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iSHARES 2021 INVESTMENT OUTLOOK AND ETF IMPLEMENTATION GUIDE

As the curtain comes down on 2020, and rises on 2021, I'm sure I'm not alone in hoping that next year will return some normalcy to society. From the enormous personal, social and economic toll of the pandemic, to civil strife and a bitterly contested election, 2020 has been unlike any year in generations.

For investors, 2020 was a rollercoaster, to put it mildly. From the historic selloff and volatility in March to the rebound later in the year — and a lot of swings back and forth in between — the year was one that challenged all of us. However, throughout all the ups and downs of 2020, one feature held steady: more and more investors turned to iShares ETFs to navigate the markets. They helped provide liquidity when it was largely frozen in the depths of the selloff, and they offered tools to rebuild strategic positions or access tactical opportunities throughout. They proved their worth to investors time and time again during the year.

Of course, the legacy 2020 will be with us for some time to come. That is the main theme of the **2021 Outlook** from the BlackRock Investment Institute (BII), representing BlackRock's best thinking on what the roadmap for 2021 looks like, and how to navigate it.

As BII notes, the COVID-19 pandemic has accelerated profound shifts in how economies and societies operate. These transformations run across four dimensions: sustainability, inequality, geopolitics and the joint fiscal-monetary policy revolution.

Three of BII's new investment themes — The new nominal, Globalization rewired andTurbocharged transformations — reflect these shifts. Taken together, they call for a fundamental and immediate rethink of portfolio allocations.

The pandemic has put a spotlight on underappreciated environmental, social and governance (ESG) factors such as employee safety, while support for climate change mitigation has swelled amid extreme weather events. Rising income, wealth and racial inequalities are fueling populism, with possible tax increases for the wealthy, higher minimum wages and threats to central bank independence. COVID has accelerated geopolitical trends such as a bipolar U.S. China world order and a rewiring of global supply chains.

The pandemic has also sparked a policy revolution by bringing unprecedented cooperation between fiscal and monetary authorities. The BII sees no appetite for fiscal austerity, unlike in the aftermath of the Global Financial Crisis. Rather, the politics of inequality will likely drive continued government spending and bigger debt loads. Expect pressure on central banks to maintain low interest rates, given the surge in debt to deal with the economic fallout of pandemic.

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1. The new nominal

What to know: We see stronger growth and lower real yields ahead as the vaccine led restart accelerates and central banks limit the rise of nominal yields even as inflation expectations climb. Inflation will have different implications to the past.

What to consider: From a long-term investment perspective, we underweight government bonds and see equities supported by falling real rates. In the short run, our low rate outlook keeps us pro-risk. The BII likes U.S. equities and prefers high yield for income.

Some Related iShares ETFs[1]

STIP	iShares 0-5 Year TIPS Bond ETF
USHY	iShares Broad USD High Yield Corporate Bond ETF
ITOT	iShares Core S&P Total U.S. Stock Market ETF

2. Globalization rewired

What to know: COVID-19 has accelerated geopolitical transformations such as a bipolar U.S.–China world order and a remaking of global supply chains, placing greater weight on resilience — even at the expense of efficiency.

What to consider: The BII favors deliberate country diversification and above-benchmark China exposures on a strategic, twelve-month time horizon. In a six to twelve-month time horizon, we like emerging market equities, especially Asia excluding Japan, and are underweight Europe and Japan.

Some Related iShares ETFs[1]

IEMG	iShares Core MSCI Emerging Markets ETF
ESGE	iShares ESG Aware MSCI EM ETF
CNYA	iShares MSCI China A ETF

3. Turbocharged transformations

What to know: The pandemic has added fuel to pre-existing structural trends such as an increased focus on sustainability, rising inequality within and across nations, and the dominance of e-commerce at the expense of traditional retail.

What to consider: In the long run, we prefer sustainable assets amid growing investor attention to sustainability-related issues. We take a barbell approach in the near term, favoring quality and big tech plus selected cyclical exposures. We see the tech and healthcare sectors offering exposure to structural growth trends, and U.S. small caps geared to an expected cyclical upswing in 2021.

Some Related iShares ETFs[1]

ESGU	iShares ESG Aware MSCI USA ETF
QUAL	iShares MSCI USA Quality Factor ETF
XT	iShares Exponential Technologies ETF
IJR	iShares Core S&P Small-Cap ETF

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1 Depending upon your investment objectives, these may be some funds to consider with your financial advisor. For additional funds on our platform, please go to www.iShares.com.

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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.

Small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger capitalization companies.

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 or in concentrations of single countries.

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.

Technology companies may be subject to severe competition and product obsolescence.

A fund's environmental, social and governance ("ESG") investment strategy limits the types and number of investment opportunities available to the fund and, as a result, the fund may underperform other funds that do not have an ESG focus. A fund's ESG investment strategy may result in the fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards. In addition, companies selected by the index provider may not exhibit positive or favorable ESG characteristics.

There can be no assurance that performance will be enhanced or risk will be reduced for funds that seek to provide exposure to certain quantitative investment characteristics ("factors"). Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. In such circumstances, a fund may seek to maintain exposure to the targeted investment factors and not adjust to target different factors, which could result in losses.

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