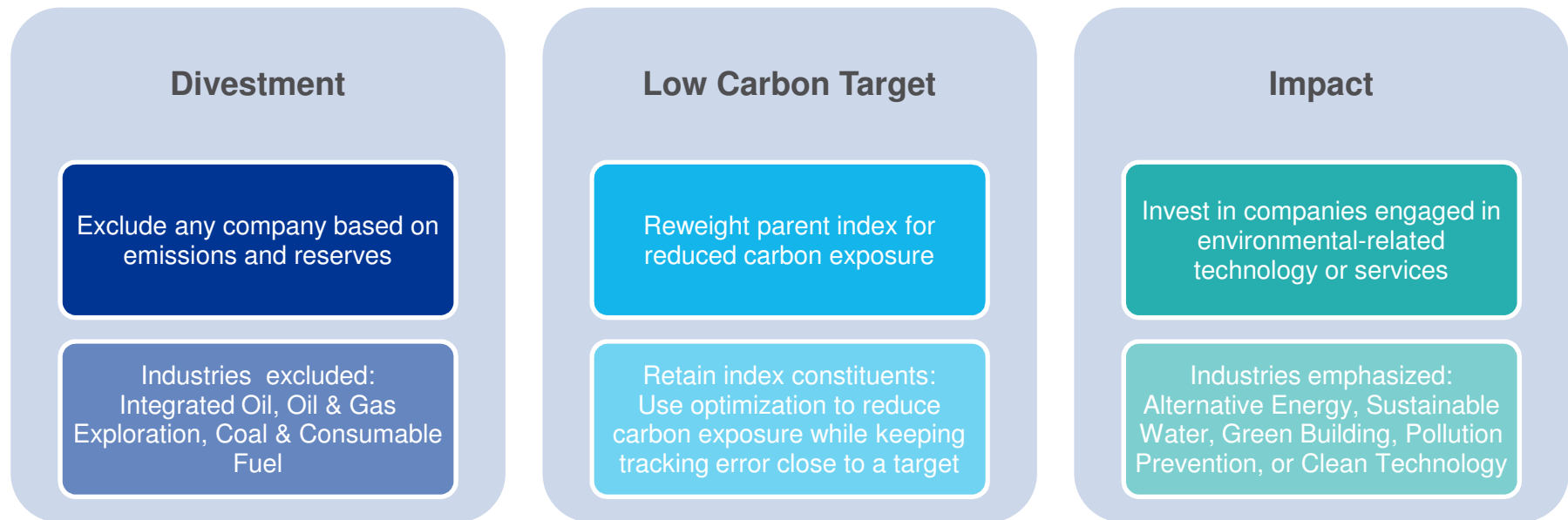
² Only issuers with MSCI ESG Ratings are eligible. Excludes all issuers involved in one or more very severe ESG Controversies (MSCI ESG Controversy Score < 1). ESG ratings provided by MSCI on over 6,000 securities based on 37 industry-specific issues weighted based on the industry's impact and the time horizon of the risk /opportunity.

Low Carbon Approaches

Approaches to reducing carbon exposure

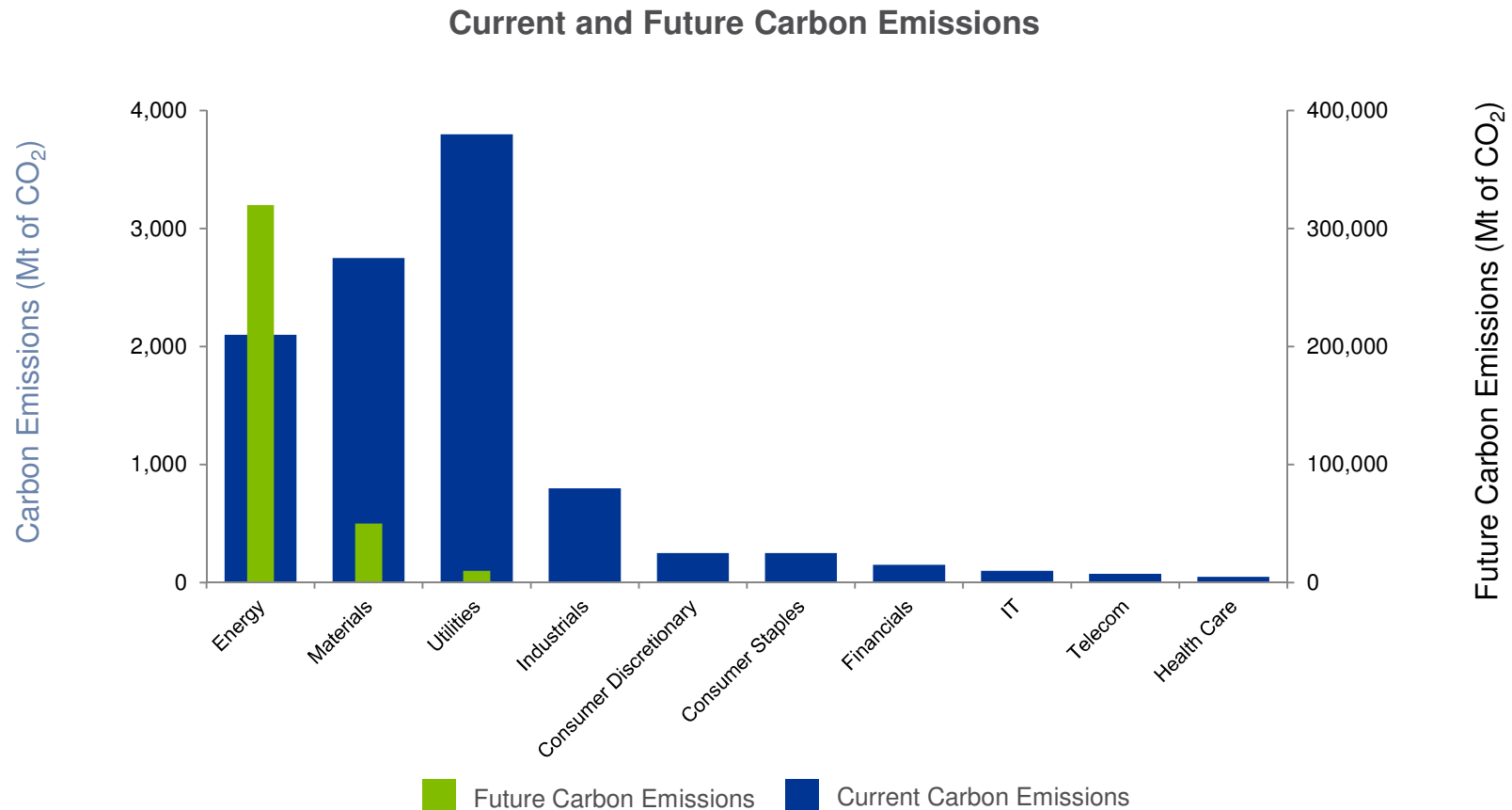
Key considerations:

- Reduce exposure to the most significant carbon producing companies in portfolio
- Maintain strategic asset allocation to meet long-term portfolio investment objectives
- Minimize the risk of owning companies that may hold unburnable carbon reserves
- Support investments required to transition to a low-carbon economy through new energy technologies or a reduced dependence on fossil fuels



Carbon emissions are concentrated in a few sectors

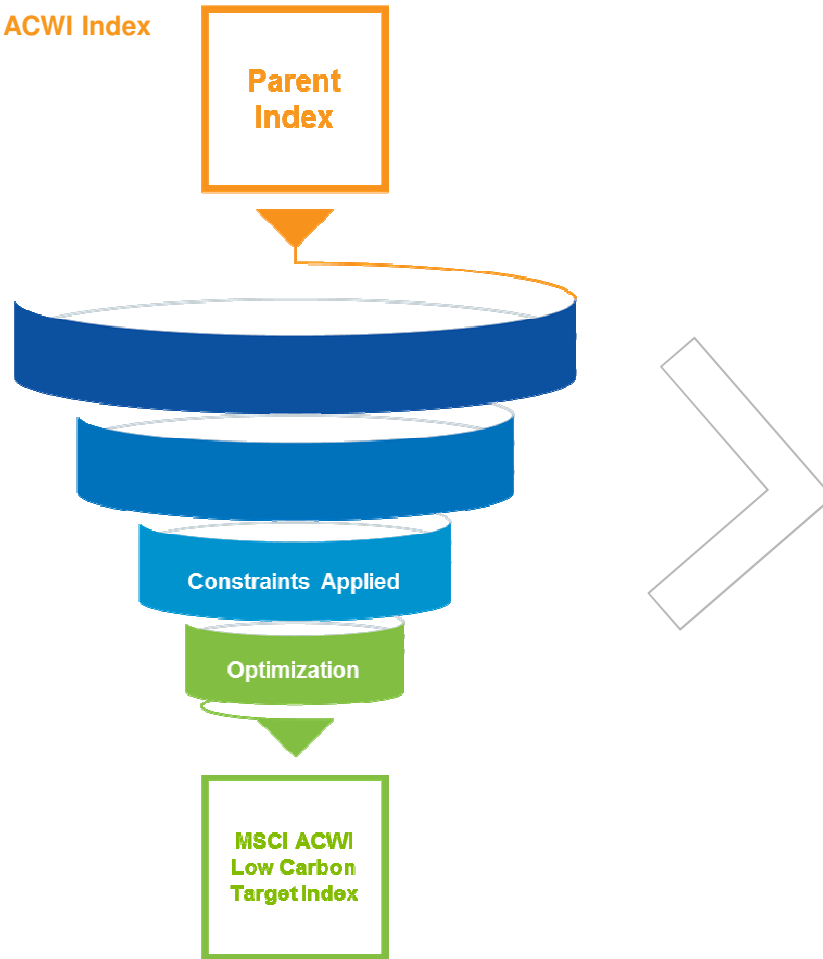
- Current carbon emissions are largely attributable to the utilities, materials, energy, and industrials sectors
- Future carbon emissions are highly concentrated in the energy and materials sectors



Source: MSCI ESG Research, as of November 2014. A megaton (equivalent to 1 million tons) of carbon dioxide equivalent (Mt CO₂ eq) is a unit used by the UN climate change panel, IPCC, to measure the effect of a technology or process on global warming.

The MSCI ACWI Low Carbon Target Index is designed to reduce current and potential carbon emissions while maintaining global equity exposure

MSCI ACWI Index



Index Construction Process

- An optimization process aims to minimize the carbon exposure, subject to constraints
- The carbon exposure of a security measured in terms of its greenhouse gas (GHG) emissions and its potential carbon emissions from fossil fuel reserves.

Summary of Constraints

Tracking Error	30 bps
Sector Weight	+/- 2% <u>absolute</u> Sector difference vs. Parent Index Energy sector has no weight constraints
Country Weight	+/- 2% <u>absolute</u> Country difference vs. Parent Index
Issue Weight	Single security maximum weight restricted to 20 times the Parent Index weight

Source: MSCI.

After the optimization process, securities with weights less than 1/10th the minimum weight of the parent index are eliminated and their weight is proportionally distributed to the remaining index constituents.

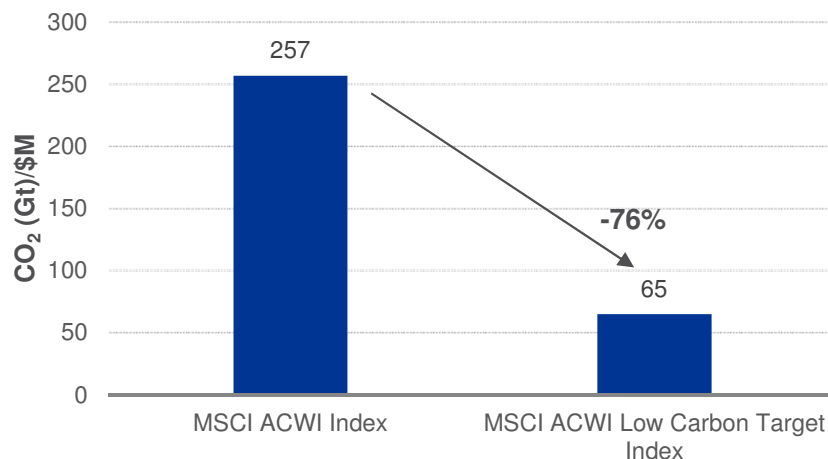
MSCI ACWI Low Carbon Target Index – carbon exposure

By overweighting companies with low carbon emissions relative to sales and low potential carbon emissions per dollar of market capitalization, the optimization results in:

