

## SECURITIES NOTE

dated February 13, 2024

14 573 iX Global Emerging Markets Equities Exchange Traded Notes<sup>1</sup> due December 05, 2029

issued under

## REGISTRATION DOCUMENT

dated February 13, 2024

## 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 Global Emerging Markets Equities SPC Limited.*

This Securities Note dated February 13, 2024 for iX Global Emerging Markets Equities 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 February 13, 2024, including any amendments thereto (the “**Registration Document**”), and the Prospectus Summary for iX Global Emerging Markets Equities 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 upon its publication and effective from February 13, 2024 supersedes the Securities Note of iX Global Emerging Markets Equities SPC Limited Exchange Traded Notes due December 05, 2029 dated October 22, 2022.

### General

- The iX Global Emerging Markets Equities Exchange Traded Notes (the “**ETNs**”) are senior unsecured debt obligations of iX Global Emerging Markets Equities SPC Limited (the “**SPC**”), a special purpose company incorporated in the AIFC whose sole assets are shares in the iShares Core MSCI EM IMI UCITS ETF (LSE ticker symbol: “EIMI”) (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 MSCI Emerging Markets Investable Market Index (the “**Index**”). In order to achieve this investment objective, the investment policy of the Underlying ETF is to invest in a portfolio of equity securities that, so far as possible and practicable, consist 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 29 to 31 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.**
- 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

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

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 28,32 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 “**IXE**”. 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.
- 6 745 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 6 745 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 14 573 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.**

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## 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>	An investor who has 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>	200 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>	KZX000000260.
<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>	200 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 Global Emerging Markets Equities SPC Limited (“ <b>SPC</b> ”, “ <b>we</b> ”, “ <b>our</b> ” or “ <b>us</b> ”), a special purpose company, registration number 191040900284, 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/191040900284/">https://publicreg.myafsa.com/details/191040900284/</a> and governed by the AIFC Special Purpose Company Rules (AIFC Rules No. GR0001 of 2017).
<b>Underlying ETF</b>	iShares Core MSCI EM IMI UCITS ETF (LSE ticker symbol: “EIMI”).

## NET ASSET VALUE

As at the date of this Securities Note, the Net Asset Value (“NAV”) was equal to 30.79 USD and consist of the following:

Date February 13, 2024

Type of asset	Value, USD
Cash	449.55
Shares (14 435 shares in the iShares Core MSCI EM IMI UCITS ETF)	448,351.10
Gross asset value	448,800.65
Total accrued Expenses for account of ETN Holders	50.94
NAV	448,749.71
NAV per ETN (with 14 573 ETNs outstanding as at the date of this Securities Note)	30.79

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

Month	NAV per ETN, USD	Month	NAV per ETN, USD
10 December 2019	28,59	December 2021	35,59
December 2019	30,35	January 2022	35,00
January 2020	28,55	February 2022	33,82
February 2020	26,99	March 2022	33,54
March 2020	23,12	April 2022	31,34
April 2020	24,95	May 2022	31,20
May 2020	25,08	June 2022	29,07
June 2020	27,13	July 2022	29,10
July 2020	29,37	August 2022	29,14
August 2020	30,85	September 2022	25,90
September 2020	30,01	October 2022	25,20
October 2020	30,26	November 2022	28,77
November 2020	33,35	December 2022	28,50
December 2020	35,94	January 2023	30,77
January 2021	36,90	February 2023	28,78

February 2021	37,30	March 2023	29,65
March 2021	36,89	April 2023	29,42
April 2021	37,54	May 2023	28,61
May 2021	38,18	June 2023	30,15
June 2021	38,58	July 2023	31,92
July 2021	36,50	August 2023	30,01
August 2021	36,99	September 2023	29,21
September 2021	35,93	October 2023	27,93
October 2021	36,06	November 2023	30,39
November 2021	34,56	December 2023	31,54
		January 2024	30,49

## 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 Global Emerging Markets Equities 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 28,32 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 Global Emerging Markets Equities 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>	KZX000000260
<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>	IXE
<b>Initial issued quantity</b>	6 745
<b>Current issued quantity</b>	14 573
<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 Core MSCI EM IMI UCITS ETF (LSE ticker symbol: “EIMI”)
<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.

