

## SECURITIES NOTE

dated October 22, 2022

**39 135 iX US Aggregated Bonds Exchange Traded Notes<sup>1</sup> due December 05, 2029**

issued under

## REGISTRATION DOCUMENT

dated October 04, 2022

## EXCHANGE TRADED NOTES PROGRAMME

*This document constitutes a Security Note for the purposes of AIFC Market Rules No.FR0003 in respect of Exchange Traded Notes, issued by iX US Aggregated Bonds SPC Limited.*

This Securities Note dated October 22, 2022 for iX US Aggregated Bonds Exchange Traded Notes due December 05, 2029 (the “**Securities Note**”) shall be read in conjunction with the Registration Document for Exchange Traded Notes Programme of AIX FM Limited dated October 04, 2022, including any amendments thereto (the “**Registration Document**”), and the Prospectus Summary for iX US Aggregated Bonds Exchange Traded Notes due December 05, 2029 (the “**Prospectus Summary**”) (all three documents together, the “**Prospectus**”). These three documents collectively form the Prospectus for the purposes of AIFC Market Rules No.FR0003.

All provisions of the Registration Document and Prospectus Summary are incorporated in this Securities Note by the reference. In the event of discrepancies between the conditions of the Registration Document and/or Prospectus Summary and this Securities Note conditions of this Securities Note shall prevail.

Terms not otherwise defined herein, shall have the meaning specified in the Registration Document.

This Securities Note together with the Registration Document and the Prospectus Summary upon its publication and effective from November 15, 2022 supersedes the Prospectus of iX US Aggregated Bonds SPC Limited Exchange Traded Notes due December 05, 2029 dated 24 September 2021. Starting from November 15, 2022, all relationships between the ETN Holders and the SPC shall be regulated by the Prospectus.

### General

- The iX US Aggregated Bonds Exchange Traded Notes (the “**ETNs**”) are senior unsecured debt obligations of iX US Aggregated Bonds SPC Limited (the “**SPC**”), a special purpose company incorporated in the AIFC whose sole assets are shares in the iShares US Aggregate Bond UCITS ETF (LSE ticker symbol: “**IUAA**”) (the “**Shares**”) (the “**Underlying ETF**”) and Cash (together, “**Underlying Assets**”). The base currency of the Underlying ETF is US Dollars (US\$).
- The Underlying ETF seeks to provide investors with a total return, taking into account both capital and income returns, which reflects the return of the Bloomberg Barclays US Aggregate Bond Index (the “**Index**”). In order to achieve this investment objective, the investment policy of the Underlying ETF is to invest in a portfolio of fixed income securities that so far as possible and practicable consists of the component securities of the Index, being the Underlying ETF’s benchmark index. The Underlying ETF and the Index are described in more detail on pages 28 to 30 of this Securities Note.
- The ETNs seek to provide investors a return linked to the performance of the Underlying ETF, reduced by the Expenses. If the price of Shares at the date of your sale of ETNs is greater than the price of Shares at the date of your purchase of ETNs, you will receive less due to accrued Expenses. The amount of accrued Expenses will reduce the amount, if any, you will receive at maturity, upon Redemption or upon Early Termination (as the case may be), which could result in a loss to you on your investment, even if the price of Shares at the date of your sale is greater than the price of Shares at the date of your purchase. **Any payment on the ETNs is subject to the SPC’s ability to pay its obligations as they become due.**

---

<sup>1</sup> This amount represents the current number of ETNs outstanding. The Issuer may issue additional ETNs as further described in the Prospectus.

- The ETNs are issued by the SPC, a special purpose company incorporated in the AIFC and governed by the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017). The SPC is a wholly-owned subsidiary of AIX FM Limited (the “**Management Company**”). The Management Company is itself a wholly-owned subsidiary of the Astana International Exchange Limited (“**AIX**”).
- **An investment in the ETNs involves significant risks and is not appropriate for every investor. The ETNs should be purchased only by knowledgeable investors who understand the potential consequences of investing in the ETNs. Investors should consider their investment horizon as well as potential transaction costs when evaluating an investment in the ETNs and should regularly monitor their holdings of ETNs to ensure that they remain consistent with their investment strategies.**
- The ETNs are senior unsecured debt obligations of the SPC and mature on December 05, 2029.
- The ETNs do not guarantee any return on your investment. Prior to maturity of the ETNs, unless the ETNs are either redeemed or terminated in accordance with their terms, the ETN Holders will only be able to realise the value of their investment by selling the ETNs through a broker that is a trading member of AIX, the stock exchange within the AIFC. On maturity of the ETNs, the ETN Holders will receive Cash and/or Shares and the amount of such Cash and/or the number of Shares will be reduced by the Expenses.
- The ETNs will not pay any coupon.
- The base currency of the ETNs is US Dollars (US\$) and the nominal value of the ETNs shall be expressed in US Dollars (US\$). The nominal value of one ETN calculated as at the date of the initial Prospectus (being December 05, 2019) is equal to 5,54 US Dollars (US\$). This nominal value is not a principal amount and, accordingly, does not provide the ETN Holder with a right to claim this amount from the SPC. The value and price of the ETNs will be subject to change on a daily basis, as described in the Prospectus.
- The ETNs are listed and admitted to trading on AIX under the ticker symbol “**IXA**”. The SPC has no obligation to maintain any listing on any exchange or quotation system and no assurance can be given that the listing on AIX will be maintained.
- 35 535 ETNs have been issued by the SPC in the amount of the Initial Placement and are sold off-exchange to the Initial Purchaser where the consideration provided by the Initial Purchaser consists of 35 535 Shares and cash in the amount of 1 000,00 US Dollars (US\$). This amount represents the amount of the Initial Placement. Following the Initial Placement, ETNs are eligible for any public market sales. The SPC may issue additional ETNs or redeem existing ETNs, as further described in the Prospectus. As at the date of the Securities Note, the issued number of ETNs was 39 135 ETNs.
- Retail investors who qualify as an App Investor may subscribe for ETNs by filing an electronic request with SPC via the App. App Investors (other than Authorised Participant) have no right to require the SPC to redeem ETNs, but an App Investor may file an electronic request with SPC via the App for repurchase of its ETNs.
- **Investing in the ETNs involves a number of risks not associated with an investment in conventional debt securities. See the Section headed “Risk Factors” in the Registration Document, the Prospectus Summary and in this Securities Note for more information.**

**Astana International Exchange Ltd (AIX) and its related companies and their respective directors, officers and employees do not accept responsibility for the content of this Prospectus including the accuracy or completeness of any information or statements included in it. Liability for this Prospectus lies with the SPC. Nor has AIX, its directors, officers or employees assessed the suitability of the securities to which this Prospectus relates for any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the securities are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.**

## TABLE OF CONTENTS

<b>DEFINITIONS AND KEY TERMS</b> .....	4
<b>NET ASSET VALUE</b> .....	5
<b>TERM AND CONDITIONS OF THE OFFER</b> .....	7
<b>GENERAL TERMS OF THE ETNS</b> .....	9
<b>RISK FACTORS</b> .....	11
<b>USE OF PROCEEDS</b> .....	27
<b>UNDERLYING ETF</b> .....	28
<b>SPC</b> .....	31
<b>FINANCIAL INFORMATION OF THE SPC</b> .....	33
<b>RESPONSIBILITY STATEMENT</b> .....	37

## DEFINITIONS AND KEY TERMS

<b>Acting Law of the AIFC</b>	Has the same meaning as defined in clause 1 of Article 4 of the Constitutional Statute of the Republic of Kazakhstan “On the Astana International Financial Centre” No. 438-V ZRK, dated 7 December 2015.
<b>App</b>	Means a mobile application developed by AIX under brand name “Tabys” and leased out to SPC (acting through the Management Company) based on corresponding sub-license arrangements to facilitating communication and document transactions (subscription or buyback) in respect of ETNs between the SPC and the App Investor. The App can be downloaded to investor’s mobile device subject to the terms of service of the App.
<b>App Investor</b>	A citizen of Kazakhstan who has reached the age of 16 and accepted the terms and conditions of the App Investor Agreement and the terms of service of the App for the purpose of ETN subscription and buyback with SPC.
<b>Creation Amount</b>	1000 ETNs, subject to the right of the Management Company to modify the Creation Amount at any time at its sole and absolute discretion.
<b>Custodian</b>	Jusan Bank JSC, a legal entity incorporated under the laws of the Republic of Kazakhstan and acting as a custodian for the Shares and Cash owned by the SPC, pursuant to and in accordance with the terms and conditions of the Custody Agreement.
<b>ISIN</b>	KZX000000245.
<b>Maturity Date</b>	December 05, 2029.
<b>Permitted Assets</b>	The assets which the SPC is permitted to hold and own are: <ul style="list-style-type: none"> <li>• Shares; and</li> <li>• Cash.</li> </ul>
<b>Placement Fee</b>	Zero.
<b>Primary Exchange or LSE</b>	The London Stock Exchange plc.
<b>Redemption Fee</b>	0.125 percent of a sum equal to the product of the NAV (as at the Business Day preceding the date of the Redemption Notice) multiplied by the number of ETNs redeemed, subject to the right of the Management Company to modify the Redemption Fee at any time at its sole and absolute discretion.
<b>Redemption Amount</b>	1000 ETNs, subject to the right of the Management Company to modify the Redemption Amount at any time at its sole and absolute discretion.
<b>SPC</b>	iX US Aggregated Bonds SPC Limited (“ <b>SPC</b> ”, “ <b>we</b> ”, “ <b>our</b> ” or “ <b>us</b> ”), a special purpose company, registration number 191040900254, incorporated under the Acting Law of the AIFC on 29 October 2019 with registered address at Mangilik El 55, building 19, Astana, Kazakhstan, telephone +7(717) 223 53 66. The SPC is registered by Astana Financial Services Authority in the public register <a href="https://publicreg.myafsa.com/details/191040900254/">https://publicreg.myafsa.com/details/191040900254/</a> and governed by the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017).
<b>Underlying ETF</b>	iShares US Aggregate Bond UCITS ETF (LSE ticker symbol: “IUAA”).

## NET ASSET VALUE

As at the date of this Securities Note, the Net Asset Value (“NAV”) was equal to 189,132.03 USD and consist of the following:

Date October 20, 2022

Type of asset	Value, USD
Cash	145.87
Shares (39 038 shares in the iShares US Aggregate Bond UCITS ETF at closing price of 4.84 USD per 1 Share)	189,053.23
Gross asset value	189,199.10
Total accrued Expenses for account of ETN Holders	67.07
NAV	189,132.03
NAV per ETN (with 39 135 ETNs outstanding as at the date of this Securities Note)	4.83

Historical Net Asset Value (since inception, end of month values):

Month	NAV per ETN, USD	Month	NAV per ETN, USD
10 December 2019	5,53	April 2021	5,76
December 2019	5,55	May 2021	5,76
January 2020	5,64	June 2021	5,81
February 2020	5,73	July 2021	5,87
March 2020	5,72	August 2021	5,86
April 2020	5,81	September 2021	5,79
May 2020	5,83	October 2021	5,78
June 2020	5,87	November 2021	5,81
July 2020	5,95	December 2021	5,79
August 2020	5,89	January 2022	5,66
September 2020	5,88	February 2022	5,59
October 2020	5,86	March 2022	5,46
November 2020	5,92	April 2022	5,25
December 2020	5,92	May 2022	5,27
January 2021	5,87	June 2022	5,19

February 2021	5,76	July 2022	5,33
March 2021	5,73	August 2022	5,17
		September 2022	4,96

## TERM AND CONDITIONS OF THE OFFER

The following is the general terms and conditions of the offer of of ETNs under this Securities Note.

<b>Name of security</b>	iX US Aggregated Bonds Exchange Traded Notes
<b>Class of security</b>	Senior unsecured debt notes
<b>Form of security</b>	Book-entered non-bearer securities in uncertificated form
<b>Currency of security</b>	US Dollars
<b>Nominal value</b>	The nominal value of one ETN calculated as at the date of the initial Prospectus (being December 05, 2019) is equal to 5,54 US Dollars (US\$). This nominal value is not a principal amount and, accordingly, does not provide the ETN Holder with a right to claim this amount from the SPC.
<b>Price of security</b>	The value and price of the ETNs will be subject to change on a daily basis, as described in the Prospectus.
<b>Governing law</b>	Acting Law of the AIFC
<b>Issuer</b>	iX US Aggregated Bonds SPC Limited
<b>Registrar</b>	Astana International Exchange Registrar Ltd
<b>Issue date</b>	December 05, 2019
<b>Maturity date</b>	December 05, 2029
<b>Offer period</b>	Continuing offering
<b>New issuances</b>	The ETNs are issued on continuous basis in transactions with Authorised Participants. New ETNs are created by virtue of decision of the SPC on approval of the Prospectus.
<b>Coupon</b>	None
<b>Repayment</b>	Bullet at maturity, subject to the right of an Authorised Participant to require the SPC to redeem the ETNs, the right of the SPC to exercise Early Termination or (as the case may be) the right of the SPC to extend the term of the ETNs, each as described in the Prospectus.
<b>ISIN</b>	KZX000000245
<b>Transferability</b>	Freely transferable, no restrictions
<b>Listing and trading</b>	Astana International Exchange Limited
<b>Date of admission to trading</b>	December 13, 2019
<b>Ticker</b>	IXA
<b>Initial issued quantity</b>	35 535
<b>Current issued quantity</b>	39 135
<b>Custodian</b>	Jusan Bank JSC, Republic of Kazakhstan
<b>Auditor</b>	IAC Russell Bedford A+ Partners LLP, Republic of Kazakhstan
<b>Underlying ETF</b>	iShares US Aggregate Bond UCITS ETF (LSE ticker symbol: "IUAA").
<b>Ranking of ETNs</b>	The ETNs constitute direct, unconditional and unsecured obligations of the SPC and rank and will rank: (i) pari passu, without any preference among themselves; and (ii) as senior debt with preference over all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in each case, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
<b>Potential investors</b>	The ETNs are offered to the various categories of potential investors, that are eligible to invest in ETNs. Each potential investor shall consult with his/her financial and/or legal adviser on eligibility on ETNs in light of his/her particular circumstances.
<b>Material interest and</b>	<i>Disclosures on affiliated companies within AIX group.</i> AIX FM Limited is a wholly-owned subsidiary of AIX and acts as a Management company of the SPC and enters into all necessary agreements in the Prospectus on