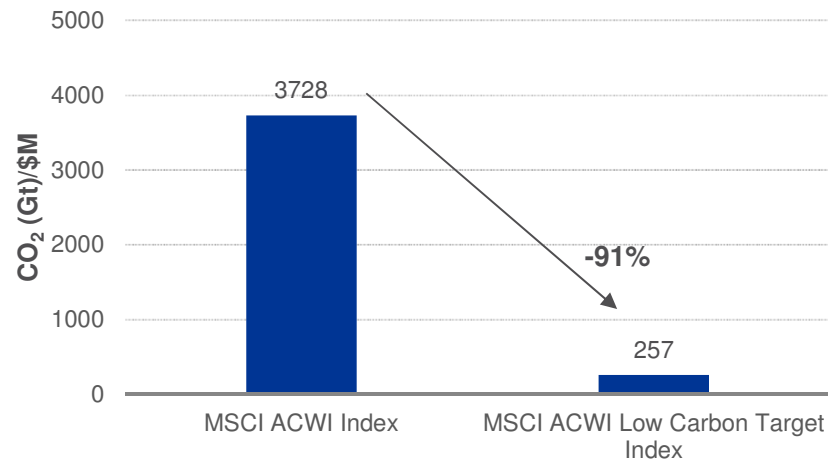
- 76% reduction in carbon emission intensity
- 93% reduction in reserve intensity

Key Metrics	MSCI ACWI	MSCI ACWI Low Carbon Target
Carbon Emission Intensity (t CO ₂ /mm USD)	237	56
Reduction from benchmark		76%
Carbon Reserves Normalized by Market Cap (t CO ₂ /mm USD)	3727	257
Reduction from benchmark		93%

Carbon Emissions Intensity



Future Carbon Emissions from Reserves



Source: MSCI ESG Research, as of November 2016 Index Review.

MSCI ACWI Sustainable Impact Index

Sustainable Impact Approach

MSCI's Sustainable Impact Framework aims to consolidate the UN Sustainable Development Goals (SDGs) into actionable impact themes to identify companies with high positive impact.



Source: MSCI ESG Research, 2016.

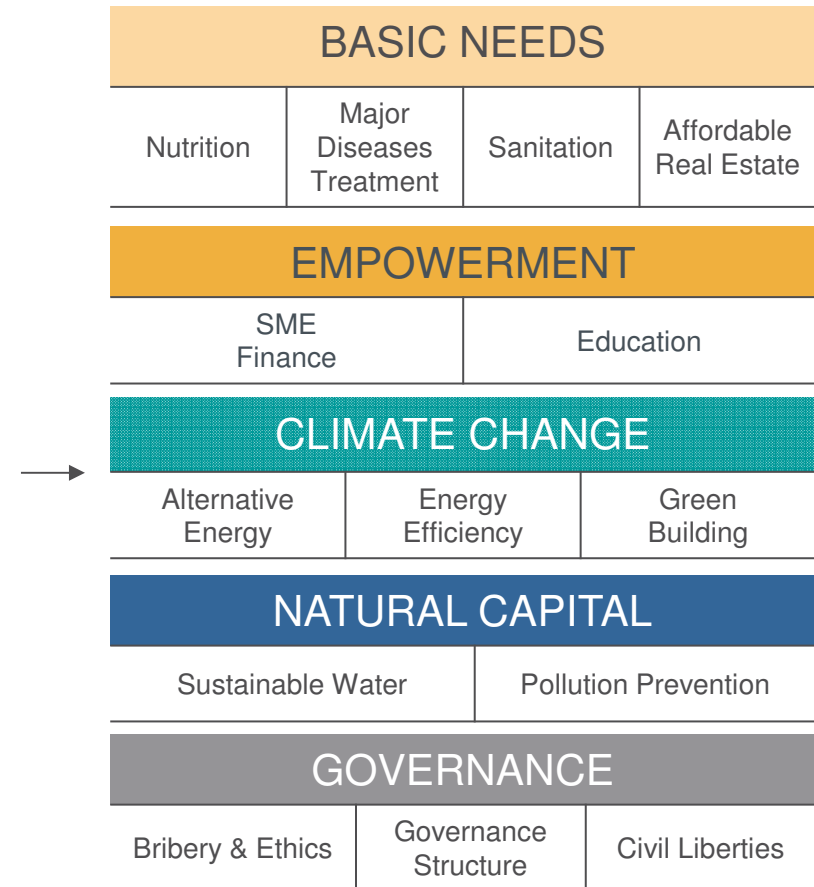
Source: MSCI.

MSCI's Sustainable Impact Taxonomy

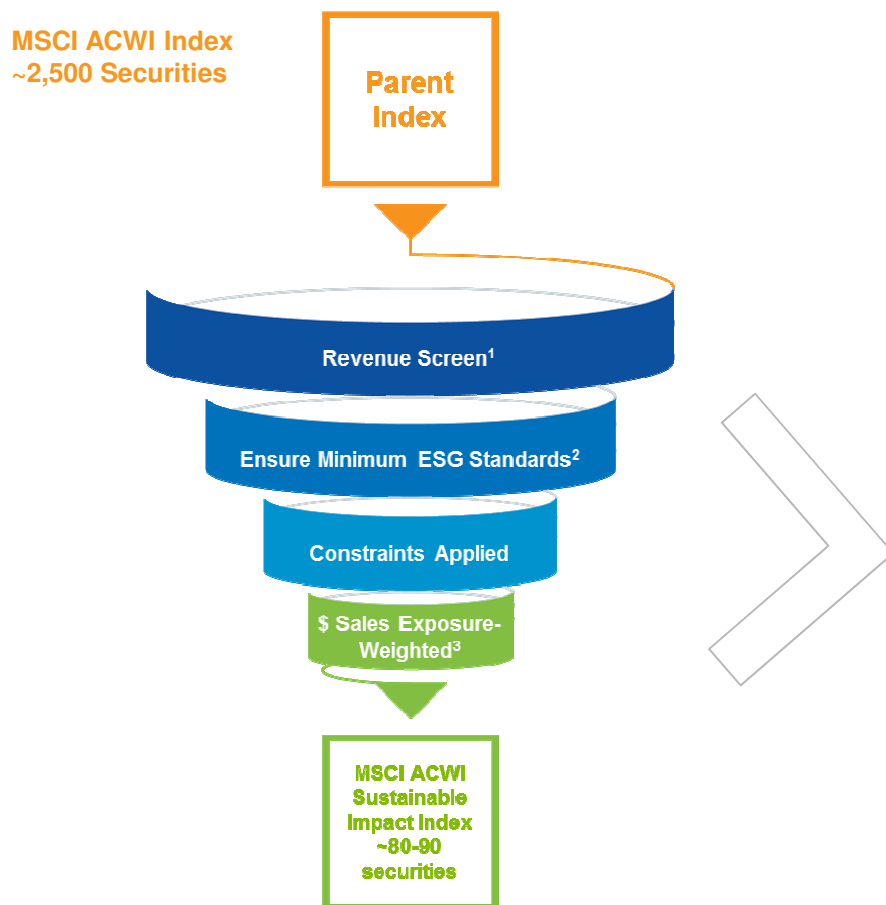
MSCI's sustainable impact taxonomy turns the UN's 17 Sustainable Development Goals (SDGs) into 5 actionable impact themes applicable to investors.