<p><b>Material interest and conflict</b></p>	<p><i>Disclosures on affiliated companies within AIX group.</i></p> <p>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 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>
<p><b>The manner of placement, allocation and method of payment for ETNs</b></p>	<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>
<p><b>The effect the issuance of the ETNs on the capital structure of the SPC</b></p>	<p>Continuing issuance and redemptions of ETNs (being debentures of the SPC) will not affect the capital structure of the SPC.</p>
<p><b>Particulars of any commissions or other fees to be paid by the SPC in relation to the offer</b></p>	<p>The SPC is not planning to pay any fees or commissions in relation to the offer (except customarily fees of the Stock Exchange).</p>
<p><b>All relevant details of the appointment of an underwriter and/or a placing agent</b></p>	<p>Not applicable, the offer has no underwriter or a placing agent.</p>

<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.
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## 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 Global Emerging Markets Equities 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. Any assets or liabilities that are denominated in currency other than USD will be translated into USD at the prevailing market rates.

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), 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 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 the Currency Hedged Funds and Currency Hedged Share Classes to hedge their currency risks are not collateralised and the Currency Hedged Funds 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 any Equity Fund which is also a Currency Hedged Fund and State Street is also 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 subcustodians 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 sub-custodian 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 subcustodian 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 Depository**

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

Investors that settle or clear through an International Central Securities Depository 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 Depository and otherwise by the arrangement with a Participant of the International Central Securities Depository (for example, their nominee, broker or Central Securities Depositories, 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 Depository, pursuant to the terms of its appointment by the relevant International Central Securities Depository. The applicable International Central Securities Depository 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 Depositories (which reflects votes received by the applicable International Central Securities Depository 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 Depository. Investors, where they are Participants, must look solely to the applicable International Central Securities Depository 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 Depository (as appropriate, which may be a Participant or have an arrangement with a Participant of the applicable International Central Securities Depository) 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 Depository 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.

### **Emerging Markets - General**

Emerging markets are subject to special risks associated with investment in an emerging market. The material risks include: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; lack of available currency hedging instruments; abrupt imposition of restrictions on foreign investment; imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well-regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; risk of expropriation, nationalisation or confiscation of assets or property; higher inflation; social, economic and political instability and uncertainties; the risk of expropriation of assets and the risk of war. In the absence of the Depository's negligent or intentional failure to properly fulfil its obligations pursuant to the Regulations, the Depository 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 Depository or a sub-custodian or being physically delivered to the Depository. Accordingly, while the liability of the Depository 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 Depository will have no liability. 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. There could be additional impacts on the value of a Fund as a result of sustainability risks, in particular those caused by environmental changes related to climate change, social issues (including relating to labour rights) and governance risk (including but are not limited to risks around board independence, ownership & control, or audit & tax management). Additionally, disclosures or third-party data coverage associated with sustainability risks is generally less available or transparent in these markets. 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.

### **Investments in Brazil**

On 14 September 2016, the Brazilian tax authorities issued Normative Instruction 1658/16 amending the list of countries considered to be 'low tax jurisdictions' to include Curacao, Saint Martin and Ireland and exclude the Netherlands Antilles and Saint Kitts and Nevis. The changes were effective from 1 October 2016 onwards. As a consequence, Brazilian capital gains tax and increased income withholding tax rates on interest on capital distributions apply to Brazilian securities. Any capital gains tax calculable as a result of portfolio transactions relating to redemptions will be dealt with in accordance with the definition of "Duties and Charges" and may result in an additional spread, which may reduce the net proceeds received for the redemption. Any capital gains tax incurred as a result of portfolio transactions not related to redemptions (e.g. rebalancing) will be borne by the respective Fund.

