

TARGET ALLOCATION ETF MODELS



Allocations as of July 5th, 2017

This information is not personalized investment advice or an investment recommendation from BlackRock, and is intended for use only by a third party financial advisor, with other information, as a resource to help build a portfolio or as an input in the development of investment advice for its own clients. Such financial advisors are responsible for making their own independent judgment as to how to use this information. BlackRock does not have investment discretion over or place trade orders for any portfolios or accounts derived from this information. Performance of any account or portfolio derived from this information may vary materially from the performance shown herein. There is no guarantee that any investment strategy illustrated will be successful or achieve any particular level of results. Please review the disclosures at the end of this document and consult your financial advisor for more information.

Key Takeaway: Continue to lean into risk assets

- **Equities currently look attractive on a relative basis:** Although U.S. economic data disappointed in the first half of the year, we believe that U.S. economic growth, and more broadly global economic growth, will accelerate over the course of the year. In addition, political risk has moderated somewhat. As a result, we continue to lean into risk assets at near maximum levels.
- **Earnings outlook points back to the U.S.:** Although U.S. equities are currently more expensive relative to historical norms, earnings outlook remains our best guide for making the regional equity decision. Earnings estimates in the U.S. have picked up recently, and our best guess is that this will favor U.S. equities over the near term.
- **We remain cautious on duration:** The Federal Reserve has continued on its rate hiking path, and in Europe there is at least talk of tapering. However, inflationary pressures remain weak, and for now we prefer to position with a modest duration underweight. Interest rate volatility has increased this year, and we continue to believe that U.S. rates are more likely to rise than fall over the next quarter as global growth accelerates.

Trade Rationale

- **Asset Allocation:** We remain overweight equity exposure across the models and our regional orientation is shifting back towards the U.S. Stocks currently appear attractively priced relative to bonds and economic growth has remained strong, motivating a move to maximum equity overweight across the portfolios.
- **U.S. Equities:** We are moving from neutral to overweight U.S. equities relative to other regions. Recent shifts in the earnings outlooks for different regions is helping to drive this move. Within the U.S. we are reducing our value overweight and adding to momentum to seek to better balance risks. The reflationary trend currently appears to be weakening led by the recent drop in commodity and energy prices, which has diminished our conviction on value stocks. Moreover, we believe a potential continuation of the current low volatility environment could provide further tailwinds to momentum stocks.
- **International Developed Equities:** We are trimming our position to international developed equities from overweight to underweight. Although valuations currently appear somewhat more attractive on a relative basis across many non-U.S. developed markets, this may be offset by the near-term earnings picture, which has improved in the U.S. A large proportion of the remaining allocation is being implemented through currency-hedged exposure, which we believe over the long term could provide better risk characteristics relative to unhedged developed market equities.
- **Emerging Equities:** We are maintaining a neutral position to emerging markets. Earnings growth has remained strong and valuations currently look attractive; however, we see recent moves in commodity prices and concerns around China as key risks.
- **Fixed Income:** Although we remain largely underweight duration across the models, we are slightly reducing this underweight in our bond heavy portfolios. Within credit, we are further reducing our allocation to mortgage-backed securities as risks loom around the Fed's balance sheet runoff and rising interest rates. We are adding to our position in U.S. dollar denominated emerging market debt as the asset class currently offers attractive relative value and carry. We are slightly reducing our allocation to TIPS in the equity heavy portfolios which is being driven by muted inflation expectations.



This information should not be relied upon as investment advice, research, or a recommendation by BlackRock regarding (i) the Funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial advisors know enough about their circumstances to make an investment decision.