Source: MSCI ESG Research



The MSCI ACWI Sustainable Impact Index is designed to select high positive impact companies that address at least one of the world's major challenges

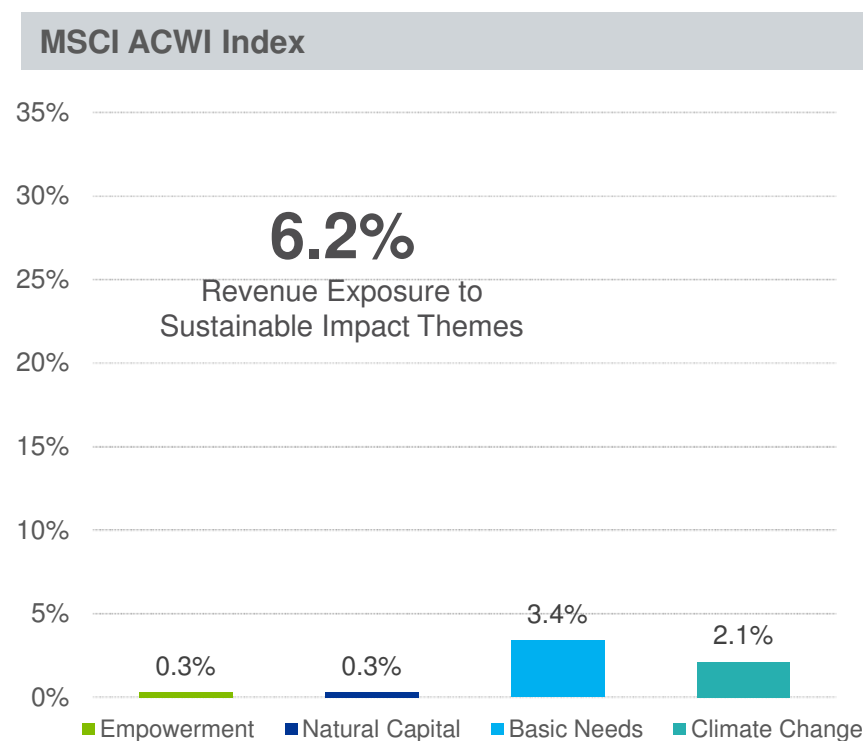
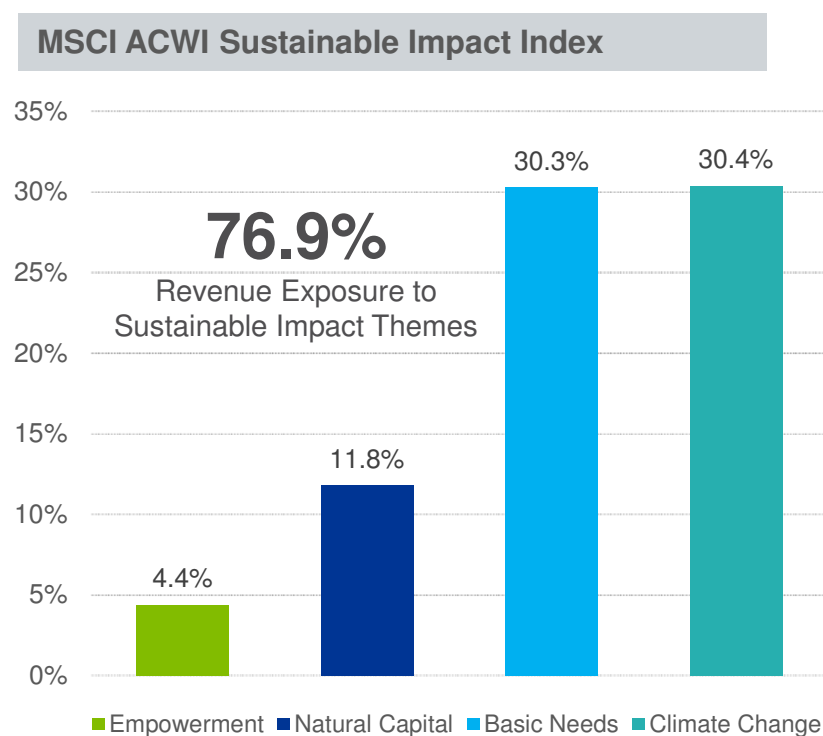


Index Construction Process	
<ul style="list-style-type: none"> Initial screen (over 50% of their revenues from products and services must address at least one of the world's major challenges and minimum ESG standards applied) Securities weighted by Dollar Sales Exposure to social and environmental themes 	
Summary of Constraints	
Tracking Error	N/A
Sector Weight	Sector weights are capped at 20%
Min number of constituents	30
Issuer Weight	Issuer weights are capped at 4%

1. Generate at least 50% revenues in sustainable impact themes;
2. No severe ESG controversy, no involvement in controversial products that may offset the benefits of the products and services addressing the world's largest environmental and social challenges; ESG Rating greater or equal to BB. ESG ratings provided by MSCI on over 6,000 securities based on 37 industry-specific issues weighted based on the industry's impact and the time horizon of the risk/opportunity
3. Securities are weighted on basis of Dollar sales exposure to social and environmental themes in proportion of the ratio of free-float market Cap of security to total Market Cap of issuer. Sustainable impact dollar sales are computed using product of the trailing 12-month sales and the cumulative percentage of sales from the sustainable impact categories. Securities with weights less than 1/10th the minimum weight of the parent index are eliminated and their weight is proportionally distributed to the remaining index constituents.

MSCI ACWI Sustainable Impact Index's revenue exposure vs MSCI ACWI

The current constituents of the MSCI ACWI Sustainable Impact Index had 71% higher revenue exposure to sustainable impact solutions than the parent MSCI ACWI Index using 2014 revenue data.