### **Investments in the PRC**

For Funds that invest in or are exposed to investment in the PRC, potential investors should also consider the following risk warnings which are specific to investing in or exposure to the PRC:

- The PRC is one of the world's largest global emerging markets. The economy in the PRC, which has been in a state of transition from a planned economy to a more market orientated economy, differs from the economies of most developed countries and investing in the PRC may be subject to greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of market shut down, greater control of foreign exchange and more limitations on foreign investment policy than those typically found in a developed market. There may be substantial government intervention in the PRC economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. The PRC government and regulators may also intervene in the financial markets, such as by the imposition of trading restrictions, which may affect the trading of Chinese securities. The companies in which a Fund invests may be held to lower disclosure, corporate governance, accounting and reporting standards than companies in more developed markets. In addition, some of the securities held by a Fund may be subject to higher transaction and other costs, foreign ownership limits, the imposition of withholding or other taxes, or may have liquidity issues which make such securities more difficult to sell at reasonable prices. These factors may have an unpredictable impact on a Fund's investments and increase the volatility and hence the risk of a loss to the value of an investment in a Fund. Furthermore, market interventions may have a negative impact on market sentiment which may in turn affect the performance of the Benchmark Index and, by extension, the performance of a Fund.
- The PRC economy has experienced significant and rapid growth in the past 20 years. However, such growth may or may not continue, and may not apply evenly across different geographic locations and sectors of the PRC economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth of the PRC economy. Furthermore, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities markets in the PRC and therefore on the performance of a Fund.

These factors may increase the volatility of any such Fund (depending on its degree of investment in the PRC) and hence the risk of loss to the value of your investment.

## **India**

For Funds that invest in or are exposed to investment in India, potential investors should also consider the following risk warnings which are specific to investing in or exposure to India:

- India is located in a part of the world that has historically been prone to natural disasters such as earthquakes, volcanoes and tsunamis and India is economically sensitive to environmental events. In addition, the agricultural sector is an important component of the Indian economy and adverse weather may have a significant negative effect on the Indian economy.
- India has experienced a process of privatisation of certain entities and industries. If the newly privatised companies are unable to adjust quickly to a competitive environment or to changing regulatory and legal standards, investors in such newly privatised entities could suffer losses and this could adversely affect the performance of the Indian market.
- The Indian economy is dependent on commodity prices, which can be volatile and this poses risk of macroeconomic instability. The Indian economy is also dependent on the economies of Asia, mainly Japan and China, and the United States as key trading partners. Reduction in spending on Indian products and services by any of these trading partners or a slowdown or recession in any of these economies could adversely affect the Indian economy.
- India has experienced acts of terrorism and has strained international relations with Pakistan, Bangladesh, China, Sri Lanka and other neighbours due to territorial disputes, historical animosities, terrorism and other defence concerns. These situations may cause uncertainty in the Indian market and may adversely affect performance of the Indian economy.
- Disparities of wealth, the pace of economic liberalisation and ethnic, religious and racial disaffection may lead to social turmoil, violence and labour unrest in India. In addition, India continues to experience religious and border disputes as well as separatist movements in certain Indian states. Unanticipated political or social developments may result in investment losses.
- The Indian government has experienced chronic structural public sector deficits. High amounts of debt and public spending may stifle Indian economic growth, cause prolonged periods of recession or lower India's sovereign debt rating.
- Indian disclosure and regulatory standards are in many respects less stringent than standards in certain OECD (Organisation for Economic Co-operation and Development) countries. There may be less publicly available information about Indian companies than is regularly published by or about companies in such other countries. The difficulty in obtaining such information may mean that a Fund experiences difficulties in obtaining reliable information regarding any corporate actions and dividends of companies in which such a Fund has directly or indirectly invested. Indian accounting standards and requirements also differ in significant respects from those applicable to companies in many OECD countries.
- A Fund, the market price and the liquidity of the Shares may be affected generally by exchange rates and controls, interest rates, changes in Indian governmental policy, taxation, social and religious instability and other political, economic or other developments in or affecting India.
- Although the Indian primary and secondary equity markets have grown rapidly and the clearing, settlement and registration systems available to effect trades on the Indian stock markets have significantly improved with mandatory dematerialisation of shares, these processes may still not be on a par with those in more mature markets. Problems of settlement in India may impact on the Net Asset Value and the liquidity of a Fund.
- SEBI was created under the resolution of the Government of India in April 1992, and performs the function of "promoting the development of and regulation of the Indian securities market, the protection of the interest of shareholders as well as matters connected therewith and incidental thereto". The Securities and Exchange Board of India Act of 1992 has entrusted the SEBI with much wider powers and duties, which inter alia, include prohibition of fraudulent and unfair trade practices relating to the stock markets including insider trading and regulation of substantial acquisitions of shares and takeovers of companies. The Indian stock exchanges have been subject to broker defaults, failed trades and settlement delays in the past and such events may have adverse impact on the Net Asset Value of a Fund. In addition, in the event of occurrence of any of the above events, or in the event of SEBI having reasonable ground to believe that the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market, SEBI can impose restrictions on trading in certain securities, limitations on price movements and margin requirements, which could adversely impact the liquidity of a Fund.
- A disproportionately large percentage of market capitalisation and trading value in the Indian stock exchanges is represented by a relatively small number of issuers. There is a lower level of regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants as compared to certain OECD markets. It may, therefore, be difficult to invest a Fund's assets so as to obtain a representative portfolio or to realise the Fund's investments at the places and times that it would wish to do so.
- Indian capital gains tax apply to Indian securities. Any capital gains tax calculable as a result of portfolio transactions relating to redemptions will be dealt with in accordance with the definition of "Duties and Charges" and may result in an additional spread, which may reduce the net proceeds received for the redemption. Any capital gains tax incurred as a result of portfolio transactions not related to redemptions (e.g. rebalancing) will be borne by the respective Fund.