	<p>behalf of the SPC. Whereas, AIX CSD, AIX Registrar and AIX MLS are wholly-owned subsidiaries of AIX and may from time to time act as an administrator, registrar, transfer-agent, representative or otherwise as may be required from time to time in relation to the Prospectus, or be otherwise involved in or with other funds and clients which have similar investment objectives to those of the SPC. It is, therefore, possible that any of them may, in the course of business, have potential conflicts of interest with the SPC. Each of these companies will, at all times, have regard in such event to its obligations to the SPC and will endeavor to ensure that such conflicts are resolved fairly and taking into account interests of the investors. Each of these companies has measures in place to minimize potential conflicts of interest.</p> <p>The services of companies provided to the SPC are not deemed to be exclusive and each of these companies shall be free to render similar services to others so long as its services hereunder are not impaired thereby and to retain for its own use and benefit all fees and other money payable thereby and companies shall not be under any duty to disclose to the SPC any fact or thing which comes to the notice of companies in the course of its rendering similar services to others or in the course of its business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out its duties under contracts with the SPC.</p> <p>Conflicts of interest may also arise due to the widespread business operations of companies and their connected persons (CEO, CFO, Directors). The foregoing parties may effect transactions where those conflicts arise and shall not, subject to the terms of contracts be liable to account for any profit, commission or other remuneration arising. However, all transactions carried out by or on behalf of the SPC will be on arm's length terms.</p> <p>In the event that any conflicts of interest arise, each company will, at all times, have regard in such event to its obligations under contracts and, in particular, to its obligations to act in the best interests of the SPC and the ETN Holder (s) so far as practicable. Companies will endeavor to ensure that such conflicts are resolved fairly and taking into account interests of the investors.</p>
<b>The manner of placement, allocation and method of payment for ETNs</b>	<p>The ETNs are issued and redeemed by the SPC on a continued basis upon the request of the Authorised Participants. Any issuances of the ETNs are to be sold by the SPC to the Authorised Participants off-exchange in exchange for the Shares and Cash in proportion to the NAV. Upon completion of the placement, ETNs are eligible for any public market sales.</p> <p>Retail investors who qualify as an App Investor may subscribe for any number of ETNs or may request SPC to repurchase all or part of its ETNs by filing an electronic request with SPC via the App. Prospective investors may purchase or sell ETNs on AIX through a brokerage firm that is a trading member of AIX. The Authorised Participants have a right to redeem ETNs purchased from the SPC, on AIX or off-exchange. The redemptions of the ETNs are to be made off-exchange. <b>ETN Holders (other than Authorised Participant) have no right to require the SPC to redeem ETNs.</b></p>
<b>The effect the issuance of the ETNs on the capital structure of the SPC</b>	Continuing issuance and redemptions of ETNs (being debentures of the SPC) will not affect the capital structure of the SPC.
<b>Particulars of any commissions or other fees to be paid by the SPC in relation to the offer</b>	The SPC is not planning to pay any fees or commissions in relation to the offer (except customarily fees of the Stock Exchange).
<b>All relevant details of the appointment of an underwriter and/or a placing agent</b>	Not applicable, the offer has no underwriter or a placing agent.
<b>Details of the entities which have a firm commitment to act as intermediaries in secondary trading</b>	As stated in this Prospectus, the Stock Exchange at its sole discretion may appoint a market maker to provide two-way bid and ask quotes for secondary trading. Such appointment and provision of trading quotes are not guaranteed and could be terminated at any point of time.



## GENERAL TERMS OF THE ETNS

The following are general terms of the ETNs and other considerations you should take into account when deciding whether to invest in the ETNs.

### What are the ETNs and how do they work?

The ETNs are unsecured senior debt obligations of iX US Aggregated Bonds SPC Limited, a special purpose company governed by the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017) and incorporated in the AIFC. The assets of the SPC are a combination of shares in the Underlying ETF (the “**Shares**”) and cash in US Dollars and Kazakhstan tenge in the hands of the SPC (the “**Cash**”).

Over the term of the ETNs, the NAV will generally fluctuate in line with the change in value of the Underlying ETF, reduced by the Expenses (as explained in more detail immediately below).

### Net Asset Value

The NAV equals:

the closing price of a Share as quoted on the Primary Exchange on the preceding Business Day  
multiplied by  
the number of Shares held by the SPC  
plus  
Cash  
plus  
any other assets  
less  
accrued but unpaid Expenses  
less  
any other liabilities (excluding ETNs issued).

The NAV per ETN calculated by dividing the NAV by number of outstanding ETNs.

In calculation of the market price for securities and value of any other assets or liabilities the SPC usually uses the most appropriate valuation procedure including the closing price for such securities on any major stock exchange as well as other methods.

Besides, the SPC has a right, acting reasonably and prudently, to adjust the calculation of the NAV by excluding or (as the case may be) including certain items in order to determine the correct value of the assets of the SPC.

The NAV is calculated on each Business Day and usually published on the website of the Stock Exchange at [www.aix.kz](http://www.aix.kz) at 11:00 a.m. Astana time on that Business Day.

The NAV is rounded down to the nearest cent.

### Expenses

The SPC shall pay the following expenses:

- operational fees;
- the management fee; and
- other expenses.

The above expenses of the SPC are deducted from, and reflected in the value of the SPC and, accordingly, the NAV. The effect of the SPC paying Expenses is therefore to reduce the NAV.

### *Total Expense Ratio*

The Total Expense Ratio is the ratio of the Expenses, including operational fees and the management fee and the fees charged by the manager of the Underlying ETF, accrued on a daily basis, to the NAV. It is expected (but not guaranteed) that the Total Expense Ratio will not exceed 0.5 percent per annum.

For avoidance of doubt, any extraordinary expenses will not be included in expenses for the purpose of calculation of the Total Expense Ratio.

### *Right of the Management Company to pay Expenses*

If at any time the Total Expense Ratio exceeds 0.5 percent per annum, the Management Company has a right, but is not obliged, to reimburse the SPC for such shortfall.

The Management Company may, but is not obliged to, pay any operational fees at its own expense, with or without reimbursement from the SPC.

The management fee and operational fees are described in more detail on this page of this Prospectus.

#### *Operational fees*

Operational fees include all costs, charges, fees and expenses incurred in the operation of the SPC, including transactional costs, banking costs, brokerage costs, borrowing costs, the costs and expenses of obtaining and maintaining authorisations or registrations with regulatory authorities, professional fees, expenses for auditing, interest payments and other fees.

#### *Management fee*

In accordance with the Management Agreement, the SPC shall pay a fee to the Management Company for the Management Company's services. Pursuant to and in accordance with the terms and conditions of the Management Agreement, the Management Company may modify the management fee, provided that the Total Expense Ratio may not exceed 0.5 percent per annum.

#### *Calculation and payment of the management fee*

The management fee will be accrued on a daily basis and paid monthly by the SPC.

In the event the SPC has insufficient cash to pay the management fee or other Expenses, the SPC may sell Shares in order to cover such Expenses.

#### *Other Expenses*

In addition to the Expenses indicated above, the SPC may, in exceptional circumstances, deduct costs that relate to the ETNs that arise outside the ordinary course of business such as taxes, litigation expenses and any other extraordinary expenses. These other expenses are for the account of the ETN Holders and, accordingly, will be reflected in the NAV.

#### **Substitution of the current Underlying ETF for a new Underlying ETF**

The SPC may change the Underlying ETF at its sole and absolute discretion. The circumstances under which the SPC may change the Underlying ETF include, but are not limited to:

- suspension of trading or delisting of the Shares on the official list of the Primary Exchange; and
- other conditions that may make it practically impossible to sell, purchase or obtain reasonable market prices for the Shares.

Should such conditions occur, the SPC, acting in good faith, must, decide whether to:

- substitute the current Underlying ETF with a new Underlying ETF, which new Underlying ETF shall, in all material respects, be substantially similar to the previous Underlying ETF; or
- exercise its right to Early Termination to redeem all of the outstanding ETNs.

In circumstances where the previous Underlying ETF is substituted for a new Underlying ETF, the SPC shall:

- inform the ETNs Holders by means of a notification on the website of the Stock Exchange at [www.aix.kz](http://www.aix.kz);
- request the suspension of trading of the ETNs on the Stock Exchange;
- suspend the issuance and Redemptions of the ETNs;
- sell, on a best efforts basis, Shares in the previous Underlying ETF;
- purchase, on a best efforts basis, shares in the new Underlying ETF;
- calculate and publish the new NAV; and
- seek a lifting of the trading suspension on the Stock Exchange in respect of the ETNs.

#### **Changes to this Securities Note**

The SPC may amend or change this Securities Note at any time in its sole and absolute discretion by the issuance of a supplementary Securities Note.

## RISK FACTORS

Your investment in the ETNs will involve risks. The ETNs are not secured debt and are riskier than ordinary unsecured debt securities. As described in more detail below, the trading price of the ETNs may vary considerably before the Maturity Date due to, among other things, fluctuations in the markets and other events that are difficult to predict and beyond control of the SPC. This Section of the Securities Note describes additional risks related to these ETNs. In addition to these additional risks specific to these ETNs, you need to review the general risks associated with the ETNs in the respective section of the Registration Document and the Prospectus Summary, which are incorporated by reference in this Securities Note.

Besides, there are also risks related to the Underlying ETF as described below.

**The SPC urges you to read the following information about these risks, together with the other information in the Prospectus, before investing in the ETNs.**

### RISK FACTORS RELATED TO THE ETNs

#### **Concentration risk.**

Almost all of the assets of the SPC are invested in the Shares, which creates a significant concentration on the Underlying ETF. Any negative movements in the price of Shares will directly adversely affect the NAV and the market price of ETNs.

#### **The Underlying ETF may be replaced upon the occurrence of certain adverse events**

If certain adverse events were to occur (including but not limited to suspension of trading or delisting of the Shares from the official list of the Primary Exchange) which make it practically impossible to sell or purchase, or (as the case may be) to obtain reasonable market prices for the Shares, then the SPC must, acting in the good faith, decide whether to substitute the current Underlying ETF with a new Underlying ETF, which new Underlying ETF shall, in all material respects, be substantially similar to the previous Underlying ETF, or exercise Early Termination to redeem all of the outstanding ETNs.

#### **The SPC is a recently established entity with limited track record of operation**

The SPC has been established on 29 October 2019 and has limited track record of operation. The SPC is a special purpose vehicle with a passive investment strategy and the asset classes in which it can invest are limited. Investments by the ETN Holders will be used by the SPC to purchase Permitted Assets only. Accordingly, the prospects of the SPC are fully dependent on the market demand for its ETNs and the performance of the Underlying ETF.

### RISK FACTORS RELATED TO THE UNDERLYING ETF

**Below are the principal risks related to the Underlying ETF taken from the prospectus of the Underlying ETF as of the date of this Securities Note. Potential investors are urged to read the full and current description of risks associated with the Underlying ETF in the most recent prospectus of the Underlying ETF available at <http://www.ishares.com> prior to the purchase of any ETNs. The prospectus of the Underlying ETF might be changed/updated by the Underlying ETF from time to time as well as risk factors involved.**

The Underlying ETF is subject to certain risks, including the principal risks noted below, any of which may adversely affect the Underlying ETF's net asset value per share, trading price, yield, total return and ability to meet its investment objective. The order of the below risk factors does not indicate the significance of any particular risk factor. The terms used in this Section are defined in the prospectus of the Underlying ETF.

#### **General investment risks**

##### **Investment Risks**

Past performance is not a guide to the future. The prices of Shares and the income from them may fall as well as rise and an investor may not recover the full amount invested. There can be no assurance that any Fund will achieve its investment objective or that an investor will recover the full amount invested in a Fund. The capital return and income of each Fund are based on the capital appreciation and income of the securities it holds, less expenses incurred and any relevant Duties and Charges. Therefore, each Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income.

##### **Market Risk**

Market risk is the risk that one or more markets in which a Fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. The value of a security or other asset may decline due to changes in general market conditions, economic trends or events that are not specifically related to the issuer of the security or other asset, or factors that affect a particular issuer or issuers, exchange, country, group of countries, region, market, industry, group of industries, sector or asset class. Local, regional or global events such as war, acts of terrorism, the

spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on a Fund and its investments.