Source: MSCI ESG Research using ESG and Impact data as of November 2015. Index constituents and weights as of 31 March 2016. Percentage revenue exposure calculated by taking the weighted average exposure as of 3/31/2016 to underlying constituents' FY 2014 percent revenue exposure to each sustainable impact theme. For illustrative purposes only. Constituent data predates the inception of the MSCI ACWI Sustainable Impact Index and is not indicative of its performance. Past performance is not indicative of future results, which may differ materially.

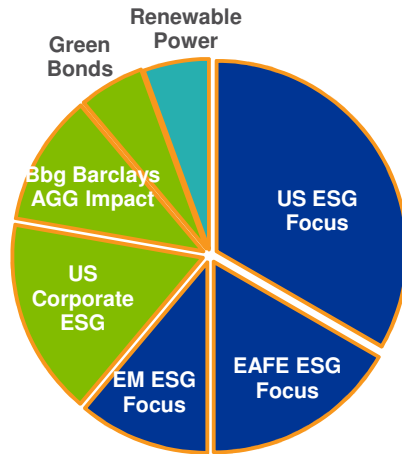
Additional Resources

Incorporating sustainable investment strategies

Institutional clients incorporate sustainable strategies into their overall investment program in various ways:

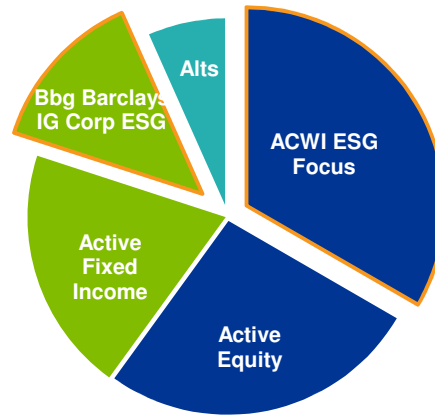
Broad allocation

Take total portfolio view on sustainability



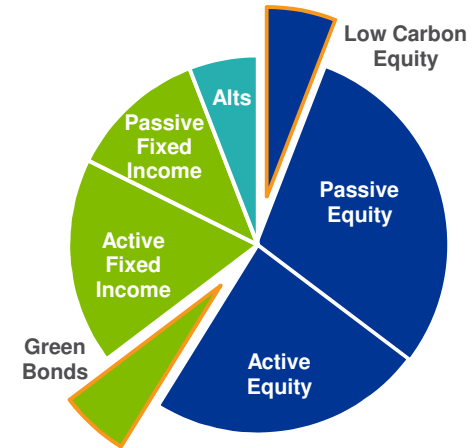
Index replacement

Substitute traditional passive solutions with sustainable investments



Carve out

Allocate a portion of an asset class to sustainable investments



Key considerations in building a sustainable investment portfolio:

- 1) **Know what you own** by using risk and sustainability metrics (e.g., ESG ratings, carbon emissions, sustainable sectors)
- 2) **Set objectives** e.g., reduce carbon exposure, integrate ESG, target impact
- 3) **Take action & evaluate** by implementing sustainable investments and re-assessing risk and sustainability performance

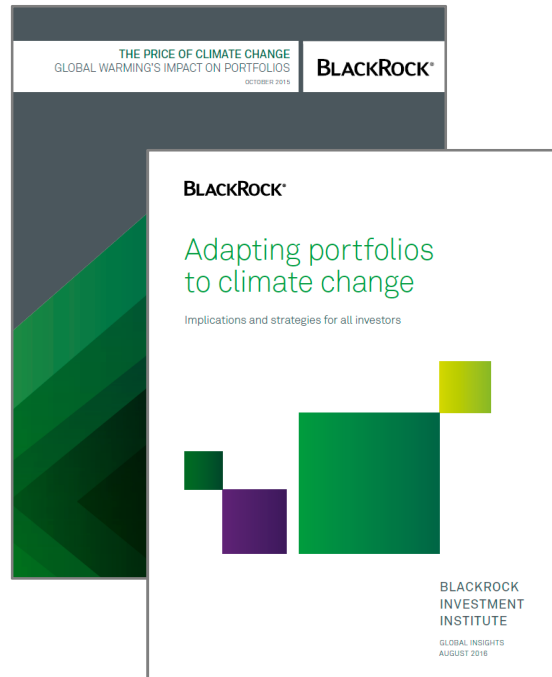
Asset allocations are shown for illustrative purposes only

BlackRock thought leadership in sustainable investing



“How a company manages the environmental (E) and social (S) aspects of its business – those that are relevant to performance and value creation – is a signal of how well the company is run and its long-term financial sustainability. Corporate governance... is another signal of the quality of leadership and management.”

~ BlackRock, June 2016

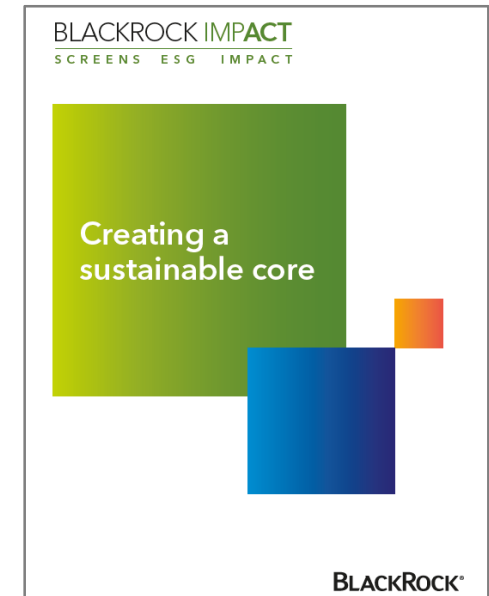


“Climate change is gaining traction as a global policy initiative, a key risk factor and an emerging investment theme.”

~ BlackRock Investment Institute October 2015

“We believe all investors should incorporate climate change awareness into their investment processes.”

~ BlackRock Investment Institute, August 2016



“To help index investors balance their ESG and risk objectives with more precision, ESG optimisation can meaningfully improve a portfolio's ESG rating while closely tracking a traditional benchmark, such as the MSCI World Index.”