### *Indian Foreign Portfolio Investors Regulations*

In order for a Fund to invest directly in India, it must seek to register as a Category II FPI under the SEBI Regulations or any equivalent applicable regulations at the time. In January 2014, the SEBI put in place regulations that impact portfolio

investments made by FPIs. These include foreign institutional investors, non-resident Indians and other foreign investors. Under the FPI rules, investors cannot transact in securities as FPIs unless they have been granted registration by depository participants acting on behalf of the SEBI. To be eligible for FPI status, applicants must meet certain criteria related to their residence, the status of their securities market regulator, the Financial Action Task Force, and other factors. Once granted, registration is permanent unless suspended by the SEBI or surrendered by the FPI. Any change to the FPI regime generally, including the possibility of a Fund losing its FPI status, may affect such a Fund's ability to invest in securities in India. To the extent that a Fund loses its FPI status or laws and regulations change such that the FPI regime is no longer available to it, it will be more difficult for such a Fund to achieve its investment objective. Accordingly, there is a greater risk of tracking error, which may result in a negative or positive performance impact to such a Fund and holders of its Shares.

#### *General investment restrictions*

Investment by FPIs is restricted to primary and secondary market securities (including listed or to be listed shares, debentures and warrants of companies), listed and unlisted domestic mutual funds and collective investment schemes, derivatives traded on a recognised stock exchange, treasury bills, government securities, commercial papers, various types of debt instruments and units in debt funds, depository receipts and other instruments specified by the SEBI. Securities lending is also allowed as per the SEBI Regulations. Further requirements exist in respect of transactions in the secondary market. There are certain investment conditions and restrictions that an FPI would need to comply with including investment in company shares not exceeding 10% of the company's issued capital per single FPI or investor group. The SEBI may introduce further limitations or restrictions on the foreign ownership of securities in India, which may have adverse effects on the liquidity and the performance of a Fund. Such limitations and restrictions may restrict a Fund's ability to acquire the securities of one or more constituents of its Benchmark Index in accordance with the relevant weightings of the Benchmark Index and therefore may impact on a Fund's ability to closely track the performance of its Benchmark Index.

#### *Broad based fund regime*

In order to be registered as a Category II FPI, under the SEBI Regulations, a Fund will be required to demonstrate that it is an appropriately regulated broad based fund. The Indian broad based fund regime applies to funds established or incorporated outside India, which are eligible on the basis of the fund or its manager(s) being regulated in their respective foreign jurisdiction. A Fund must satisfy the broad based criteria, which include internal review and accessibility of information about underlying investors. These types of funds shall have a minimum of 20 investors including, both, direct investors and underlying investors in pooling vehicles. No investor shall hold over 49% of the fund by unit/share number or value. Institutional investors who hold over 49% of the fund must themselves comply with requirements applicable to broad based funds. Underlying beneficial owners who hold over 25% of the fund are required to provide their consent to the FPI registration, and to that end have their client information disclosed to the depository participant/SEBI. To the extent that a Fund might have underlying beneficial owners who fall into this category, it may not be possible for such a Fund to fulfil its investment objective if such consent is required and not provided.