### **Sustainability Risks – General**

Sustainability risk is an inclusive term to designate investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to environmental, social or governance issues. Sustainability risk around environmental issues includes, but is not limited to, climate risk, both physical and transition risk. Physical risk arises from the physical effects of climate change, acute or chronic. For example, frequent and severe climate-related events can impact products and services and supply chains. Transition risk whether policy, technology, market or reputation risk arises from the adjustment to a low-carbon economy in order to mitigate climate change. Risks related to social issues can include but are not limited to labour rights and community relations. Governance related risks can include but are not limited to risks around board independence, ownership & control, or audit & tax management. These risks can impact an issuer's operational effectiveness and resilience as well as its public perception, and reputation affecting its profitability and in turn, its capital growth, and ultimately impacting the value of holdings in a Fund. These are only examples of sustainability risk factors and sustainability risk factors do not solely determine the risk profile of the investment. The relevance, severity, materiality and time horizon of sustainability risk factors and other risks can differ significantly by Funds. Sustainability risk can manifest itself through different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches etc.). By way of example, a Fund may invest in the equity or debt of an issuer that could face potentially reduced revenues or increased expenditures from physical climate risk (e.g. decreased production capacity due to supply chain perturbations, lower sales due to demand shocks or higher operating or capital costs) or transition risk (e.g. decreased demand for carbon-intensive products and services or increased production costs due to changing input prices). As a result, sustainability risk factors may have a material impact on an investment, may increase the volatility, affect liquidity and may result in a loss to the value of a Fund's Shares. The impact of those risks may be higher for Funds with particular sectoral or geographic concentrations e.g., Funds with geographical concentration in locations susceptible to adverse weather conditions where the value of the investments in the Funds may be more susceptible to adverse physical climate events or Funds with specific sectoral concentrations such as investing in industries or issuers with high carbon intensity or high switching costs associated with the transition to low carbon alternatives, may be more impacted by climate transition risks. All or a combination of these factors may have an unpredictable impact on the relevant Fund's investments. Under normal market conditions such events could have a material impact on the value of a Fund's Shares. Assessments of sustainability risk are specific to the asset class and to a Fund's objective. Different asset classes require different data and tools to apply heightened scrutiny, assess materiality, and make meaningful differentiation among issuers and assets. Risks are considered and risk managed concurrently, by prioritising based on materiality and on the Fund's objective. While index providers of the Benchmark Indices of the Funds provide descriptions of what each Benchmark Index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their benchmark indices, nor any guarantee that the published indices will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where the indices are less commonly used. The impacts of sustainability risk are likely to develop over time and new sustainability risks may be identified as further data and information regarding sustainability factors and impacts becomes available.

### **Risks specific to investing in index-tracking exchange traded funds (ETFs)**

#### **Passive Investment Risk**

The Funds are not actively managed and may be affected by a general decline in market segments related to their respective Benchmark Indices. The Funds invest in securities included in, or representative of, their respective Benchmark Indices, and the Funds do not attempt to take defensive positions under any market conditions, including declining markets.

#### **Index Tracking Risks**

While the Funds, in accordance with their investment objectives, seek to track the performance of their respective Benchmark Indices, whether through a replication or optimising strategy, there is no guarantee that they will achieve perfect tracking and the Funds may potentially be subject to tracking error risk, which is the risk that their returns may not track exactly those of their respective Benchmark Indices, from time to time. This tracking error may result from an inability to hold the exact constituents of the Benchmark Index, (although this is not the expected cause of tracking error for non-replicating Funds), for example where there are local market trading restrictions, small illiquid components, a temporary unavailability or interruption in trading of certain securities comprising the Benchmark Index and/or where the Regulations limit exposure to the constituents of the Benchmark Index. Where the Benchmark Index of a Fund is to be rebalanced and the Fund seeks to rebalance its portfolio accordingly, the Fund may nevertheless experience tracking error where the rebalancing of the Fund's portfolio does not maintain an exact or contemporaneous alignment, whether on a replicating or an optimised basis, with the Benchmark Index. For liquidity purposes, the Funds may hold a portion of their net assets in cash and such cash holdings will not rise and fall in line with movements in their respective Benchmark Indices. In addition, the Company relies on index licences granted by third party index providers to use and track the Benchmark Indices for its Funds. In the event that an index provider terminates or varies an index licence, it will affect

the ability of the impacted Funds to continue to use and track their Benchmark Indices and to meet their investment objectives. In such circumstances, the Directors may take such action as described in the section entitled “Benchmark Indices”. Regardless of market conditions, the Funds aim to track the performance of their respective Benchmark Indices and do not seek to outperform their respective Benchmark Indices.

### **Optimising strategy**

It may not be practical or cost efficient for certain Funds to replicate their respective Benchmark Indices. Where it is not part of a Fund’s investment policy to replicate its Benchmark Index, such Funds may use optimisation techniques to track the performance of their respective Benchmark Indices. Optimisation techniques may include the strategic selection of some (rather than all) of the securities that make up the Benchmark Index, holding securities in proportions that differ from the proportions of the Benchmark Index and/or the use of FDI to track the performance of certain securities that make up the Benchmark Index. The Investment Manager may also select securities which are not underlying constituents of the relevant Benchmark Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the relevant Benchmark Index. Optimising Funds may potentially be subject to tracking error risk, which is the risk that their returns may not track exactly those of their respective Benchmark Indices.

### **Index-Related Risks**

As prescribed by this Prospectus, in order to meet its investment objective, each Fund seeks to achieve a return which corresponds generally to the price and yield performance, before fees and expenses, of the relevant Benchmark Index as published by the index provider. There is no assurance that the index provider will compile the Benchmark Index accurately, or that the Benchmark Index will be determined, composed or calculated accurately. While the index provider does provide descriptions of what the Benchmark Index is designed to achieve, the index provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of the Benchmark Index, and does not guarantee that the Benchmark Index will be in line with the described index methodology. The Investment Manager’s mandate as described in this Prospectus is to manage the Funds consistently with the relevant Benchmark Index provided to the Investment Manager. Consequently, the Investment Manager does not provide any warranty or guarantee for index provider errors. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, particularly where the indices are less commonly used. Therefore gains, losses or costs associated with index provider errors will be borne by the Funds and their investors. For example, during a period where the Benchmark Index contains incorrect constituents, a Fund tracking such published Benchmark Index would have market exposure to such constituents and would be underexposed to the constituents that should have been included in the Benchmark Index. As such, errors may result in a negative or positive performance impact to the Funds and their investors. Investors should understand that any gains from index provider errors will be kept by the Funds and their investors and any losses resulting from index provider errors will be borne by the Funds and their investors. Apart from scheduled rebalances, the index provider may carry out additional ad hoc rebalances to the Benchmark Index in order, for example, to correct an error in the selection of index constituents. Where the Benchmark Index of a Fund is rebalanced and the Fund in turn rebalances its portfolio to bring it in line with its Benchmark Index, any transaction costs (including any capital gains tax and/or transaction taxes) and market exposure arising from such portfolio rebalancing will be borne directly by the Fund and its investors. Unscheduled rebalances to the Benchmark Indices may also expose the Funds to tracking error risk, which is the risk that its returns may not track exactly those of the Benchmark Index. Therefore, errors and additional ad hoc rebalances carried out by the index provider to a Benchmark Index may increase the costs and market exposure risk of the relevant Fund. In relation to Funds that directly invest into securities of the KSA, the purchase of securities of the KSA requires cash for such trades to settle in the relevant custodian account two business days after the relevant trade date (the “KSA T+2 Cash Settlement Requirement”). The rebalancing of Funds that directly invest into securities of the KSA may not be able to comply with the KSA T+2 Cash Settlement Requirement if they do not have sufficient amounts of cash available and instead will rely on borrowing cash from the relevant custodian to pay for such securities of the KSA. Where a Fund’s Benchmark Index aims to identify securities that meet criteria which have an element of being forward looking (for example, securities that are expected to provide a high yield or which are selected on the basis of their liquidity, percentage of company earnings allocated to shareholders, levels of profit generated from business operations, market capitalisation and corporate governance credentials), there is no guarantee that the Benchmark Index will meet its objective. Many factors can affect the performance of a security and the impact of these factors on a security or its price can be difficult to predict.

### **Authorised Participant Concentration Risk**

Only an Authorised Participant may engage in creation or redemption transactions directly with the Funds. Certain Funds have a limited number of institutions that act as Authorised Participants. To the extent that these institutions exit the business or are unable to proceed with creation and/or redemption orders with respect to the Funds and no other Authorised Participant is able to step forward to make creation and/or redemption orders, the Shares may trade at a discount to the Funds’ Net Asset Value and possibly face delisting.

### **Index Disruption Risk**

Disruptions to the calculation and publication of the Benchmark Index (“Index Disruption Events”) include, but are not limited to, situations where: the Benchmark Index level is deemed to be inaccurate or does not reflect actual market

developments; it is not possible to obtain a price or value of one or several constituents of the Benchmark Index (such as due to their becoming illiquid or having their quotation suspended on a stock exchange); the index provider fails to calculate and publish the Benchmark Index level; the Benchmark Index is temporarily suspended or permanently discontinued by the index provider. Such Index Disruption Events may have an impact on the accuracy and/or availability of the published price of the Benchmark Index and in some instances also the Net Asset Value of a Fund.

### **Secondary Trading Risk**

The Shares will generally be traded on the main market of the LSE (or Euronext or SIX) and may be listed or traded on one or more other stock exchanges. There can be no certainty that there will be liquidity in the Shares on any one or more of the stock exchanges or that the market price at which Shares may be traded on a stock exchange will be the same as the Net Asset Value per Share. There can be no guarantee that once the Shares are listed or traded on a stock exchange they will remain listed or traded on that stock exchange.

### **Suspension risk on local markets**

In certain markets (including, without limitation, Taiwan), trading on the local exchange may be carried out by one or a small number of local market account holders. If such account holder(s) fail(s) to deliver securities or monies in relation to a trade, there is a risk of suspension in relation to all Funds which effect their trading on the local market through such account holder(s). This risk may be increased where a Fund participates in a securities lending programme. Suspension in either case may increase the costs of the Fund.

### **Counterparty and trading risks**

#### **Counterparty Risk**

The Company will be exposed to the credit risk of the parties with which it transacts and may also bear the risk of settlement default. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. This would include the counterparties to any FDI that is entered into by a Fund. Trading in FDI which have not been collateralised gives rise to direct counterparty exposure. The Company mitigates much of its credit risk to its FDI counterparties by receiving collateral with a value at least equal to the exposure to each counterparty but, to the extent that any FDI is not fully collateralised, a default by the counterparty may result in a reduction in the value of the Fund. Currency forwards used by Currency Hedged Share Classes to hedge their currency risks are not collateralised and Currency Hedged Share Classes have uncollateralised counterparty exposure to such foreign exchange counterparties in respect of such FDI, subject to the investment limits in Schedules II & III and subject to Currency Hedged Share Classes not being permitted to have over-hedged positions in excess of 105% of their Net Asset Value. As at the date of this Prospectus, State Street is the sole counterparty for currency forwards used by Currency Hedged Share Classes. A formal review of each new counterparty is completed and all approved counterparties are monitored and reviewed on an ongoing basis. The Company maintains an active oversight of counterparty exposure and the collateral management process. Counterparty exposure is subject to the investment restrictions in Schedule III.

#### **Counterparty Risk to the Depositary and other depositaries**

The Company will be exposed to the credit risk of the Depositary or any depositary used by the Depositary where cash or other assets are held by the Depositary or other depositaries. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Cash held by the Depositary and other depositaries will not be segregated in practice but will be a debt owing from the Depositary or other depositaries to the Company as a depositor. Such cash will be co-mingled with cash belonging to other clients of the Depositary and/or other depositaries. In the event of the insolvency of the Depositary or other depositaries, the Company will be treated as a general unsecured creditor of the Depositary or other depositaries in relation to cash holdings of the Company. The Company may face difficulties and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the relevant Fund(s) will lose some or all of their cash. The Company's securities are however maintained by the Depositary and sub-custodians used by the Depositary in segregated accounts and should be protected in the event of insolvency of the Depositary or sub-custodians. The Company may enter into additional arrangements (for example placing cash in money market collective investment schemes) in order to mitigate credit exposure for its cash holdings but may be exposed to other risks as a result. To mitigate the Company's exposure to the Depositary, the Investment Manager employs specific procedures to ensure that the Depositary is a reputable institution and that the credit risk is acceptable to the Company. If there is a change in Depositary then the new depositary will be a regulated entity subject to prudential supervision with a high credit rating assigned by international credit rating agencies.

#### **Liability of the Depositary and Responsibility of the Depositary for Sub-Custodians**

The Depositary shall be liable to the Company and its shareholders for the loss by the Depositary or a subcustodian of financial instruments of the Company held in custody. In the case of such a loss, the Depositary is required, pursuant to the Regulations, to return the financial instrument of an identical type or the corresponding amount to the Company without undue delay, unless the Depositary can prove that the loss arose as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. This standard of liability only applies to assets capable of being registered or held in a securities account in the name of the Depositary or a sub-custodian and assets capable of being physically delivered to the Depositary. The Depositary shall

also be liable to the Company and its shareholders for all other losses suffered by the Company and/or its shareholders as a result of the Depositary's negligent or intentional failure to fully fulfil its obligations pursuant to the Regulations. In the absence of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the Regulations, the Depositary may not be liable to the Company or its shareholders for the loss of an asset of a Fund which is not capable of being registered or held in a securities account in the name of the Depositary or a sub-custodian or being physically delivered to the Depositary. The liability of the Depositary is not affected by the fact that it has entrusted the custody of the Company's assets to a third party. In the event that custody is delegated to local entities that are not subject to effective prudential regulation, including minimum capital requirements, and supervision in the jurisdiction concerned, prior Shareholder notice will be provided advising of the risks involved in such delegation. As noted above, in the absence of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the Regulations, the Depositary may not be liable to the Company or its shareholders for the loss of an asset of a Fund which is not capable of being registered or held in a securities account in the name of the Depositary or a sub-custodian or being physically delivered to the Depositary. Accordingly, while the liability of the Depositary is not affected by the fact that it has entrusted the custody of the Company's assets to a third party, in markets where custodial and/or settlement systems may not be fully developed, a Fund may be exposed to sub-custodial risk in respect of the loss of such assets in circumstances whereby the Depositary may have no liability.

### **On Exchange Trading**

Where a counterparty to an on exchange trade in the Fund's underlying securities suffers an Insolvency Event, there are risks associated with the recognised investment exchanges and markets themselves set out in Schedule I. There is a risk that the relevant recognised investment exchange or market on which the trade is being conducted will not apply its rules fairly and consistently and that failed trades will be effected notwithstanding the insolvency of one of the counterparties. There is also a risk that a failed trade will be pooled with other failed trades, which may make it difficult to identify a failed trade to which the Fund has been a party. Either of these events may have a negative impact on the value of the Fund.