~ BlackRock, January 2017

Appendix

MSCI ACWI Sustainable Impact Index Snapshot

Portfolio Overview

	MSCI ACWI Sustainable Impact Index
Total Number of Stocks	90
Top 10 Securities Weight	40.7%

Country Allocation

Country	Weight
United States	36.6%
Japan	15.3%
France	10.9%
United Kingdom	10.2%
Denmark	5.6%
Switzerland	4.6%
Belgium	4.0%
China	4.0%
Hong Kong	2.0%
Australia	1.4%
Other	5.5%

Sector Allocation

Sector	Weight
Health Care	20.5%
Industrials	19.8%
Consumer Staples	19.6%
Consumer Discretionary	15.1%
Information Technology	8.0%
Materials	7.7%
Utilities	4.9%
Real Estate	4.4%
Financials	-
Energy	-
Telecommunications	-

Source: MSCI, Bloomberg, BlackRock Data as of 6/30/2017. Allocations subject to change.

MSCI EAFE ESG Focus Index – Portfolio Snapshot

Fundamentals

	MSCI EAFE ESG Focus Index	MSCI EAFE Index
Number of holdings	441	927
Dividend Yield ¹	3.09	3.07
Price to Earnings ²	18.33	19.11
Forward P/E ³	14.57	14.64
Price to BV ⁴	1.70	1.67

Country Allocation

Country	Weight	Active Weight
Japan	23.39%	-0.06%
United Kingdom	15.77%	0.85%
France	10.56%	0.26%
Switzerland	9.59%	0.53%
Germany	9.43%	-0.05%
Australia	7.51%	0.12%
Spain	3.59%	0.17%
Netherlands	3.48%	-1.64%
Sweden	2.97%	0.08%
China	2.23%	0.77%

Sector Allocation

Sector	Weight	Active Weight
Financials	21.61%	0.11%
Industrials	15.27%	0.74%
Consumer Discretionary	11.63%	-0.43%
Health Care	10.53%	-0.30%
Consumer Staples	10.32%	-1.20%
Materials	8.47%	0.96%
Information Technology	5.82%	-0.23%
Telecommunication Services	4.65%	0.40%
Energy	4.11%	-0.62%
Real Estate	3.93%	0.30%
Utilities	3.66%	0.26%

Source: MSCI, BlackRock, as of 6/30/17. Subject to change. Active weight is relative to the MSCI EAFE Index.

¹A financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

²The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings

³Forward price to earnings (forward P/E) is a measure of P/E ratio using forecasted earnings for the P/E calculation.

⁴The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value.

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MSCI EM ESG Focus Index – Portfolio Snapshot

Fundamentals

	MSCI Emerging Markets ESG Focus Index	MSCI EM Index
Number of holdings	288	845
Dividend Yield ¹	2.57	2.43
Price to Earnings ²	14.35	14.89
Forward P/E ³	11.95	12.17
Price to BV ⁴	1.73	1.66

Country Allocation

Country	Weight	Active Weight
China	26.61%	-1.18%
Korea (South), Republic of	15.26%	-0.35%
Taiwan (Republic of China)	12.18%	-0.30%
India	8.59%	-0.22%
South Africa	7.24%	1.07%
Brazil	6.78%	0.15%
Mexico	3.49%	-0.20%
Russian Federation	3.28%	0.12%
Malaysia	3.11%	0.73%
Thailand	3.09%	0.91%

Sector Allocation

Sector	Weight	Active Weight
Information Technology	27.42%	0.80%
Financials	26.33%	2.82%
Consumer Discretionary	10.63%	0.06%
Energy	6.69%	0.15%
Materials	6.25%	-0.84%
Consumer Staples	5.84%	-0.96%
Telecommunication Services	5.65%	0.25%
Industrials	4.94%	-0.79%
Utilities	2.99%	0.38%
Health Care	2.00%	-0.39%
Real Estate	1.19%	-1.47%

Source: MSCI, BlackRock, as of 6/30/17. Subject to change. Active weight is relative to the MSCI EM Index.

¹A financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

²The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings

³Forward price to earnings (forward P/E) is a measure of P/E ratio using forecasted earnings for the P/E calculation.

⁴The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value.

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MSCI USA ESG Focus Index – Portfolio Snapshot

Fundamentals

	MSCI USA ESG Focus Index	MSCI USA Index
Number of holdings	304	635
Dividend Yield ¹	1.97	1.98
Price to Earnings ²	23.26	23.29
Forward P/E ³	18.03	18.09
Price to BV ⁴	3.17	3.13

Sector Allocation

Sector	Weight	Active Weight
Information Technology	23.13%	0.73%
Financials	14.59%	0.19%
Health Care	14.10%	-0.25%
Consumer Discretionary	11.50%	-1.40%
Industrials	11.21%	1.39%
Consumer Staples	8.41%	-0.42%
Energy	5.27%	-0.66%
Utilities	4.04%	0.93%
Real Estate	3.10%	0.01%
Materials	2.74%	-0.24%
Telecommunication Services	1.89%	-0.28%

Source: MSCI, BlackRock, as of 6/30/17. Subject to change. Active weight is relative to the MSCI EM Index.

¹A financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

²The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings

³Forward price to earnings (forward P/E) is a measure of P/E ratio using forecasted earnings for the P/E calculation.

⁴The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value.

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MSCI ACWI Low Carbon Target Index – overview

Fundamentals

	MSCI ACWI Low Carbon Index	MSCI ACWI Index
Dividend Yield ¹	2.43	2.42
Price to Earnings ²	29.87	20.44
Forward P/E ³	16.02	15.89
Price to BV ⁴	2.26	2.22

Country Allocation

Country	Weight	Active Weight
United States	50.82%	-0.42%
Japan	7.73%	0.00%
United Kingdom	5.91%	0.63%
China	3.63%	0.01%
France	3.52%	0.12%
Canada	3.44%	0.32%
Switzerland	3.09%	-0.14%
Germany	3.01%	-0.11%
Australia	2.29%	-0.15%
South Korea	1.69%	-0.07%

Sector Allocation

Sector	Weight	Active Weight
Financials	19.48%	0.85%
Information Technology	16.85%	-0.03%
Industrials	12.36%	1.51%
Consumer Discretionary	12.06%	-0.06%
Health Care	11.49%	0.08%
Consumer Staples	9.57%	0.23%
Energy	5.17%	-0.93%
Materials	3.78%	-1.37%
Telecommunication Services	3.49%	0.26%
Real Estate	3.20%	0.05%
Utilities	2.52%	-0.60%

Source: MSCI, as of 6/30/17. Subject to change. Active weight is relative to the MSCI ACWI Index.

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.

¹A financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the dollar value of dividends paid in a given year per share of stock held by the dollar value of one share of stock.

²The price-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings

³Forward price to earnings (forward P/E) is a measure of P/E ratio using forecasted earnings for the P/E calculation.