#### *Licensing in India*

In order to invest physically in Indian securities, a Fund is required to be registered as a Category II FPI under the SEBI Regulations. In order to be registered as a Category II FPI, each Fund is required to demonstrate that it satisfies the following broad based criteria: (i) The Fund must have a minimum of 20 investors including, both, direct investors and underlying investors in pooling vehicles. (ii) No investor shall hold over 49% of the Shares or value of the Fund. Institutional investors who hold over 49% of the Shares or value of the Fund must themselves comply with broad based criteria. Underlying beneficial owners who hold over 25% of the Shares or value of the Fund are required to provide their consent to the FPI registration, and to that end have their client information disclosed to the relevant depository participant and Securities and Exchange Board of India. This criteria has been highlighted to investors. To the extent that investors in a Fund do not meet the above criteria or disclosure requirement, the Fund may lose its FPI licence and may no longer be able to invest physically in Indian securities.

### **Exposures to Russian investments and the Russian invasion of Ukraine**

Following Russia's invasion of Ukraine in February 2022, significant sanctions against Russia were instituted by the United States, the United Kingdom, and the European Union, along with the regulatory bodies in a number of countries, including Japan, Australia, and Canada. These include prohibitions on transacting or dealing in new investments in the Russian Federation. Retaliatory measures have been taken by Russia, including the freezing of certain Russian assets and trading restrictions on non-Russian investors. While Benchmark Index providers subsequently removed Russian securities from the Benchmark Indices, certain Funds continue to hold exposures to Russian securities which cannot be divested at this time. Compliance with applicable sanctions, laws and regulations will impair the ability of a Fund to buy, sell, hold, receive or deliver securities of such issuers or securities subject to, or otherwise affected by, sanctions (Russian securities). While a Fund may be legally permitted to divest or transfer certain Russian securities if and to the extent authorised by a general license, issued by a recognised sanctions authority, other restrictions and/or impaired trading conditions may mean that it remains impracticable or impossible for a Fund to do so. Where a Fund is unable to eliminate or reduce its holdings of the affected securities, for example, where compliance with sanctions impairs its ability to sell or deliver such securities, the Fund will continue to hold such securities in its portfolio and will retain residual exposure to the Russian securities until it can trade out of them. It is anticipated that, even as the local Russian market reopens for Russian investors, sanctions against Russian entities and individuals, trading restrictions on non-Russian investors, and/or

restrictions on currency conversion and/or repatriation may continue for some time. The absence of normal market trading conditions and the removal of such Russian securities from the Benchmark Indices at zero value means that such investments held by the Funds are currently fair valued to almost zero. As and when non-local investors are allowed to trade and settle in the Russian stock market and in compliance with applicable law and regulations, including relevant sanctions laws, and under appropriate market conditions, the Investment Manager will seek to implement an orderly and managed disposal of Russian securities, taking into consideration multiple factors including, but not limited to, liquidity, spreads, international investor access, volume and volatility. Due to political and market uncertainties and the fact that it is not possible to predict the optimal time for selling the Russian securities or whether certain securities can be sold at all, there is no guarantee that optimal value, or any value at all, can be achieved. An assessment will be made on the basis of information available to the Investment Manager at the relevant time. Additionally, the objective of each Fund is to track the relevant Benchmark Index, with an aim of minimising tracking error by the rebalancing of the Fund's portfolio to align with the constituents of its Benchmark Index. The Russian securities have now been removed from the Funds' Benchmark Indices. Consequently, as and when the Russian securities held by the Funds come to be valued at more than zero, this may result in increased tracking error risk and potentially significant tracking error between a Fund's performance and the performance of its Benchmark Index. Further, due to liquidity constraints, Russian securities may become ineligible assets for the Funds. These factors mean that the Funds may be required to dispose of these assets as soon as possible once they can be sold and it may therefore be necessary to dispose of the assets at a lower value than that at which they might otherwise be realised. A Fund also may not be able to pay out redemption proceeds in respect of the assets which are frozen or may need to liquidate non-restricted assets in order to satisfy redemption orders. The liquidation of a Fund's assets during this time, where practicable, may also result in a Fund receiving substantially lower prices for its securities. The Directors may (at their discretion) take such action as they consider to be in the interests of investors in Funds, including (if necessary) suspending trading in the Funds (see the section entitled "Temporary Suspension of Valuation of the Shares and of Sales, Redemptions and Switching" for more details) and/or taking such action as described in the section entitled "Benchmark Indices". Additional risks related to the holding of Russian securities: □ The laws relating to securities investments and regulations in Russia do not tend to keep pace with market developments leading to ambiguities in interpretation and inconsistent and arbitrary application. □ Rules regulating corporate governance either do not exist or are underdeveloped and offer little protection to minority shareholders. □ There are also counterparty risks in connection with the maintenance of portfolio securities and cash with local sub-custodians and securities depositories in Russia. These factors may increase the volatility of any such Fund (depending on its degree of investment in Russia) and hence the risk of loss to the value of your investment.