### **Settlement through an International Central Securities Depositary**

#### **Inaction by the Common Depositary and/or an International Central Securities Depositary**

Investors that settle or clear through an International Central Securities Depositary will not be a registered Shareholder in the Company, they will hold an indirect beneficial interest in such Shares and the rights of such investors, where Participants, shall be governed by their agreement with the applicable International Central Securities Depositary and otherwise by the arrangement with a Participant of the International Central Securities Depositary (for example, their nominee, broker or Central Securities Depositaries, as appropriate). The Company will issue any notices and associated documentation to the registered holder of the Global Share Certificate, the Common Depositary's Nominee, with such notice as is given by the Company in the ordinary course when convening general meetings. The Common Depositary's Nominee has a contractual obligation to relay any such notices received by the Common Depositary's Nominee to the Common Depositary which, in turn, has a contractual obligation to relay any such notices to the applicable International Central Securities Depositary, pursuant to the terms of its appointment by the relevant International Central Securities Depositary. The applicable International Central Securities Depositary will in turn relay notices received from the Common Depositary to its Participants in accordance with its rules and procedures. The Directors understand that the Common Depositary is contractually bound to collate all votes received from the applicable International Central Securities Depositaries (which reflects votes received by the applicable International Central Securities Depositary from Participants) and that the Common Depositary's Nominee is obligated to vote in accordance with such instructions. The Company has no power to ensure the Common Depositary relays notices of votes in accordance with their instructions. The Company cannot accept voting instructions from any persons other than the Common Depositary's Nominee.

### **Payments**

With the authorisation of the Common Depositary's Nominee, any dividends declared and any liquidation and mandatory redemption proceeds are paid by the Company or its authorised agent (for example, the Paying Agent) to the applicable International Central Securities Depositary. Investors, where they are Participants, must look solely to the applicable International Central Securities Depositary for their share of each dividend payment or any liquidation or mandatory redemption proceeds paid by the Company or, where they are not Participants, they must look to their respective nominee, broker or Central Securities Depositary (as appropriate, which may be a Participant or have an arrangement with a Participant of the applicable International Central Securities Depositary) for any share of each dividend payment or any liquidation or mandatory redemption proceeds paid by the Company that relates to their investment. Investors shall have no claim directly against the Company in respect of dividend payments and any liquidation and mandatory redemption proceeds due on Shares represented by the Global Share Certificate and the obligations of the Company will be discharged by payment to the applicable International Central Securities Depositary with the authorisation of the Common Depositary's Nominee.

### **Specific investment risks for all Funds**

#### **Recent Market Events**

Periods of market volatility may occur in response to various political, social and economic events both within and outside of the United States. These conditions have resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market conditions may adversely affect the Funds, including by making valuation of some of a Fund's securities uncertain and/or result in sudden and significant valuation increases or declines in the Fund's holdings. If there is a significant decline in the value of a Fund's portfolio, this may impact the asset coverage levels for any outstanding leverage the Fund may have. Risks resulting from any future debt or other economic crisis could also have a detrimental impact on the global economic recovery, the financial condition of financial institutions and a Fund's business, financial condition and results of operation. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. To the extent uncertainty regarding the U.S. or global economy negatively impacts consumer confidence and consumer credit factors, a Fund's business, financial condition and results of operations could be significantly and adversely affected. Downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect to certain interest rates, may also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities. Market volatility, rising interest rates and/or unfavourable economic conditions could impair a Fund's ability to achieve its investment objective(s).

### **Impact of Natural or Man-Made Disasters and Disease Epidemics**

Certain regions are at risk of being affected by natural disasters or catastrophic natural events. Considering that the development of infrastructure, disaster management planning agencies, disaster response and relief sources, organized public funding for natural emergencies, and natural disaster early warning technology may be immature and unbalanced in certain countries, the natural disaster toll on an individual portfolio company or the broader local economic market may be significant. Prolonged periods may pass before essential communications, electricity and other power sources are restored and operations of the portfolio company can be resumed. A Fund's investments could also be at risk in the event of such a disaster. The magnitude of future economic repercussions of natural disasters may also be unknown, may delay a Fund's ability to invest in certain companies, and may ultimately prevent any such investment entirely. Investments may also be negatively affected by man-made disasters. Publicity of man-made disasters may have a significant negative impact on overall consumer confidence, which in turn may materially and adversely affect the performance of a Fund's Investments, whether or not such investments are involved in such man-made disaster. Outbreaks of infectious diseases may also have a negative impact on the performance of a Fund. For example, an infectious respiratory disease caused by a novel coronavirus known as COVID-19 detected in December 2019 has given rise to an extended global pandemic. This coronavirus led to borders closing, restrictions on movement of people, quarantines, cancellations of transportation and other services, disruptions to supply chains, businesses and customer activity, as well as general concern and uncertainty. While improvements have been made in managing the impact of COVID-19, including the adoption in many countries of widescale vaccination programmes that have reduced infection and death rates, the impact of COVID-19 continues to adversely affect the economies of many nations across the entire global economy, individual companies and capital markets. It is not yet possible to predict with any accuracy how long this impact will continue to be felt. Other epidemics and pandemics that may arise in the future could also have a similar effect and the extent of the impact cannot be foreseen at the present time. In addition, the impact of infectious diseases in certain emerging developing or emerging market countries may be greater due to less established health care systems, as was the case with COVID-19. Health crises caused by infectious diseases may exacerbate other pre-existing political, social and economic risks in certain countries. Such events could increase volatility and the risk of loss to the value of your investments.

### **Governmental Intervention Risk**

In response to a recession, economic slowdown or financial market instability, governments and regulators may choose to intervene by implementing austerity measures and reforms, as seen in the 2007-2008 global financial crisis. There is no guarantee that a government or regulatory intervention will work and they may result in social unrest, limit future growth and economic recovery or have unintended consequences. Additionally, government and regulatory intervention have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been detrimental to the efficient functioning of financial markets. It is impossible to predict with certainty what temporary or permanent governmental restrictions may be imposed on the markets in the future and/or the effect of such restrictions on the Investment Manager's ability to implement the Funds' investment objectives, the European or global economy or the global securities markets. Instability in the global financial markets or government intervention may increase the volatility of the Funds and hence the risk of loss to the value of your investment. Funds which invest in the European bond market are directly exposed to intervention by the European Central Bank and governments of relevant European countries, particularly in relation to interest rates and the single European currency. For example, the value of the bonds held by a Fund is likely to decrease if interest rates are increased, and bond pricing complications could arise should a country leave the single European currency or that currency be discontinued completely.

### **Issuer Risk**

The performance of a Fund depends on the performance of individual securities to which the Fund has exposure. Any issuer of these securities may perform poorly, causing the value of its securities to decline. Poor performance may be



caused by poor management decisions, competitive pressures, changes in technology, expiration of patent protection, disruptions in supply, labour problems or shortages, corporate restructurings, fraudulent disclosures or other factors. Issuers may, in times of distress or at their own discretion, decide to reduce or eliminate dividends, which may also cause their stock prices to decline.

### **Money Market Risk**

The Company, with a view to mitigating credit exposure to depositaries, may arrange for cash holdings of the Company (including pending dividend payments) to be placed into money market collective investment schemes, including other funds of the BlackRock Group. A money market collective investment scheme which invests a significant amount of its assets in money market instruments may be considered as an alternative to investing in a regular deposit account. However, a holding in such a scheme is subject to the risks associated with investing in a collective investment scheme and, while a money market collective investment scheme is designed to be a relatively low risk investment, it is not entirely free of risk. Despite the short maturities and high credit quality of investments of such schemes, increases in interest rates and deteriorations in the credit quality can reduce the scheme's yield and the scheme is still subject to the risk that the value of such scheme's investment can be eroded and the principal sum invested will not be returned in full.

### **Securities Lending Risk**

The Company engages in a securities lending programme through the Investment Manager. In order to mitigate the credit risk exposure to the counterparties to any securities lending contract, the lending of a Fund's securities must be covered by high quality and liquid collateral received by the Fund under a title transfer arrangement with a market value at all times at least equivalent to the market value of the Fund's securities lent plus a premium. A Fund's securities can be lent to counterparties over a period of time. The risks of securities lending include the risk that a borrower may not provide additional collateral when required or may not return the securities when due. A default by the counterparty combined with a fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the Fund. To the extent that any securities lending is not fully collateralised (for example due to timing issues arising from payment lags), the Company will have a credit risk exposure to the counterparties to the securities lending contracts. To mitigate these risks, the Company benefits from a borrower default indemnity provided by BlackRock, Inc. The indemnity allows for full replacement of the securities lent if the collateral received does not cover the value of the securities loaned in the event of a borrower default. Investors should note that a limitation of maximum securities lending levels by a Fund, at a time when demand exceeds those maximum levels, may reduce potential income to a Fund that is attributable to securities lending. Please refer to "Efficient Portfolio Management" for further detail.

### **Currency Risk**

The Base Currency of a Fund is usually chosen to match the base currency in which its Benchmark Index is valued and this may differ from the currency of the underlying assets of the Benchmark Index. In addition, a Fund's Benchmark Index may comprise multiple-currency underlying assets. Consequently, the Investments of a Fund may be acquired in currencies which are not the Base Currency of the Fund. In addition, certain Funds may have Share Classes which have different Valuation Currencies from the Base Currency of the Fund. Consequently, the Investments of a Share Class may be acquired in currencies which are not the Valuation Currency of the Share Class. Unless it is the stated intention of the Company to use hedging or other techniques and instruments in any Funds in order to cover currency risk, the fact that Base Currencies, Valuation Currencies and the currencies of Funds' Investments may differ may cause the cost of purchasing such Investments to be affected favourably or unfavourably by fluctuations in the relative exchange rates of the different currencies. For emerging market countries, volatility in currency markets can be heightened.

### **Risks specific to Funds focusing on specific markets**

#### **Concentration Risk**

If the Benchmark Index of a Fund concentrates in a particular country, region, industry, group of industries, sector or specific theme that Fund may be adversely affected by the performance of those securities and may be subject to price volatility. In addition, a Fund that concentrates in a single country, region, industry or group of countries or industries may be more susceptible to any single economic, market, political, sustainability-related or regulatory occurrence affecting that country, region, sector, industry or group of countries or industries. Such a Fund may be more susceptible to greater price volatility when compared to a more diverse fund. This could lead to a greater risk of loss to the value of your investment. The Funds that are replicating index Funds per the Regulations may invest more than 10% and up to 20% of their Net Asset Value in shares issued by the same body in order to replicate their respective Benchmark Indices. This limit may be raised to 35% for a single issuer, where this is justified by exceptional market conditions, for example, market dominance. Market dominance exists where a particular constituent of the Benchmark Index has a dominant position in the particular market sector in which it operates and as such accounts for a large proportion of the Benchmark Index. This means that such a Fund may have a high concentration of investment in one company, or a relatively small number of companies, and may therefore be more susceptible to any single economic, market, political or regulatory occurrence affecting that company or those companies.

### **Investments in Mid-Capitalisation and Smaller Companies**

The securities of mid-capitalisation and smaller companies tend to be more volatile and less liquid than the securities of large companies. As securities of mid-capitalisation and smaller companies may experience more market price volatility than securities of larger companies, the Net Asset Value of any Funds which invest in smaller companies or mid-capitalisation companies may reflect this volatility. Mid-capitalisation and smaller companies, as compared with larger companies, may have a shorter history of operations, may not have as great an ability to raise additional capital, may have a less diversified product line making them susceptible to market pressure and may have a smaller public market for their securities. Investment in mid-capitalisation and smaller companies may involve relatively higher investment costs, which may be in part due to increased execution costs caused by reduced liquidity in the underlying market, and accordingly investment in Funds which invest in mid-capitalisation and smaller companies should be viewed as a long-term investment. Such Funds may however dispose of an investment made by it within a relatively short period of time, for example, to meet requests for redemption of Shares. As a result of the above risks, a Fund's investments can be adversely affected and the value of your investments may go up or down. In addition, owing to threshold limits on the proportion of shares that BlackRock-managed funds may hold in certain companies (in particular in smaller capitalisation companies), it is possible that a Fund may have to rely more heavily on optimisation techniques than would otherwise be the case.

### **Financial Sector Investment Risks**

Companies in the financial sector are subject to increasing governmental regulation, government intervention and taxes, which may adversely affect the scope of their activities, the amount of capital they must maintain and their profitability. The financial services sector may also be adversely affected by increases in interest rates and irrecoverable debt, decreases in the availability of funding or asset valuations and adverse conditions in other related markets. The deterioration of the credit markets has caused an adverse impact in the credit and interbank money markets generally, thereby affecting a wide range of financial services institutions and markets. Certain financial services companies have had to accept or borrow significant amounts of money from their governments and thereby face additional government imposed restrictions on their businesses which could have an impact on their performance and value. Insurance companies in particular, may be subject to intense price competition, which may have an adverse impact on their profitability. Companies that invest in real estate may be affected by adverse changes to the conditions of the real estate markets, movements in interest rates, investor confidence, changes in supply and demand for property, costs, availability of mortgage loans, taxes and the impact of environmental and planning laws. The risks faced by companies within the financial sector may have a higher impact on companies that employ substantial financial leverage within their businesses. In recent years, cyberattacks and technology malfunctions and failures have become increasingly frequent in this sector and have caused significant losses.

### **Investments in Property Securities**

Property securities are subject to some of the same risks associated with the direct ownership of property including, but not limited to: adverse changes of the conditions of the real estate markets, obsolescence of properties, changes in availability, costs and terms of mortgage funds and the impact of environmental laws. However, investing in property securities is not equivalent to investing directly in property and the performance of property securities may be more heavily dependent on the general performance of stock markets than the general performance of the property sector. Historically there had been an inverse relationship between interest rates and property values. Rising interest rates can decrease the value of the properties in which a property company invests and can also increase related borrowing costs. Either of these events can decrease the value of an investment in property companies. The current taxation regimes for property-invested entities are potentially complex and may change in the future. This may impact either directly or indirectly the returns to investors in a property fund and the taxation treatment thereof. Accordingly, investors should seek independent advice about the specific tax risks of investing in Funds which hold property securities in their Investments.