⁴The price-to-book ratio (P/B Ratio) is a ratio used to compare a stock's market value to its book value.

Bloomberg Barclays MSCI US Corporate ESG Focus Index - Overview

Characteristics

	Bloomberg Barclays MSCI US Corporate ESG Focus Index	Bloomberg Barclays US Corporate Index
Number of Issues	1,726	5,402
Duration (Mod. Adj.) ¹	7.46	7.51
Quality	A3/BAA1	A3/BAA1
Yield to Worst ²	3.17	3.18
Maturity	10.88	10.93
Coupon	4.20	4.01

Top 10 Holdings

Holding	Weight	Active Weight
GE CAPITAL INTERNATIONAL FUNDING C	1.12%	0.87%
ANHEUSER-BUSCH INBEV WORLDWIDE INC	1.05%	0.99%
INTESA SANPAOLO SPA	1.03%	1.00%
BANCO BILBAO VIZCAYA ARGENTARIA SA	1.02%	1.00%
DIAGEO INVESTMENT CORPORATION	1.02%	1.00%
BEST BUY CO INC	1.02%	1.00%
DIAGEO CAPITAL PLC	1.01%	0.98%
COCA-COLA EUROPEAN PARTNERS PLC	1.01%	1.00%
COMPASS BANK	1.01%	0.99%
HEWLETT PACKARD ENTERPRISE CO	1.00%	0.94%

Top 10 Active Overweights

Holding	Weight	Active Weight
INTESA SANPAOLO SPA	1.03%	1.00%
BANCO BILBAO VIZCAYA ARGENTARIA SA	1.02%	1.00%
COCA-COLA EUROPEAN PARTNERS PLC	1.01%	1.00%
BEST BUY CO INC	1.02%	1.00%
DIAGEO INVESTMENT CORPORATION	1.02%	1.00%
COMPASS BANK	1.01%	0.99%
ANHEUSER-BUSCH INBEV WORLDWIDE INC	1.05%	0.99%
DIAGEO CAPITAL PLC	1.01%	0.98%
3M CO MTN	0.99%	0.98%
BUNGE LIMITED FINANCE CORPORATION	0.98%	0.96%

Top 10 Active Underweights

Holding	Weight	Active Weight
MERCK & CO INC	0.00%	-0.02%
ILLINOIS TOOL WORKS INC	0.00%	-0.02%
3M COMPANY MTN	0.00%	-0.02%
ILLINOIS TOOL WORKS INC	0.00%	-0.02%
INTERNATIONAL BUSINESS MACHINES CO	0.00%	-0.02%
APPLE INC	0.00%	-0.02%
ENBRIDGE INC	0.00%	-0.02%
CROWN CASTLE INTERNATIONAL CORP	0.00%	-0.02%
ANHEUSER-BUSCH INBEV WORLDWIDE INC	0.00%	-0.02%
CSX CORP	0.00%	-0.02%

Source: Bloomberg Barclays as of 6/30/2017 Subject to change. Active weight is relative to the Bloomberg Barclays US Corporate Index. Past performance does not guarantee future results.

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.

¹Duration is a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

²The yield to worst (YTW) is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

Bloomberg Barclays MSCI US Corporate ESG 1-5 year Index - Overview

Characteristics

	Bloomberg Barclays MSCI US Corporate ESG Focus Index	Bloomberg Barclays US Corporate Index
Number of Issues	271	2,015
Duration (Mod. Adj.) ¹	2.81	2.86
Quality	A2/A3	A2/A3
Yield to Worst ²	2.23	2.23
Maturity	3.00	3.07
Coupon	3.43	3.39

Top 10 Holdings

Holding	Weight	Active Weight
GE CAPITAL INTERNATIONAL FUNDING C	1.33%	1.00%
HEWLETT PACKARD ENTERPRISE CO	1.14%	0.97%
INTESA SANPAOLO SPA	1.08%	1.01%
BANCO BILBAO VIZCAYA ARGENTARIA SA	1.06%	1.01%
DIAGEO INVESTMENT CORPORATION	1.06%	1.00%
CANADIAN IMPERIAL BANK OF COMMERCE	1.06%	1.00%
NATIONAL BANK OF CANADA	1.05%	0.99%
BRITISH TELECOMMUNICATIONS PLC	1.05%	1.00%
COCA-COLA FEMSA SAB DE CV	1.05%	0.99%
DIAGEO CAPITAL PLC	1.04%	1.00%

Top 10 Active Overweights

Holding	Weight	Active Weight
INTESA SANPAOLO SPA	1.08%	1.01%
BANCO BILBAO VIZCAYA ARGENTARIA SA	1.06%	1.01%
COCA-COLA EUROPEAN PARTNERS PLC	1.04%	1.01%
BRITISH TELECOMMUNICATIONS PLC	1.05%	1.00%
GE CAPITAL INTERNATIONAL FUNDING C	1.33%	1.00%
ALTERA CORP	1.04%	1.00%
CANADIAN IMPERIAL BANK OF COMMERCE	1.06%	1.00%
DIAGEO INVESTMENT CORPORATION	1.06%	1.00%
DIAGEO CAPITAL PLC	1.04%	1.00%
COMPASS BANK	1.03%	0.99%

Top 10 Active Underweights

Holding	Weight	Active Weight
BANK OF NOVA SCOTIA	0.00%	-0.08%
ROYAL BANK OF SCOTLAND GROUP PLC	0.01%	-0.08%
MICROSOFT CORPORATION	0.01%	-0.07%
GENERAL ELECTRIC CAPITAL CORP MTN	0.01%	-0.06%
INGERSOLL RAND GLOBAL HOLDING CO L	0.00%	-0.04%
GENERAL ELECTRIC CO MTN	0.03%	-0.04%
TIME WARNER INC	0.05%	-0.03%
CA INC	0.02%	-0.02%
XEROX CORPORATION	0.04%	-0.02%
MOLSON COORS BREWING CO	0.03%	-0.02%

Source: Bloomberg Barclays as of 6/30/2017 Subject to change. Active weight is relative to the Bloomberg Barclays US Corporate Index. Past performance does not guarantee future results.