### **Investments in Smaller Companies**

The securities of smaller companies tend to be more volatile and less liquid than the securities of large companies. As securities of 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 may reflect this volatility. 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 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 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.

### **Risks related to investment in Equity Funds Equity Securities**

The value of equity securities fluctuates daily and a Fund investing in equities could incur significant losses. The prices of equities can be influenced by factors affecting the performance of the individual companies issuing the equities, as well as by daily stock market movements, and broader economic and political developments, including trends in economic growth, inflation and interest rates, corporate earnings reports, demographic trends and natural disasters.

### **Depository Receipts**

ADRs and GDRs are designed to offer exposure to their underlying securities. In certain situations, the Investment Manager may use ADRs and GDRs 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 receipts 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 ADRs and GDRs 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 ADR or GDR 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 an ADR or GDR, or the characteristics of the ADR or GDR do not exactly reflect the underlying security. In the event that a Fund invests in ADRs or GDRs 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.

### **High Dividend Paying Stocks**

While the Benchmark Index rules for the high dividend paying Funds are designed to select high dividend paying stocks, dividend payment streams can vary from year to year and past dividend payments are no guide for future dividend payments. High dividend paying stocks include small-capitalisation and mid-capitalisation companies, which might be less financially secure than large-capitalisation companies. Additionally these companies depend more heavily on essential personnel and thus are more vulnerable to personnel loss. Small-capitalisation and mid-capitalisation companies might have less diversified product lines than large-capitalisation companies and thus are more susceptible to adverse development concerning their products. Small-capitalisation and mid-capitalisation companies may also be less frequently traded and thus may be difficult for a Fund to buy and sell.

### **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. 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.

#### **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 the 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 the 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, the 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.

#### *Transfer of interests in a Fund with India Exposure*

Section 9 of the Indian Income Tax Act (applicable with retrospective effect from April 1, 1961) provides that a transfer of any share or interest in a foreign entity is subject to capital gains tax in India, if its value is substantially derived, directly or indirectly, from assets located in India ("Indirect Transfer Tax"). However, the law provides a carve-out under which the Indirect Transfer Tax does not apply to investments, direct or indirect, made in Category I and Category II FPIs. On the basis of this carve-out and each Fund with India Exposure being registered as a Category II FPI, the investors would not be liable to tax in India on the redemption from, or the sale of their Shares or interest in a Fund with India Exposure.

### **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 page 101.

### **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 117 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.

### **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.

### **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.

**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 Core MSCI EM IMI UCITS ETF (LSE: EIMI) (the “Underlying ETF”). The Underlying ETF seeks to track the performance of an index composed of large, mid and small cap companies from emerging markets countries.

### Key Facts

Net Assets as of Feb 21, 2024	USD 18,078,961,937	Net Assets of Fund as of Feb 21, 2024	USD 19,436,580,200
Inception Date	30/May/2014	Fund Launch Date	30/May/2014
Share Class Currency	USD	Base Currency	USD
Asset Class	Equity	Benchmark Index	MSCI Emerging Markets Investable Market Index
Total Expense Ratio	0.18%	Shares Outstanding as of Feb 21, 2024	568,012,636
Securities Lending Return as of Dec 31, 2023	0.11%	Use of Income	Accumulating
Product Structure	Physical	Domicile	Ireland
Methodology	Optimised	Rebalance Frequency	Quarterly
Issuing Company	iShares plc	Fund Manager	BlackRock Asset Management Ireland Limited
Administrator	State Street Fund Services (Ireland) Limited	Custodian	State Street Custodial Services (Ireland) Limited
ISIN	IE00BKM4GZ66	Bloomberg Ticker	EIMI LN