### **Investments in the Water Industry**

There are risks in concentrating in the water industry. Adverse developments within the water industry may affect the value of the underlying securities of a Fund. Companies involved in the water industry are subject to environmental, social and governance considerations, taxes, government regulation, price and supply fluctuations, competition and water conservation.

### **Investments in the Global Clean Energy Industry**

Some of the securities in the global clean energy industry might be less liquid and less efficient than securities representing other sectors. This may make it difficult for a Fund investing in the global clean energy industry either to purchase or sell securities from this sector.

### **Investments in Private Equity Securities**

Private equity securities carry additional risk factors that should be considered by potential investors including excessive leverage, unclear ownership of economic risk, market access constraints and market opaqueness.

### **Investments in the Timber and Forestry Industry**

There are risks in concentrating in the timber and forestry industry. Adverse developments within the timber and forestry industry may affect the value of the underlying securities of a Fund. Companies involved in the timber and forestry industry are subject to environmental social and governance considerations, taxes, government regulation, price and supply fluctuations, competition and forestry conservation.

#### **Investments in Infrastructure Securities**

There are risks in concentrating in infrastructure securities within the utilities, transportation and energy industries. Adverse developments within these industries may affect the value of the underlying securities of a Fund which invests in these industries. Companies involved in these industries are subject to environmental considerations, taxes, government regulation, price and supply considerations and competition.

#### **Risks related to investment in Fixed Income Funds**

##### **Government Bonds**

A Fund may invest in government bonds which pay a fixed rate of interest (also known as the 'coupon') and behave similarly to a loan. These bonds are therefore exposed to changes in interest rates which will affect their value. In addition, periods of low inflation will mean the positive growth of a government bond fund may be limited. Investments in government bonds may be subject to liquidity constraints and periods of significantly lower liquidity in difficult market conditions. Therefore it may be more difficult to achieve a fair value on purchase and sale transactions which may cause the Manager not to proceed with such transactions. As a result, changes in the value of a Fund's investments may be unpredictable.

##### **US Treasury Obligations Risk**

US Treasury obligations may differ from other securities in their interest rates, maturities, times of issuance and other characteristics. Similar to other issuers, changes to the financial condition or credit rating of the US government may cause the value of a Fund's US Treasury obligations to decline. On August 5, 2011, Standard & Poor's Ratings Services downgraded US Treasury securities from AAA rating to AA+ rating. A further downgrade of the ratings of US government debt obligations, which are often used as a benchmark for other borrowing arrangements, could result in higher interest rates for individual and corporate borrowers, cause disruptions in the international bond markets and have a substantial negative effect on the US economy. A downgrade of US Treasury securities from another ratings agency or a further downgrade below AA+ rating by Standard & Poor's Ratings Services may cause the value of a Fund's US Treasury obligations to decline.

##### **Sovereign, Quasi-sovereign and Local Authority Debt**

Sovereign debt includes securities issued by or guaranteed by a sovereign government. Quasi-sovereign debt includes securities issued by or guaranteed by or sponsored by an entity affiliated with or backed by a sovereign government. In some instances, the constituents of a Benchmark Index may include local authority debt securities issued by or guaranteed by or sponsored by an entity which is either a local authority or affiliated with or backed by a local authority entity. The entity that controls the repayment of sovereign, quasi-sovereign or local authority debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. The entity's ability to repay the principal and/or interest due in a timely manner may be affected by, among other factors, its cash flow, the extent of its foreign reserves (where relevant), the availability of sufficient foreign exchange on the date a payment is due, the state of its country's economy, the relative size of the debt service burden to the economy as a whole, restrictions on its ability to raise more cash, the entity's policy towards the International Monetary Fund and the political constraints to which the entity may be subject. Such entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on such entities' implementation of economic reforms and/or economic performance and the timely service of such debtors' obligations. Failure to implement such reforms, achieve such levels of economic performance or repay the principal and/or interest when due may result in the cancellation of such third parties' commitments to lend funds to the entities, which may further impair such debtors' ability to service their debt on a timely basis. Consequently, such entities may default on their sovereign, quasi-sovereign or local authority debt. Holders of sovereign, quasisovereign or local authority debt, including a Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to such entities. Quasi-sovereign and local authority debt obligations are typically less liquid and less standardised than sovereign debt obligations. There is a possibility that there may not be a bankruptcy proceeding by which this debt may be collected in whole or in part. Banks, Governments and companies (including within the EEA) invest in each other so if one member state performs poorly, the other countries could be impacted. If one country defaults on its debt obligations, other countries could be at risk.

##### **Corporate Bonds**

A corporate bond Fund may invest in corporate bonds issued by companies within a range of credit worthiness if the relevant Fund's Benchmark Index does not apply any minimum credit rating requirement to its constituents. Corporate bonds may be upgraded or downgraded from time to time due to a perceived increase or reduction in the credit worthiness of the companies issuing the bonds. Where the Benchmark Index of a Fund imposes specific credit rating requirements

for bonds to be included in the Benchmark Index (e.g. investment grade bonds or non-/ sub-investment grade bonds) and bonds that make up the Benchmark Index are downgraded, upgraded or have their credit ratings withdrawn by the relevant credit rating agencies such that they no longer meet the credit rating requirements of the Benchmark Index, the Fund may continue to hold the relevant bonds until such time as these bonds cease to form part of the Fund's Benchmark Index and the Fund's position in such bonds can be liquidated. Sub-investment grade bonds are generally riskier investments, involving a higher risk of default by the issuer, than investment grade bonds. A default by the issuer of a bond is likely to result in a reduction in the value of that Fund. Although a Fund may invest in bonds that are traded on the secondary market, the secondary market for corporate bonds can often be illiquid and therefore it may be difficult to achieve fair value on purchase and sale transactions. Cash interest rates vary over time. The price of bonds will generally be affected by changing interest rates and credit spread which in turn may affect the value of your investment. Bond prices move inversely to interest rates, so generally speaking the market value of a bond will decrease as interest rates increase. The credit rating of an issuing company will generally affect the yield that can be earned on a bond; the better the credit rating the smaller the yield.

### **Floating Rate Notes Risk**

Securities with floating or variable interest rates can be less sensitive to interest rate changes than securities with fixed interest rates, but may decline in value if their coupon rates do not reset as high, or as quickly, as comparable market interest rates. Although floating rate notes are less sensitive to interest rate risk than fixed rate securities, they are subject to credit and default risk, which could impair their value.

### **Covered Bonds**

Covered bonds are corporate bonds that are backed by cash from public sector or mortgage loans. Where a Fund invests in covered bonds, the Investment Manager will seek to invest in high quality bonds or as otherwise required in accordance with the relevant benchmark index. There is, however, no guarantee that such covered bonds will be free from counterparty default and the risks associated with counterparty default apply. Any deterioration in the assets backing a bond may result in a reduction in the value of the bond and, therefore, the relevant Fund. Additionally, a default by the issuer of a bond may result in a reduction in the value of the relevant Fund. The price of bonds will generally be affected by changing interest rates and credit spreads.

### **High Yield Bonds**

Funds that invest in bonds that are rated sub-investment grade, or bonds which are unrated but judged to be of comparable quality with sub-investment grade bonds, at the time of purchase, may be more volatile than funds investing in higher-rated bonds of similar maturity. High yield bonds may also be subject to greater levels of credit or default risk than higher-rated bonds. Such bonds are more likely to react to developments affecting market and credit risk than more highly rated securities. The value of high yield bonds can be adversely affected by overall economic conditions, such as an economic downturn or a period of rising interest rates, and high yield bonds may be less liquid and more difficult to sell at an advantageous time or price or to value than higher-rated bonds. In particular, high yield bonds are often issued by smaller, less creditworthy companies or by highly leveraged (indebted) firms, which are generally less able than more financially stable firms to make scheduled payments of interest and principal. Investors should carefully consider the relative risks of investing in high yield securities and understand that such securities generally are not meant for short-term investing. Funds which invest in these securities, may find it more difficult to sell high yield securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Furthermore, such Funds may experience difficulty in valuing certain securities at certain times. Prices realised upon the sale of such lower or unrated rated securities, under these circumstances, may be less than the prices used in calculating the Net Asset Value. In addition, prices for high yield securities may be affected by legislative and regulatory developments which could adversely affect the Net Asset Value insofar as they could adversely affect the Secondary Market for high yield securities, the financial condition of issuers of these securities and the value of outstanding high yield securities. For example, federal legislation in the United States requiring the divestiture by federally insured savings and loan associations of their investments in high yield bonds and limiting the deductibility of interest by certain corporate issuers of high yield bonds has adversely affected the market in recent years. Lower rated or unrated (i.e. high yield) securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Lower rated or unrated fixed income obligations also present risks based on payment expectations. If an issuer calls the obligations for redemption, a Fund which invests in these securities may have to replace the security with a lower yielding security, resulting in a decreased return for investors. If the Fund experiences unexpected net redemptions, it may be forced to sell its higher rated securities, resulting in a decline in the overall credit quality of that Fund's investment portfolio and increasing the exposure of the Fund to the risks of high yield securities.

### **Illiquidity of Bonds Close to Maturity**

In addition to the liquidity risks of bonds already described above, there is a risk that bonds which are nearing maturity may become illiquid. In such cases, it may become more difficult to achieve fair value on the purchase and sale thereof.

### **Duration Risk**

Where a Fund invests in bonds it is subject to the risk that the value of its investments will change due to a change in the level of interest rates. Rising interest rates will lead to falling bond prices, while declining interest rates will lead to rising bond prices. Duration is a measure of the sensitivity of the price (the value of principal) of a bond to a change in interest rates and is expressed in number of years.

### **Inflation-Linked Bonds Income Risk**

Income of a Fund investing in inflation-linked bonds may decline due to a decline in inflation or deflation. If there is deflation, the principal value of an inflation-linked security will be adjusted downward, and consequently the interest payments (calculated with respect to a smaller principal amount) will be reduced. If inflation is lower than expected during the period a Fund holds an inflation-linked security, the Fund may earn less on the security than on a conventional bond.

### **Depository Notes**

GDNs are designed to offer exposure to their underlying securities. In certain situations, the Investment Manager may use GDNs to provide exposure to underlying securities within the Benchmark Index, for example where the underlying securities cannot be, or are unsuitable to be, held directly, where direct access to the underlying securities is restricted or limited or where depository notes provide a more cost or tax efficient exposure. However, in such cases the Investment Manager is unable to guarantee that a similar outcome will be achieved to that if it were possible to hold the securities directly, due to the fact GDNs do not always perform in line with the underlying security. In the event of the suspension or closure of a market(s) on which the underlying securities are traded, there is a risk that the value of the GDN will not closely reflect the value of the relevant underlying securities. Additionally, there may be some circumstances where the Investment Manager cannot, or it is not appropriate to, invest in a GDN, or the characteristics of the GDN do not exactly reflect the underlying security. In the event that a Fund invests in GDNs in the circumstances set out above, the Fund's tracking of the Benchmark Index may be impacted, i.e. there is a risk that the Fund's return varies from the return of the Benchmark Index.

### **Structured Finance and Other Securities**

A Fund may be exposed directly or indirectly to Structured Finance Securities and other assets which involve substantial financial risk, including distressed debt and low quality credit securities, asset-backed securities and credit-linked securities. These securities may entail a higher liquidity risk than exposure to sovereign or corporate bonds. The Fund's primary credit risk would be to the issuer of the Structured Finance Security.

### **Fixed Income Transferable Securities**

Debt securities are subject to both actual and perceived measures of creditworthiness. The amount of credit risk may be assessed using the issuer's credit rating which is assigned by one or more independent rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but provides an indicator of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. Companies often issue securities which are ranked in order of seniority which in the event of default would be reflected in the priority in which investors might be paid back. The "downgrading" of a rated debt security or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity of the security, particularly in a thinly traded market. A Fund may be affected by changes in prevailing interest rates and by credit quality considerations. Changes in market rates of interest will generally affect the Fund's asset values as the prices of fixed rate securities generally increase when interest rates decline and decrease when interest rates rise. Prices of shorter-term securities generally fluctuate less in response to interest rate changes than do longer-term securities. An economic recession may adversely affect an issuer's financial condition and the market value of high yield debt securities issued by such entity. The issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. In the event of bankruptcy of an issuer, a Fund may experience losses and incur costs.

### **Illiquidity and Quality of Mortgage-Backed Instruments**

In addition to the risks associated with trading in FDI, there is a risk that mortgage-backed instruments may become illiquid. Additionally, the quality of mortgage pools may change from time to time. It may therefore, become more difficult to achieve fair value on the purchase and sale of such instruments.

### **Bank Corporate Bonds**

Corporate bonds issued by a financial institution may be subject to the risk of a write down or conversion (i.e. "bail-in") by a relevant authority in circumstances where the financial institution is unable to meet its financial obligations. This may result in bonds issued by such financial institution being written down (to zero), converted into equity or alternative instrument of ownership, or the terms of the bond may be varied. 'Bail-in' risk refers to the risk of relevant authorities exercising powers to rescue troubled banks by writing down or converting rights of their bondholders in order to absorb losses of, or recapitalise, such banks. Investors should be alerted to the fact that relevant authorities are more likely to use a "bail-in" tool to rescue troubled banks, instead of relying on public financial support as they have in the past. Relevant authorities now consider that public financial support should only be used as a last resort after having assessed and

exploited, to the maximum extent practicable, other resolution tools, including the “bail-in” tool. A bail-in of a financial institution is likely to result in a reduction in value of some or all of its bonds (and possibly other securities) and a Fund holding such securities when a bailin occurs will also be similarly impacted.