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¹Duration is a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

²The yield to worst (YTW) is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

MSCI Equity ESG Focus Indexes

MSCI Equity ESG Focus Indexes seek to maximize ESG while managing tracking error

	MSCI EAFE ESG Focus Index	MSCI EM ESG Focus Index	MSCI USA ESG Focus Index
Value Proposition	Seek to maximize ESG scores while aiming for traditional financial performance	Seek to maximize ESG scores while aiming for traditional financial performance	Seek to maximize ESG scores while aiming for traditional financial performance
Parent Index	MSCI EAFE Index	MSCI EM Index	MSCI USA Index
Index Weighting Methodology	Uses optimization to maximize exposure to high ESG ratings, while keeping risk/return similar to parent index	Uses optimization to maximize exposure to high ESG ratings, while keeping risk/return similar to parent index	Uses optimization to maximize exposure to high ESG ratings, while keeping risk/return similar to parent index
Index SRI Screens	<ul style="list-style-type: none"> Tobacco Controversial Weapons 	<ul style="list-style-type: none"> Tobacco Controversial Weapons 	<ul style="list-style-type: none"> Tobacco Controversial Weapons
Index ESG Ratings	<ul style="list-style-type: none"> Excludes securities with an ESG controversy score of very severe (0) 	<ul style="list-style-type: none"> Excludes securities with an ESG controversy score of very severe (0) 	<ul style="list-style-type: none"> Excludes securities with an ESG controversy score of very severe (0)
Tracking Error Optimized?	Yes – 50 bps PTE*	Yes – 100 bps PTE*	Yes – 50 bps PTE*
Index Constraints	<ul style="list-style-type: none"> +/- 5% <u>relative</u> Sector to Parent Index +/- 5% <u>relative</u> Country to Parent Index +/- 2% <u>relative</u> individual security to Parent Index Max 20x <u>relative</u> individual security to Parent Index 	<ul style="list-style-type: none"> +/- 5% <u>relative</u> Sector to Parent Index +/- 5% <u>relative</u> Country to Parent Index +/- 2% <u>relative</u> individual security to Parent Index Max 20x <u>relative</u> individual security to Parent Index 	<ul style="list-style-type: none"> +/- 5% <u>relative</u> Sector to Parent Index +/- 2% <u>relative</u> individual security to Parent Index Max 20x <u>relative</u> individual security to Parent Index

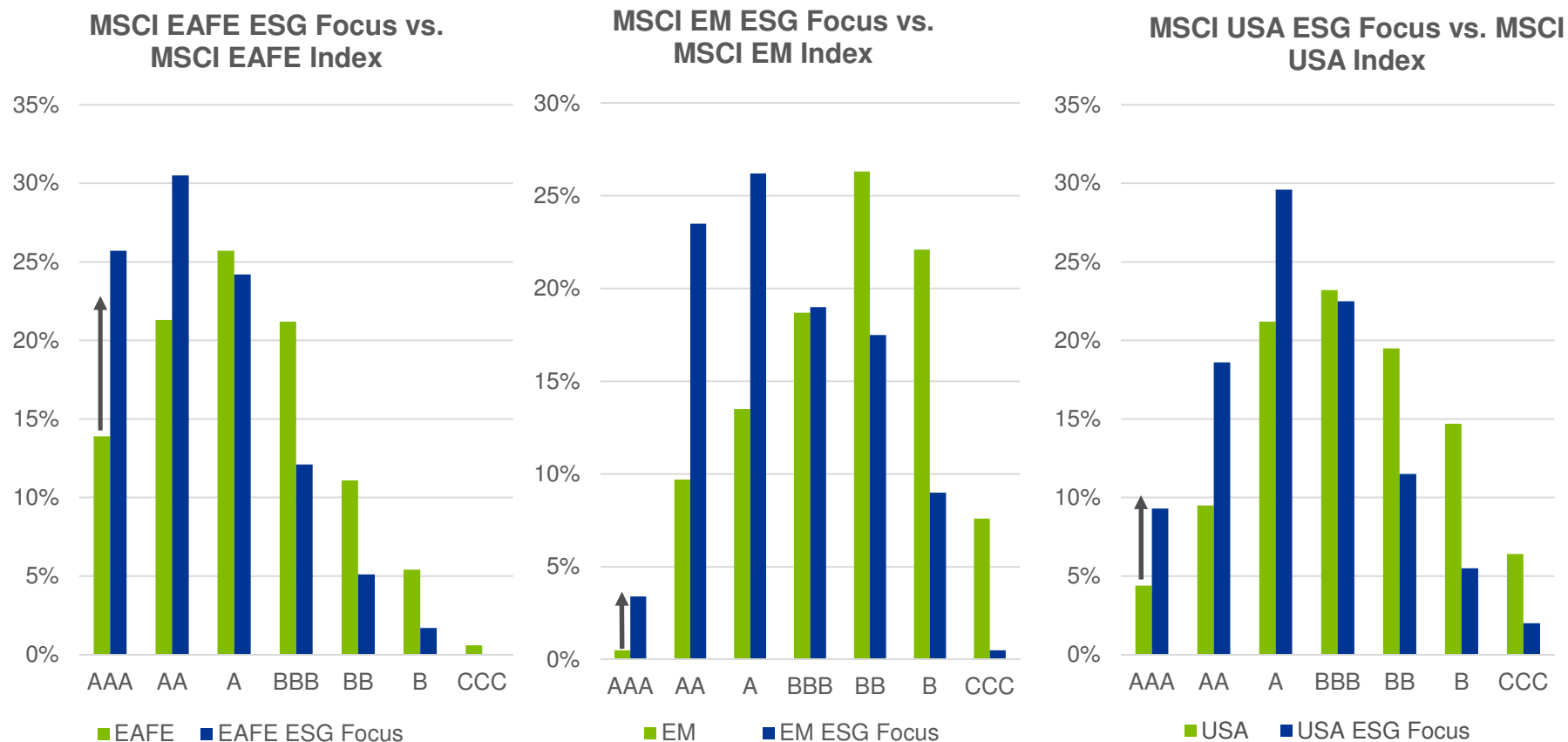
Source: MSCI

*Predicted tracking error (PTE) is an estimate of return volatility.

ESG Focus Indexes overweight higher ESG rated companies

MSCI ESG Focus Indexes are optimized to overweight higher ESG rated companies and underweight lower ESG rated companies.

Distribution of Individual Security MSCI ESG Ratings



Source: MSCI, 3/31/17.

ESG ratings are provided by MSCI. Ratings are on a scale of AAA (best) to CCC (worst) and are based on 37 ESG key issues as determined by MSCI. Assessments for each company's performance is relative to the standards and performance of its industry peers.

Important Information

Investing involves risk, including possible loss of principal.

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