### Portfolio characteristics

Number of Holdings as of Feb 21, 2024	3176	Benchmark Level as of Feb 21, 2024	USD 1,563.78
Benchmark Ticker	MIMUEMRN	P/E Ratio as of Feb 21, 2024	12.87
P/B Ratio as of Feb 21, 2024	1.78		

### Top 10 holdings (as of February 21, 2024)

Issuer	Weight (%)	Issuer	Weight (%)
TAIWAN SEMICONDUCTOR MANUFACTURING	6.42	PDD HOLDINGS ADS INC	0.94

SAMSUNG ELECTRONICS LTD	3.16	INFOSYS LTD	0.80
TENCENT HOLDINGS LTD	2.97	ICICI BANK LTD	0.80
ALIBABA GROUP HOLDING LTD	1.83	SK HYNIX INC	0.73
RELIANCE INDUSTRIES LTD	1.27	CHINA CONSTRUCTION BANK CORP H	0.72

### 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	0.18%**
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 MSCI Emerging Markets Investable Market Index (the “**Index**”).

### Investment Policy of Underlying ETF

In order to achieve this investment objective, the investment policy of the Underlying ETF is to invest in a portfolio of equity securities that as far as possible and practicable consist of the component securities of the MSCI Emerging Markets Investable Market Index, the Underlying ETF's benchmark Index. The Underlying ETF intends to use optimisation techniques in order to achieve a similar return to the benchmark Index and it is therefore not expected that the Underlying ETF will hold each and every underlying constituent of the benchmark Index at all times or hold them in the same

proportion as their weightings in the benchmark Index. The Underlying ETF may hold some securities which are not underlying constituents of the benchmark Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the benchmark Index. However, from time to time the Underlying ETF may hold all constituents of the benchmark Index.

As the Fund is approved by the Capital Market Authority as a Qualified Foreign Investor under the QFI Rules, it can invest in Saudi listed shares on the Saudi Stock Exchange subject to the applicable foreign ownership limits under the QFI Rules and Saudi Capital Markets Law. As approved QFIs are not permitted under the current QFI Rules to also be the ultimate beneficial owners of Saudi-listed securities underlying FDI (e.g. swaps or participation notes) traded through the Saudi swap framework, to the extent the Fund invests in FDI, the Fund as a QFI will only be able to invest in FDI that have non-Saudi listed securities as the underlying security.

The Base Currency of iShares Core MSCI EM IMI UCITS ETF is US Dollar (US\$).

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

The MSCI Emerging Markets Investable Market Index measures the performance of large, mid and small capitalisation stocks across emerging markets countries which comply with MSCI's size, liquidity and free-float criteria. The benchmark Index covers approximately 99% of the free-float adjusted market capitalisation in each country. The benchmark Index rebalances on a quarterly basis. The Underlying ETF may trade China A Shares via Stock Connect. Further details regarding the benchmark Index (including its constituents) are available on the index provider's website at <https://www.msci.com/constituents>.

### **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 Global Emerging Markets Equities 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 254900I8VNWSYB2DTW33. 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 Global Emerging Markets Equities 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 Global Emerging Markets Equities 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/191040900284/>.

### **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 2022 was derived from the SPC's Financial Statements 2022, 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 2022 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 2022.

	31 December 2022	31 December 2021
<b>Assets</b>		
Cash and cash equivalents	261	412
Financial assets at fair value through profit or loss	191,944	204,857
<b>Total Assets</b>	<b>192,205</b>	<b>205,269</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	192,152	205,214
Other liabilities	52	54
<b>Total Liabilities</b>	<b>192,204</b>	<b>205,268</b>
<b>Total Equity and Liabilities</b>	<b>192,205</b>	<b>205,269</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 2022.

	2022	2021
Net gain/(loss) from changes in fair value of financial assets	(42,786)	(2,381)
Net gain/(loss) from changes in fair value of financial liabilities	43,383	2,859
<b>Operating income</b>	<b>597</b>	<b>478</b>
Administrative expenses	(1,760)	(1,718)
Other income	1,163	1,240
<b>Profit before income tax expense</b>	<b>-</b>	<b>-</b>
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>	-	-
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## STATEMENT OF CASH FLOWS OF THE SPC

The table below sets forth the statement of cash flows of the SPC, as at 31 December 2022.