### **Risks specific to use of FDI**

#### **FDI Risks**

Each Fund may use FDI for the purposes of efficient portfolio management or, where stated in the investment policy of a Fund, for direct investment purposes. Such instruments involve certain special risks and may expose investors to an increased risk of loss. These risks may include credit risk with regard to counterparties with whom the Fund trades, the risk of settlement default, lack of liquidity of the FDI, imperfect tracking between the change in value of the FDI and the change in value of the underlying asset that the Fund is seeking to track and greater transaction costs than investing in the underlying assets directly. In accordance with standard industry practice when entering into a FDI, a Fund may be required to secure its obligations to its counterparty. For non-fully funded FDI, this may involve the placing of initial and/or variation margin assets with the counterparty. For FDI which require a Fund to place initial margin assets with a counterparty, such assets may not be segregated from the counterparty’s own assets and, being freely exchangeable and replaceable, the Fund may have a right to the return of equivalent assets rather than the original margin assets deposited with the counterparty. These deposits or assets may exceed the value of the relevant Fund’s obligations to the counterparty in the event that the counterparty requires excess margin or collateral. In addition, as the terms of an FDI may provide for one counterparty to provide collateral to the other counterparty to cover the variation margin exposure arising under the FDI only if a minimum transfer amount is triggered, the Fund may have an uncollateralised risk exposure to a counterparty under an FDI up to such minimum transfer amount. A default by the counterparty in such circumstances will result in a reduction in the value of the Fund and thereby a reduction in the value of an investment in the Fund. In the case of the iShares Listed Private Equity UCITS ETF, such threshold is set at US\$250,000 and multiples thereof for the posting of variation margin and there is no posting of initial margin. Additional risks associated with investing in FDI may include a counterparty breaching its obligations to provide collateral, or due to operational issues (such as time gaps between the calculation of risk exposure to a counterparty’s provision of additional collateral or substitutions of collateral or the sale of collateral in the event of a default by a counterparty), there may be instances where a Fund’s credit exposure to its counterparty under a FDI is not fully collateralised but each Fund will continue to observe the limits set out in paragraph 2.8 of Schedule III. The use of FDI may also expose a Fund to legal risk, which is the risk of loss due to the unexpected application of a law or regulation, or because a court declares a contract not legally enforceable.

#### **Uncollateralised FDI**

In addition to the risks associated with trading in FDI, trading in FDI which have not been collateralised gives rise to direct counterparty exposure. For FDI which are not collateralised (including, without limitation, mortgagebacked forward instruments where the underlying is unknown (commonly known as “TBAs”)), such counterparty exposure exists for the period during the trading and settlement dates. A default by the issuer of such instrument may result in a reduction in the value of the Fund.

#### **Delayed Delivery Transactions**

Funds that invest in fixed income transferable securities may purchase TBAs. This refers to the common trading practice in the mortgage-backed securities market in which a security is to be bought from a mortgage pool (including but not limited to Ginnie Mae, Fannie Mae or Freddie Mac) for a fixed price at a future date. At the time of purchase the exact security is not known, but the main characteristics of it are specified. Although the price has been established at the time of purchase, the principal value has not been finalised. As a TBA is not settled at the time of purchase, this may lead to leveraged positions within the Fund. Purchasing a TBA involves a risk of loss if the value of the security to be purchased declines prior to the settlement date. Risks may also arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts. The Funds may dispose of a commitment prior to settlement if it is deemed appropriate to do so. Proceeds of TBA sales are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities, or an offsetting TBA purchase commitment (deliverable on or before the sale commitment date), are held as cover for the transaction. If the TBA sale commitment is closed through the acquisition of an offsetting purchase commitment, the Fund realises a gain or loss on the commitment without regard to any unrealised gain or loss on the underlying security. If the Fund delivers securities under the commitment, the Fund realises a gain or loss from the sale of the securities upon the unit price established at the date the commitment was entered into.

#### **Asset Backed Securities (“ABS”)**

The value of ABS typically increase when interest rates fall and decrease when interest rates rise, and are expected to move in the same direction of the underlying related asset. However, there may not be a perfect correlation between these events. The ABS in which a Fund may invest may bear interest or pay preferred dividends at below market rates and, in some instances, may not bear interest or pay preferred dividends at all. Certain ABS may be payable at maturity in cash at the stated principal amount or, at the option of the holder, directly in a stated amount of the asset to which it is related. In such instance, a Fund may sell the ABS in the Secondary Market prior to maturity if the value of the stated amount of the asset exceeds the stated principal amount and thereby realise the appreciation in the underlying asset. ABS may also

be subject to extension risk, which is, the risk that, in a period of rising interest rates, prepayments may occur at a slower rate than expected. As a result, the average duration of a Fund's portfolio may increase. The value of longer-term securities generally changes more in response to changes in interest rates than that of shorter-term securities. As with other debt securities, ABS are subject to both actual and perceived measures of creditworthiness. Liquidity in ABS may be affected by the performance or perceived performance of the underlying assets. In some circumstances investments in ABS may become less liquid, making it difficult to dispose of them. Accordingly a Fund's ability to respond to market events may be impaired and the Fund may experience adverse price movements upon liquidation of such investments. In addition, the market price for an ABS may be volatile and may not be readily ascertainable. As a result, the Fund may not be able to sell them when it desires to do so, or to realise what it perceives to be their fair value in the event of a sale. The sale of less liquid securities often requires more time and can result in higher brokerage charges or dealer discounts and other selling expenses. ABS may be leveraged which may contribute to volatility in the value of the security.

### **Mortgage-Backed Securities ("MBS")**

MBS may be subject to prepayment risk which is the risk that, in a period of falling interest rates, borrowers may refinance or otherwise repay principal on their mortgages earlier than scheduled. When this happens, certain types of MBS will be paid off more quickly than originally anticipated and a Fund will have to invest the proceeds in securities with lower yields. MBS may also be subject to extension risk, which is, the risk that, in a period of rising interest rates, certain types of MBS will be paid off more slowly than originally anticipated and the value of these securities will fall. As a result, the average duration of a Fund's portfolio may increase. The value of longer-term securities generally changes more in response to changes in interest rates than that of shorter-term securities. Because of prepayment risk and extension risk, MBS react differently to changes in interest rates than other fixed income securities. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain MBS. Certain MBS in which a Fund may invest may also provide a degree of investment leverage, which could cause the Fund to lose all or a substantial amount of its investment. In some circumstances investments in MBS may become less liquid, making it difficult to dispose of them. Accordingly, a Fund's ability to respond to market events may be impaired and the Fund may experience adverse price movements upon liquidation of such investments. In addition, the market price for MBS may be volatile and may not be readily ascertainable. As a result, the Fund may not be able to sell them when it desires to do so, or to realise what it perceives to be their fair value in the event of a sale. The sale of less liquid securities often requires more time and can result in higher brokerage charges or dealer discounts and other selling expenses. Considerations relating to specific types of MBS in which a Fund may invest: Commercial Mortgage-Backed Security ("CMBS") A CMBS is a type of mortgage backed security that is secured by a loan on a commercial property; CMBS can provide liquidity to real estate investors and to commercial lenders. Typically a CMBS provides a lower degree of prepayment risk because commercial mortgages are most often set for a fixed term and not for a floating term as is generally the case with a residential mortgage. A CMBS is not always in a standard form so can present increased valuation risk. Residential Mortgage-Backed security ("RMBS") An RMBS is a type of security whose cash flows come from residential debt such as mortgages, home-equity loans and subprime mortgages. This is a type of MBS which focuses on residential instead of commercial debt. Holders of an RMBS receive interest and principal payments that come from the holders of the residential debt. The RMBS comprises a large amount of pooled residential mortgages. The stability of returns from an RMBS are not only dependent on changes in interest rates but also changes in the repayments of the underlying loans as a result of changes in economic conditions or the circumstances of the holder of the loan. These securities can therefore be more sensitive to economic events, may be subject to severe price movements and can be more difficult and/or more expensive to sell in difficult markets.

### **Other general risks**

#### **Fund Liability Risk**

The Company is structured as an umbrella fund with segregated liability between its Funds. As a matter of Irish law, the assets of one Fund will not be available to meet the liabilities of another. However, the Company is a single legal entity that may operate or have assets held on its behalf or be subject to claims in other jurisdictions that may not necessarily recognise such segregation of liability. As at the date of this Prospectus, the Directors are not aware of any such existing or contingent liability. Funds with Multiple Share Classes While assets and liabilities that are specific to a Share Class within a Fund would be attributable to (and should be borne by) only that Share Class, there is no segregation of liabilities between Share Classes as a matter of Irish law. Due to the lack of segregation of liabilities as a matter of law, there is a risk that the creditors of a Share Class may bring a claim against the assets of the Fund notionally allocated to other Share Classes. In practice, cross liability between Share Classes is only likely to arise where the aggregate liabilities attributable to a Share Class exceed the aggregate assets of the Fund notionally allocated to that Share Class. Such a situation could arise if, for example, there is a default by a counterparty in respect of the relevant Fund's investments. In these circumstances, the remaining assets of the Fund notionally allocated to other Share Classes of the same Fund may be available to meet such payments and may accordingly not be available to meet any amounts that otherwise would have been payable to holders of Shares of such other Share Classes.

### **Insufficiency of Duties and Charges**

The Fund levies Duties and Charges in order to defray the costs associated with the purchase and sale of Investments. The level of Duties and Charges may be determined by the Manager in advance of the actual purchase or sale of

Investments or execution of associated foreign exchange. It may be estimated based on historic information concerning the costs incurred in trading the relevant securities in the relevant markets. This figure is reviewed periodically and adjusted as necessary. If the Fund levies Duties and Charges which are insufficient to discharge all of the costs incurred in the purchase or sale of Investments, the difference will be paid out of the assets of the Fund, which, pending the reimbursement of the shortfall by an Authorised Participant, will result in a reduction in the value of the Fund (and a corresponding reduction in the value of each Share). In circumstances where Shares subscribed have been issued to an Authorised Participant prior to the receipt by a Fund from the Authorised Participant of the full costs incurred or to be incurred by the Fund in acquiring underlying investments attributable to a subscription, the Fund will have a credit exposure as an unsecured creditor to the Authorised Participant in respect of any shortfall. Similarly, in circumstances where redemption proceeds have been paid to the Authorised Participant prior to the deduction from such proceeds of the full costs incurred or to be incurred by a Fund in disposing of underlying investments attributable to a redemption, the Fund will have a credit exposure as an unsecured creditor to the Authorised Participant in respect of any shortfall.

### **Failure to Settle**

If an Authorised Participant submits a dealing request and subsequently fails or is unable to settle and complete the dealing request, Company will have no recourse to the Authorised Participant other than its contractual right to recover such costs. In the event that no recovery can be made from the Authorised Participant and any costs incurred as a result of the failure to settle will be borne by the Fund and its investors.

### **Taxation Risks**

Potential investors' attention is drawn to the taxation risks associated with investment in the Company. See the section headed "Taxation".

Changes in taxation legislation may adversely affect the Funds

The tax information provided in the "Taxation" section is based, to the best knowledge of the Company, upon tax law and practice as at the date of this Prospectus. Tax legislation, the tax status of the Company and the Funds, the taxation of investors and any tax relief, and the consequences of such tax status and tax relief, may change from time to time. Any change in the taxation legislation in Ireland or in any jurisdiction where a Fund is registered, cross-listed, marketed or invested could affect the tax status of the Company and the relevant Fund, affect the value of the relevant Fund's Investments in the affected jurisdiction, affect the relevant Fund's ability to achieve its investment objective, and/or alter the post-tax returns on Shares held. Where a Fund invests in FDI the preceding sentence may also extend to the jurisdiction of the governing law of the FDI contract and/or the FDI counterparty and/or to the market(s) comprising the underlying exposure(s) of the FDI. The availability and value of any tax relief available to investors depend on the individual circumstances of investors. The information in the "Taxation" section is not exhaustive and does not constitute legal or tax advice. Prospective investors are urged to consult their tax advisors with respect to their particular tax situations and the tax effects of an investment in the Funds.

Withholding tax reclaims

The Company may be subject to withholding or other taxes on income and/or gains arising from its investment portfolio. Where the Company invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Company may not be able to recover such tax and so any such change could have an adverse effect on the Net Asset Value of the Fund. The Company (or its representative) may file claims on behalf of the Funds to recover withholding tax on dividend and interest income (if any) received from issuers in certain countries where such withholding tax reclaim is possible. Whether or when a Fund will receive a withholding tax refund in the future is within the control of the tax authorities in such countries. Where the Company expects to recover withholding tax for a Fund based on a continuous assessment of probability of recovery, the Net Asset Value of that Fund generally includes accruals for such tax refunds. The Company continues to evaluate tax developments for potential impact to the probability of recovery for such Funds. If the likelihood of receiving refunds materially decreases, for example due to a change in tax regulation or approach, accruals in the relevant Fund's Net Asset Value for such refunds may need to be written down partially or in full, which will adversely affect that Fund's Net Asset Value. Investors in that Fund at the time an accrual is written down will bear the impact of any resulting reduction in Net Asset Value regardless of whether they were investors during the accrual period. Conversely, if the Fund receives a tax refund that has not been previously accrued, investors in the Fund at the time the claim is successful will benefit from any resulting increase in the Fund's Net Asset Value. Investors who disposed of their interest in Shares prior to such time will not benefit from such Net Asset Value increase.

Tax liability in new jurisdictions

Where a Fund invests in a jurisdiction where the tax regime is not fully developed or is not sufficiently certain, for example the Middle East, the Company, the relevant Fund, the Manager, the Investment Manager, the Depositary and the Administrator shall not be liable to account to any holder of Shares for any payment made or suffered by the Company or the relevant Fund in good faith to a fiscal authority for taxes or other charges of the Company or the relevant Fund notwithstanding that it is later found that such payments need not or ought not have been made or suffered. Conversely, where through fundamental uncertainty as to the tax liability, adherence to best or common market practice (to the extent that there is no established best practice) that is subsequently challenged or the lack of a developed mechanism for practical and timely payment of taxes, the relevant Fund pays taxes relating to previous years, any related interest or late filing



penalties will likewise be chargeable to the Fund. Such late paid taxes will normally be debited to the fund at the point the decision to accrue the liability in the Fund accounts is made.

#### **Treatment of tax by index providers**

Investors should be aware that the performance of Funds, as compared to a Benchmark Index, may be adversely affected in circumstances where the assumptions about tax made by the relevant index provider in their index calculation methodology, differ to the actual tax treatment of the underlying securities in the Benchmark Index held within Funds.

#### **FATCA**

Investors should also read the information set out under the heading "FATCA and other cross-border reporting systems", particularly in relation to the consequences of the Company being unable to comply with the terms of such reporting systems.

#### **Liquidity Risk**

A Fund's investments may be subject to liquidity constraints, which means they may trade less frequently and in small volumes. Securities of certain types, such as bonds and mortgage-backed instruments, may also be subject to periods of significantly lower liquidity in difficult market conditions. As a result, changes in the value of investments may be more unpredictable. In certain cases, it may not be possible to sell the security at the price at which it has been valued for the purposes of calculating the Net Asset Value of the Fund or at a value considered to be fairest. Reduced liquidity of a Fund's investments may result in a loss to the value of your investment.

#### **Dealing Day Risk**

As foreign exchanges can be open on days which are not Dealing Days or days when a Fund may have suspended calculation of its Net Asset Value and the subscription and redemption of Shares and, therefore, Shares in the Fund are not priced, the value of the securities in the Fund's portfolio may change on days when a Fund's Shares will not be able to be purchased or sold.

#### **Share Subscriptions and Redemptions**

Provisions relating to the redemption of Shares grant the Company discretion to limit the amount of Shares available for redemption on any Dealing Day to 10% of the Net Asset Value of any Fund and, in conjunction with such limitations, to defer or pro-rate such redemption requests. In addition, where requests for subscription or redemption are received late, there will be a delay between the time of submission of the request and the actual date of subscription or redemption. Such deferrals or delays may operate to decrease the number of Shares or the redemption amount to be received.

#### **Umbrella Cash Subscription and Redemption Account Risk**

Subscriptions monies received in respect of a Fund in advance of the issue of Shares will be held in the Umbrella Cash Collection Account. Investors will be unsecured creditors of such Fund with respect to the amount subscribed until such Shares are issued, and will not benefit from any appreciation in the Net Asset Value of the Fund or any other shareholder rights (including dividend entitlement) until such time as Shares are issued. In the event of an insolvency of the Fund or the Company, there is no guarantee that the Fund or Company will have sufficient funds to pay unsecured creditors in full. Payment by the Fund of redemption proceeds and dividends is subject to receipt by the Administrator of original subscription documents and compliance with all anti-money laundering procedures. Notwithstanding this, the redeemed Shares will be cancelled from the relevant redemption date. Redeeming Authorised Participants and Authorised Participants entitled to distributions will, from the redemption or distribution date, as appropriate, be unsecured creditors of the Fund, and will not benefit from any appreciation in the Net Asset Value of the Fund or any other rights (including further dividend entitlement), with respect to the redemption or distribution amount. In the event of an insolvency of the Fund or the Company during this period, there is no guarantee that the Fund or Company will have sufficient funds to pay unsecured creditors in full. Redeeming Authorised Participants and Authorised Participants entitled to distributions should therefore ensure that any outstanding documentation and information is provided to the Administrator promptly. Failure to do so is at such Authorised Participant's own risk. In respect of the Umbrella Cash Collection Account, in the event of the insolvency of another Fund of the Company, recovery of any amounts to which a Fund is entitled, but which may have transferred to such other Fund as a result of the operation of the Umbrella Cash Collection Account, will be subject to the principles of Irish insolvency and trust law and the terms of the operational procedures for the Umbrella Cash Collection Account. There may be delays in effecting and / or disputes as to the recovery of such amounts, and the insolvent Fund may have insufficient funds to repay amounts due to the relevant Fund. Accordingly, there is no guarantee that such Fund or the Company will recover such amounts. Furthermore, there is no guarantee that in such circumstances such Fund or the Company would have sufficient funds to repay any unsecured creditors.

#### **Trading Currency Exposure**

Shares may be traded in various currencies on various stock exchanges. In addition, subscriptions and redemptions of Shares in a Fund will ordinarily be made in the Valuation Currency of the Shares and may in some cases be permitted in other currencies. The currencies in which the underlying investments of a Fund are denominated may also differ from the Base Currency of the Fund (which may follow the base currency of the Fund's Benchmark Index) and from the Valuation Currency of the Shares. Depending on the currency in which an investor invests in a Fund, foreign exchange fluctuations between the currency of investment, the Valuation Currency of the Shares and the Base Currency of the Fund and/or the

currencies in which the Fund's underlying investments are denominated, will have an impact on, and may adversely affect, the value of such investor's investments.

### **Temporary Suspension**

Investors are reminded that in certain circumstances their right to redeem or switch Shares may be temporarily suspended. Please see 'Temporary Suspension of Valuation of the Shares and of Sales, Redemptions and Switching' on pages 124 to 125.

### **Valuation Risk**

Certain assets of the Fund may become illiquid and/or not publicly traded. Such securities and financial instruments may not have readily available prices and may therefore be difficult to value. The Manager, Investment Manager or Administrator may provide valuation services (to assist in calculating the Net Asset Value of a Fund) in relation to such securities and financial instruments. Investors should be aware that in these circumstances a possible conflict of interest may arise as the higher the estimated valuation of the securities the higher the fees payable to the Manager, Investment Manager or Administrator. Please see "Conflicts of Interest - General" on page 141 for details of how the Company deals with conflicts. In addition, given the nature of such Investments, determinations as to their fair value may not represent the actual amount that will be realised upon the eventual disposal of such Investments.

### **Operational Risk**

The Company is exposed to operational risks arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of the Company's service providers, counterparties or other third parties, failed or inadequate processes and technology or systems failures. The Manager seeks to reduce these operational risks through controls and procedures and, through its monitoring and oversight of other service providers to the Company, also seeks to ensure that such service providers take appropriate precautions to avoid and mitigate risks that could lead to disruptions and operating errors. However, it is not possible for the Manager and other service providers to identify and address all of the operational risks that may affect a Fund or to develop processes and controls to completely eliminate or mitigate their occurrence or effects. A Fund's operations (including investment management, distribution, collateral management, administration and currency hedging) are carried out by several service providers which are selected based on a rigorous due diligence process. Nevertheless, the Manager and other service providers to the Company may experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures, provision or receipt of erroneous or incomplete data, resulting in operational risk which may have a negative effect on the Fund's operations and may expose the Fund to a risk of loss. This can manifest itself in various ways, including business interruption, poor performance, information systems malfunctions or failures, provision or receipt of erroneous or incomplete data or loss of data, regulatory or contractual breaches, human error, negligent execution, employee misconduct, fraud or other criminal acts. Investors could experience delays (for example, delays in the processing of subscriptions, switching and redemption of Shares) or other disruptions. While the Manager seeks to minimise operational errors as set out above, there may still be failures that could cause losses to a Fund and reduce the value of the Fund.

### **Reference Rate Risk**

Certain of the Funds' investments, benchmarks and payment obligations may be based on floating rates, such as the European Interbank Offer Rate ("EURIBOR"), Sterling Overnight Index Average ("SONIA"), and other similar types of reference rates ("Reference Rates"). The changes or reforms to the determination or supervision of Reference Rates could have an adverse impact on the market for, or value of, any securities or payments linked to those Reference Rates. In addition, any substitute Reference Rate and any pricing adjustments imposed by a regulator or by counterparties or otherwise may adversely affect a Fund's performance and/or Net Asset Value.

### **Other risk factors related to the Underlying ETF**

Other risk factors related to the Underlying ETF are described in the Section entitled "Risk Factors" of the prospectus of the Underlying ETF issued in connection with the Shares and available at [www.ishares.com](http://www.ishares.com).

## **USE OF PROCEEDS**

The net proceeds of the issue of the ETNs will be used by the SPC for investments in the Permitted Assets only.

## UNDERLYING ETF

THE INFORMATION IN THIS SECTION HAS BEEN TAKEN “AS IS” FROM THE WEB-SITE ([HTTP://WWW.ISHARES.COM](http://www.ishares.com)) MAINTAINED FOR THIS UNDERLYING ETF AND THE SPC SHALL NOT BE LIABLE FOR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS SECTION. BECAUSE THE PERFORMANCE OF THE UNDERLYING ETF DIRECTLY AFFECTS THE VALUE AND PRICE OF THE ETNS POTENTIAL INVESTORS SHOULD REVIEW INFORMATION ABOUT THE UNDERLYING ETF AVAILABLE AT THE WEB-SITE [HTTP://WWW.ISHARES.COM](http://www.ishares.com) PRIOR TO PURCHASING ANY ETNS.

### Overview

The return on the ETNs is linked to the performance of the iShares US Aggregate Bond UCITS ETF (LSE ticker symbol: “IUAA”) (the “**Underlying ETF**”). The Underlying ETF seeks to provide investors with a total return, taking into account both capital and income returns, which reflects the return of the Bloomberg Barclays US Aggregate Bond Index (the “Index”). In order to achieve this investment objective, the investment policy of the Underlying ETF is to invest in a portfolio of fixed income securities that so far as possible and practicable consists of the component securities of the Bloomberg Barclays Index, being the Underlying ETF’s benchmark index.

### Key Facts

Net Assets of Share Class as of 21/Oct/2022	USD 1,868,448,388	Net Assets of Fund as of 21/Oct/2022	USD 2,803,194,505
Share Class Launch Date	13/Apr/2017	Fund Launch Date	13/Sep/2011
Share Class Currency	USD	Fund Base Currency	USD
Asset Class	Fixed Income	Benchmark Index	Bloomberg US Aggregate Bond Index
Total Expense Ratio	0.25%	Shares Outstanding as of 21/Oct/2022	387,663,775
Securities Lending Return as of 30/Jun/2022	0.01%	Use of Income	Accumulating
Product Structure	Physical	Domicile	Ireland
Methodology	Sampled	Rebalance Frequency	Monthly
Issuing Company	iShares II plc	Fund Manager	BlackRock Asset Management Ireland Limited
Administrator	State Street Fund Services (Ireland) Limited	Custodian	State Street Custodial Services (Ireland) Limited
ISIN	IE00BYXYM63	Bloomberg Ticker	IUAA LN

### Portfolio characteristics

Number of Holdings as of 20/Oct/2022	6957	Benchmark Level as of 21/Oct/2022	USD 1,960.94
Benchmark Ticker	LBSTRUU	Weighted Average YTM as of 20/Oct/2022	0.00
Weighted Avg Coupon as of 20/Oct/2022	0.00	Weighted Avg Maturity as of 20/Oct/2022	0.00
Effective Duration as of 20/Oct/2022	0.00		

### Top 10 holdings (as of October 20, 2022)

Issuer	Weight (%)	Issuer	Weight (%)
UNITED STATES TREASURY	41.76	BANK OF AMERICA CORP	0.69
FEDERAL NATIONAL MORTGAGE ASSOCIATION	13.73	JPMORGAN CHASE & CO	0.62
FEDERAL HOME LOAN MORTGAGE CORPORATION	6.65	FEDERAL HOME LOAN BANKS	0.45
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	5.63	GOLDMAN SACHS GROUP INC/THE	0.44
UNIFORM MBS	1.32	FEDERAL HOME LOAN MORTGAGE CORPORATION -GOLD	0.42

### Fees and Expenses Attributable to Underlying ETF

The charges are used to pay the costs of running the share class, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

\* Not applicable to secondary market investors. Investors dealing on a stock exchange will pay fees charged by their stock brokers. Such charges are publicly available on exchanges on which the shares are listed and traded, or can be obtained from stock brokers.

\* Authorised participants dealing directly with the Underlying ETF will pay related transaction costs including, on redemptions, any applicable capital gains tax (CGT) and other taxes on underlying securities.

The ongoing charges figure is based on the fixed annualised fee charged to the share class in accordance with the Underlying ETF's prospectus. This figure excludes portfolio trade related costs, except costs paid to the depositary and any entry/exit charge paid to an underlying collective investment scheme (if any).

\*\* To the extent the Underlying ETF undertakes securities lending to reduce costs, the Underlying ETF will receive 62.5% of the associated revenue generated and the remaining 37.5% will be received by BlackRock as the securities lending agent. As securities lending revenue sharing does not increase the costs of running the Underlying ETF, this has been excluded from the ongoing charges.

One-off charges taken before or after you invest	
Entry Charge	None*
Exit Charge	None*
This is the maximum that might be taken out of your money before it is invested or before proceeds of your investments are paid out.	
Charges taken from the Share Class over each year	
Ongoing Charges	0.25% **
Charges taken from the share class under certain conditions	
Performance Fee	None

### Principal Investment Objective of Underlying ETF

The investment objective of the Underlying ETF is to provide investors with a total return, taking into account both capital and income returns, which reflects the return of the Bloomberg US Aggregate Bond Index (the "Index").

### Investment Policy of Underlying ETF

In order to achieve its investment objective, the investment policy of the Underlying ETF is to invest in a portfolio of fixed income securities that so far as possible and practicable consists of the component securities of the Bloomberg US Aggregate Bond Index, the Underlying ETF's benchmark Index. The Underlying ETF intends to use optimisation techniques in order to achieve a similar return to the Index and it is therefore not expected that the Underlying ETF will hold each and every underlying constituent of the Index at all times or hold them in the same proportion as their weightings in the Index. The Underlying ETF may hold some securities which are not underlying constituents of the Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the Index. However, from time to time the Underlying ETF may hold all constituents of the Index.