	2022	2021
<b>Operating activities</b>		
Management fee	(598)	(423)
<b>Net cash flows from operating activities</b>	<b>(598)</b>	<b>(423)</b>
<b>Investing activities</b>		
Selling of exchange traded funds	396	473
<b>Net cash flows from investing activities</b>	<b>396</b>	<b>473</b>
<b>Financing activities</b>		
Placement of exchange traded notes	32	160
<b>Net cash flows from financing activities</b>	<b>32</b>	<b>160</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(170)</b>	<b>210</b>
Effect of exchange rates changes on cash and cash equivalents	19	8
Cash and cash equivalents, beginning of the period	412	194
<b>Cash and cash equivalents, at the end of the period</b>	<b>261</b>	<b>412</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 2022.

	Share capital	Retained earnings	Total equity
<b>As at 31 December 2020</b>	<b>1</b>	-	<b>1</b>
Total comprehensive income for the period	-	-	-
<b>As at 31 December 2021</b>	<b>1</b>	-	<b>1</b>
Total comprehensive income for the period	-	-	-
<b>As at 31 December 2022</b>	<b>1</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 2022 financial assets at fair value through profit or loss include investment in the form of exchange traded funds.

Issuer	Currency	31 December 2022		31 December 2021	
		Number of shares	Market value	Number of shares	Market value
iShares Core MSCI EM IMI UCITS ETF	US Dollar	14,486	191,944	13,306	204,857
		<b>14,486</b>	<b>191,944</b>	13,306	204,857

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.”).

During the 12 months 2022, 1,213 shares with a value of 16,054 thousand tenge and cash of 32 thousand tenge were received by the SPC for the sale of ETNs, issued by the SPC (2021: 4,451 shares with a value of 69,970 thousand tenge and cash of 160 thousand tenge).

4 November 2022 the SPC sold 33 ETF in amount of 396 thousand tenge (2021: 30 ETF in amount of 473 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:

	<b>1 January</b>	<b>ETF sales</b>	<b>ETF/ETN exchange</b>	<b>Changes in fair value</b>	<b>Foreign exchange</b>	<b>31 December</b>
<b>2022</b>	<b>204,857</b>	<b>(396)</b>	<b>16,054</b>	<b>(42,786)</b>	<b>14,215</b>	<b>191,944</b>
2021	134,157	(473)	69,970	(2,381)	3,584	204,857

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

<b>Issuer</b>	<b>Currency</b>	<b>31 December 2022</b>		<b>31 December 2021</b>	
		<b>Number of ETNs</b>	<b>Market value</b>	<b>Number of ETNs</b>	<b>Market value</b>
iX Global Emerging Markets Equities SPC Limited	US Dollar	<b>14,573</b>	<b>192,152</b>	13,352	205,214
		<b>14,573</b>	<b>192,152</b>	13,352	205,214

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.

During the 12 months 2022 the SPC made additional creation of 1,221 ETNs in amount of 16,087 thousand tenge (2021: 4,467 ETNs in amount of 70,130 thousand tenge).

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:

	<b>1 January</b>	<b>Cash Inflow</b>	<b>ETF/ETN exchange</b>	<b>Changes in fair value</b>	<b>Foreign exchange</b>	<b>31 December</b>
<b>2022</b>	<b>205,214</b>	<b>32</b>	<b>16,055</b>	<b>(43,383)</b>	<b>14,234</b>	<b>192,152</b>
2021	134,350	160	69,970	(2,859)	3,593	205,214

#### Administrative expenses

	<b>2022</b>	<b>2021</b>
Audit	809	937
Management fee	598	478
Custodian service	350	303
CIT from non-residents	3	-

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**1,760**

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**1,718**

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**Other income**

Other income is a reimbursement of administrative expenses by Management Company according to management agreement in amount of 1,163 thousand tenge (2020: 1,240 thousand tenge).

**Related Party Transactions**

The major transactions with related parties for the years ended 31 December 2022 and 2021 were as follows:

	2022	2021
<b>Placement of ETN</b>		
AIX MLS Ltd.	(16,087)	(70,130)
<b>Administrative expenses</b>		
AIX FM Ltd.	(598)	(478)
<b>Other income</b>		
AIX FM Ltd	1,163	1,240

## 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.