The Underlying ETF will invest in transferable securities and money market instruments issued or guaranteed by governments, public international bodies or corporations. These include treasury, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage passthroughs), asset-backed securities, and commercial mortgage-backed securities. The Underlying ETF's investments will, at the time of purchase, comply with the credit rating requirements of the Underlying ETF's benchmark Index, which is investment grade. While it is intended that the Underlying ETF's investments will comprise investment grade issues, issues may be downgraded in certain circumstances from time to time. In such event the Underlying ETF may hold non-investment grade issues until such time as such non-investment grade issues cease to form part of the Underlying ETF's benchmark Index (where applicable) and it is possible and practicable (in the investment manager's view) to liquidate the position.

The base currency of iShares US Aggregate Bond UCITS ETF is US Dollar (US\$).

### **Benchmark Index of Underlying ETF**

The Bloomberg US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated fixed rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass throughs), asset-backed securities, and commercial mortgage-backed securities. Inclusion in this benchmark Index is not based on the domicile of the issuer, securities must be US Dollar denominated and non-convertible. Only investment grade bonds with a minimum remaining time to maturity of one year are considered for inclusion in the benchmark Index. The benchmark Index rebalances on a monthly basis. Further details regarding the benchmark Index (including its constituents) are available on the index provider's website at <https://www.bloombergindices.com/bloomberg-indices/>.

### **Investment Manager**

BlackRock Advisors (UK) Limited

### **Additional information about Underlying ETF**

For more information about Underlying ETF, visit the website at <http://www.ishares.com>. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus of Underlying ETF; read and consider it carefully before investing.

## SPC

iX US Aggregated Bonds SPC Limited, a special purpose company incorporated under the AIFC law on October 29, 2019 and governed by the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017). The LEI (Legal Entity Identifier) code of the SPC is 254900N8CNIWIGKWKO67. The SPC passed the necessary resolutions by virtue of which the ETNs have been created.

In addition to incorporating the SPC, the Management Company incorporated a number of special purpose companies in the AIFC. Each special purpose company is expected to issue exchange traded notes linked to the performance of various securities where such notes are intended to be listed and traded on the Stock Exchange.

### **Main business purpose**

iX US Aggregated Bonds SPC Limited is incorporated with the principal business purpose of issuing and maintaining ETNs, the purchase of which will enable the ETN holders to participate in the performance (i.e., gains or losses) of the Underlying ETF.

### **Legal form**

iX US Aggregated Bonds SPC Limited is incorporated in the form of a special purpose company in accordance with the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017), adopted by the board of directors of the Astana Financial Services Authority JSC.

The AFSA Registrar of Companies has issued a certificate of incorporation with respect to the SPC on October 29, 2019 and included it into the AFSA's public register at <https://publicreg.myafsa.com/details/191040900254/>.

### **Articles of association of the SPC**

The articles of association of the SPC provide that the purpose of the Company is limited to conducting the following Exempt Activities (as such term is defined in the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017)):

- (a) the issuance of exchange traded notes and conduct of any other transactions involving exchange traded notes;
- (b) the acquisition (by way of leasing, title transfer, risk transfer or otherwise), the holding and the disposal of any asset (tangible or intangible, including, for example, receivables and shares) in connection with and for the purpose of the transactions referred to in paragraph (a) above;
- (c) the obtaining of any type of financing (banking or capital markets), the granting of any type of security interest over its assets, the providing of any indemnity or similar support for the benefit of its shareholders or any of its subsidiaries, or the entering into of any type of hedging arrangements, in connection with and for the purpose of the transactions referred to in paragraph (a) above;
- (d) the financing of the shareholder or another special purpose company;
- (e) any other activity approved in writing by the Registrar of Companies of the AIFC; and
- (f) any activity ancillary to an activity mentioned in paragraphs (a) to (f).

In addition, in accordance with the articles of association of the SPC the SPC shall be entitled to own and/or hold only those assets which are permitted to be owned or held under this Prospectus (as this Prospectus may be amended from time to time).

### **Directors**

The Management Company, a wholly-owned subsidiary of AIX, act as the sole director and secretary of the SPC. The appointment of the Management Company, being a body corporate, as a director is permitted under Rule 6.1 of the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017).

### **Prospects of the Issuer**

The SPC is a special purpose vehicle with a passive investment strategy and the asset classes in which it can invest are limited. Investments by the ETN Holders will be used by the SPC to purchase Permitted Assets only. Accordingly, the prospects of the SPC are fully dependent on the market demand for its ETNs and the performance of the Underlying ETF.

**Auditor**

The SPC has appointed IAC Russell Bedford A+ Partners LLP as its Auditor. The audited financial statements prepared in accordance with IFRS are published on the website of the Stock Exchange at [www.aix.kz](http://www.aix.kz) each year not later than the end of May.

**Management Company**

The SPC has appointed the Management Company, a wholly-owned subsidiary of AIX, as the Management Company, as described in the Registration Document. The Management Company and/or its affiliates is responsible for the provision of certain services and has a right to receive the management fee pursuant to the Management Agreement. The SPC is run operationally by the Management Company under the Management Agreement. The Management Company outsources some of its functions from AIX.

**Working Capital Statement**

AIX FM Limited acting as a Director for the SPC believes that in its opinion and based on the passive investment approach of the SPC, the working capital is sufficient for the SPC's present requirements for at least the next 12 months from the date of this Securities Note.

**Additional information***Reasons for the offer*

The ETNs are offered to the potential investors in or from AIFC; net proceeds of the issue of the ETNs will be used by the SPC for investments in the Permitted Assets only. Estimated net amount of the proceeds is equal to the Initial Placement.

*Creditworthiness of the Issuer*

Information about the creditworthiness of the Issuer (earnings coverage ratio; any relevant credit ratings; any other risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes, statement of capitalization and indebtedness) – not applicable.

*Guarantees attached to the ETNs*

There are no guarantees attached to the ETNs.



## FINANCIAL INFORMATION OF THE SPC

### FINANCIAL INFORMATION OF THE SPC

The financial information of the SPC below as at and for the year ended 31 December 2021 was derived from the SPC's Financial Statements 2021, which have been audited by Russell Bedford A+ Partners Ltd and were prepared in accordance with IFRS. You should read the following selected financial information in conjunction with the SPC's Financial Statements for the Year ended 31 December 2021 and the notes thereto which are included in the annual report of the SPC, published on the website of AIX.

Except for the information extracted from the Financial Statements this Securities Note do not include any audited or reviewed financial information.

KZT is the presentation currency for the Financial Statements. The Financial Statements and financial information included in this section have, unless otherwise noted, been presented in KZT. All amounts are presented in KZT thousands (unless otherwise noted).

#### ***Rounding***

Certain figures included in this Section of the Securities Note have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### STATEMENT OF FINANCIAL POSITION OF THE ISSUER

The table below sets forth the statement of financial position of the SPC, as at 31 December 2021.

	31 December 2021	31 December 2020
<b>Assets</b>		
Cash and cash equivalents	235	210
Financial assets at fair value through profit or loss	97,625	97,322
<b>Total Assets</b>	<b>97,860</b>	<b>97,532</b>
<b>Equity</b>		
Share capital	1	1
Retained earnings/(accumulated loss)	-	-
<b>Total Equity</b>	<b>1</b>	<b>1</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	97,838	97,531
Other liabilities	21	-
<b>Total Liabilities</b>	<b>97,859</b>	<b>97,531</b>
<b>Total Equity and Liabilities</b>	<b>97,860</b>	<b>97,532</b>

### STATEMENT OF COMPREHENSIVE INCOME OF THE SPC

The table below sets forth the statement of comprehensive income of the SPC for the year ended 31 December 2021.

	2021	2020
Net gain/(loss) from changes in fair value of financial assets	(1,937)	5,683
Net gain/(loss) from changes in fair value of financial liabilities	2,157	(5,456)
<b>Operating income</b>	<b>220</b>	<b>227</b>
Administrative expenses	(1,458)	(1,073)
Other income	1,216	8467
Net gain/(loss) from foreign currencies	22	-
Profit before income tax expense	-	-
Income tax expense	-	-
<b>Profit for the period</b>	<b>-</b>	<b>-</b>

Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>

## STATEMENT OF CASH FLOWS OF THE SPC

The table below sets forth the statement of cash flows of the SPC, as at 31 December 2021.

	2021	2020
<b>Operating activities</b>		
Management fee	(221)	(227)
<b>Net cash flows from operating activities</b>	<b>(221)</b>	<b>(227)</b>
<b>Investing activities</b>		
Selling of exchange traded funds	242	-
<b>Net cash flows from investing activities</b>	<b>242</b>	<b>-</b>
<b>Financing activities</b>		
Placement of exchange traded notes	-	29
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>29</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>21</b>	<b>(198)</b>
Effect of exchange rates changes on cash and cash equivalents	4	38
Cash and cash equivalents, beginning of the period	210	370
<b>Cash and cash equivalents, at the end of the period</b>	<b>235</b>	<b>210</b>

## STATEMENT OF CHANGES IN EQUITY OF THE SPC

The table below sets forth the statement of changes in equity of the SPC, as at 31 December 2021.

	Share capital	Retained earnings	Total equity
<b>As at 31 December 2019</b>	<b>1</b>	<b>-</b>	<b>1</b>
Total comprehensive income for the period	-	-	-
<b>As at 31 December 2020</b>	<b>1</b>	<b>-</b>	<b>1</b>
Total comprehensive income for the period	-	-	-
<b>As at 31 December 2021</b>	<b>1</b>	<b>-</b>	<b>1</b>

## SELECTED FINANCIAL INFORMATION

Below is the additional information on selected items.

### Financial assets at fair value through profit or loss

As at 31 December 2021 financial assets at fair value through profit or loss include investment in the form of exchange traded funds.

Issuer	Currency	31 December 2021		31 December 2020	
		Number of shares	Market value	Number of shares	Market value
iShares US Aggregated Bond UCITS ETF	US Dollar	39,038	97,625	39,135	97,322
		39,038	97,625	39,135	97,322

All financial assets are units in exchange traded fund (“ETF”) acquired in the transaction with related party Astana International Exchange Market Liquidity Services Ltd (“AIX MLS Ltd.”).

25 November 2021 the SPC sold 97 ETF in amount of 243 thousand tenge. According to prospectus, in the event the SPC has insufficient cash to pay management fee or other expenses, the SPC may sell ETF shares in order to cover such expenses.

Changes in financial assets are as follow:

	1 January	ETF sales	ETF/ETN exchange	Changes in fair value	Foreign exchange	31 December
<b>2021</b>	<b>97,322</b>	<b>(243)</b>	<b>-</b>	<b>(1,937)</b>	<b>2,483</b>	<b>97,625</b>
2020	74,770	-	8,499	5,683	8,370	97,322

#### Financial liabilities at fair value through profit or loss

Issuer	Currency	31 December 2021		31 December 2020	
		Number of ETNs	Market value	Number of ETNs	Market value
iX US Aggregated Bonds SPC Limited	US Dollar	39,135	97,838	39,135	97,531
		39,135	97,838	39,135	97,531

Financial liabilities at fair value through profit or loss include exchange traded notes (“ETN”) issued by the SPC and sold to the related party AIX MLS Ltd.

The ETNs are unsecured and can be redeemed by the SPC prior to maturity, which is 5 December 2029.

Changes in financial liabilities are as follow:

	1 January	Cash Inflow	ETF/ETN exchange	Changes in fair value	Foreign exchange	31 December
<b>2021</b>	<b>97,531</b>	<b>-</b>	<b>-</b>	<b>(2,157)</b>	<b>2,464</b>	<b>97,838</b>
2020	75,139	29	8,499	5,456	8,408	97,531

#### Administrative expenses

	2021	2020
Audit	937	571
Management fee	242	228
Custodian service	279	274
	<b>1,458</b>	<b>1,073</b>

#### Other income

Other income is a reimbursement of administrative expenses by Management Company according to management agreement in amount of 1,216 thousand tenge (2020: 846 thousand tenge).

#### **Related Party Transactions**

The major transactions with related parties for the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
<b>Administrative expenses</b>		
AIX FM Ltd.	(242)	(228)
<b>Other income</b>		
AIX FM Ltd	1,216	846

## RESPONSIBILITY STATEMENT

**Subject to the following paragraph, the SPC, having made all the reasonable enquiries, accepts responsibility for this Securities Note, the Prospectus Summary and the Registration Document (in accordance with Section 69 of the AIFC Framework Regulations №18 of 2018 and Part 1 of the AIFC Market Rules №FR0003 of 2017) and confirms that the Prospectus complies with the requirements set out in Section 69 of the AIFC Framework Regulations №18 of 2018 and Part 1 of the AIFC Market Rules №FR0003 of 2017 and contains all information which is material in the context of the issue of the ETNs, that the information contained in the Prospectus is correct to the best of its knowledge and that no material facts or circumstances have been omitted.** The information in the Section “Underlying ETF” has been taken “as is” from the website (<http://www.ishares.com>) maintained for the Underlying ETF and the SPC shall not be liable for the accuracy or completeness of the information contained in that Section. Because the performance of the Underlying ETF directly affects the value and price of the ETNs potential investors should review information about the Underlying ETF available at the website <http://www.ishares.com> prior to purchasing any ETNs. The SPC confirms that such information has been accurately reproduced and is able to ascertain from the information published on the above-mentioned sources that no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of information is identified where used. The SPC accepts responsibility for correctly extracting such information from the sources and confirms that such information has been correctly extracted from those sources.

Neither the delivery of the Prospectus nor the offering, sale or delivery of any ETNs shall in any circumstances create any implications that there has been no adverse change, or any event reasonably likely to involve an adverse change, in the condition (financial or otherwise) of the Issuer since the date of the Prospectus.