Allocations as of July 5th, 2017

		Asset Allocation (% Equity / Fixed Income)										
		0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20	90/10	100/0
U.S. Fixed Income		89.0%	77.0%	65.0%	57.0%	48.0%	39.0%	31.0%	21.0%	12.0%	5.0%	-
CIU	iShares Intermediate Credit Bond ETF	25.0%	25.0%	25.0%	23.0%	20.0%	17.0%	15.0%	7.0%	-	-	-
CSJ	iShares 1-3 Year Credit Bond ETF	4.0%	3.0%	-	-	-	-	-	-	-	-	-
HYG	iShares iBoxx \$ High Yield Corporate Bond ETF	13.0%	9.0%	5.0%	3.0%	-	-	-	-	-	-	-
IEF	iShares 7-10 Year Treasury Bond ETF	15.0%	12.0%	9.0%	9.0%	10.0%	8.0%	5.0%	4.0%	2.0%	-	-
LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF	6.0%	6.0%	7.0%	7.0%	8.0%	7.0%	5.0%	4.0%	4.0%	3.0%	-
MBB	iShares MBS ETF	10.0%	9.0%	8.0%	5.0%	2.0%	-	-	-	-	-	-
NEAR	iShares Short Maturity Bond ETF (Active)	11.0%	9.0%	6.0%	6.0%	6.0%	5.0%	4.0%	4.0%	4.0%	-	-
TIP	iShares TIPS Bond ETF	2.0%	2.0%	3.0%	2.0%	-	-	-	-	-	-	-
TLT	iShares 20+ Year Treasury Bond ETF	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	-
International Fixed Income		11.0%	10.0%	10.0%	8.0%	7.0%	6.0%	4.0%	4.0%	3.0%	-	-
EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF	11.0%	10.0%	10.0%	8.0%	7.0%	6.0%	4.0%	4.0%	3.0%	-	-
U.S. Equity		-	11.0%	21.0%	27.0%	33.0%	40.0%	47.0%	53.0%	60.0%	66.0%	70.0%
IJH	iShares Core S&P Mid-Cap ETF	-	-	2.0%	2.0%	2.0%	4.0%	5.0%	5.0%	6.0%	8.0%	9.0%
IJR	iShares Core S&P Small-Cap ETF	-	-	-	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	5.0%	5.0%
IVE	iShares S&P 500 Value ETF	-	-	-	-	-	-	3.0%	6.0%	10.0%	12.0%	14.0%
IVV	iShares Core S&P 500 ETF	-	6.0%	11.0%	16.0%	22.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
IVW	iShares S&P 500 Growth ETF	-	-	-	-	-	-	2.0%	5.0%	9.0%	11.0%	12.0%
MTUM	iShares Edge MSCI USA Momentum Factor ETF	-	2.0%	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
USMV	iShares Edge MSCI Min Vol USA ETF	-	3.0%	6.0%	5.0%	5.0%	5.0%	6.0%	5.0%	3.0%	2.0%	2.0%
International Equity		-	2.0%	4.0%	8.0%	12.0%	15.0%	18.0%	22.0%	25.0%	29.0%	30.0%
HEFA	iShares Currency Hedged MSCI EAFE ETF	-	2.0%	2.0%	5.0%	8.0%	8.0%	8.0%	9.0%	9.0%	10.0%	10.0%
IEFA	iShares Core MSCI EAFE ETF	-	-	-	-	-	2.0%	4.0%	7.0%	9.0%	11.0%	12.0%
IEMG	iShares Core MSCI Emerging Markets ETF	-	-	2.0%	3.0%	4.0%	5.0%	6.0%	6.0%	7.0%	8.0%	8.0%

This information should not be relied upon as investment advice, research, or a recommendation by BlackRock regarding (i) the Funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial advisors know enough about their circumstances to make an investment decision.

Allocation Changes

Since last trade of April 11th, 2017

		Asset Allocation (% Equity / Fixed Income)										
		0/100	10/90	20/80	30/70	40/60	50/50	60/40	70/30	80/20	90/10	100/0
U.S. Fixed Income		-2.0%	-3.0%	-3.0%	-1.0%	-1.0%	-1.0%	-1.0%	-2.0%	-2.0%	-1.0%	-
CIU	iShares Intermediate Credit Bond ETF	-	-	-	-	-	-	-	-	-	-	-
CSJ	iShares 1-3 Year Credit Bond ETF	-	-	-	-	-	-	-	-	-	-	-
HYG	iShares iBoxx \$ High Yield Corporate Bond ETF	-2.0%	-2.0%	-2.0%	-1.0%	-	-	-	-	-	-	-
IEF	iShares 7-10 Year Treasury Bond ETF	-	+1.0%	+2.0%	+2.0%	+3.0%	+3.0%	+2.0%	+1.0%	-	-	-
LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF	+4.0%	+3.0%	+3.0%	+3.0%	+1.0%	+1.0%	-	-	-	+1.0%	-
MBB	iShares MBS ETF	-5.0%	-5.0%	-6.0%	-2.0%	-	-	-	-	-	-	-
NEAR	iShares Short Maturity Bond ETF (Active)	-	-	-	-	-	-	-	-	-	-2.0%	-
TIP	iShares TIPS Bond ETF	-	-	-	-3.0%	-5.0%	-5.0%	-3.0%	-3.0%	-2.0%	-	-
TLT	iShares 20+ Year Treasury Bond ETF	+1.0%	-	-	-	-	-	-	-	-	-	-
International Fixed Income		+2.0%	+2.0%	+2.0%	-	-	-	-	+1.0%	+1.0%	-	-
EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF	+2.0%	+2.0%	+2.0%	-	-	-	-	+1.0%	+1.0%	-	-
U.S. Equity		-	+4.0%	+7.0%	+6.0%	+6.0%	+6.0%	+7.0%	+6.0%	+6.0%	+5.0%	+5.0%
IJH	iShares Core S&P Mid-Cap ETF	-	-	+2.0%	+2.0%	+2.0%	+2.0%	+1.0%	+1.0%	-	-	-
IJR	iShares Core S&P Small-Cap ETF	-	-	-	-	-	-	-	-	-	-	-
IVE	iShares S&P 500 Value ETF	-	-	-	-	-	-4.0%	-5.0%	-4.0%	-1.0%	-2.0%	-2.0%
IVV	iShares Core S&P 500 ETF	-	+2.0%	+3.0%	+2.0%	+2.0%	+4.0%	+3.0%	+2.0%	+1.0%	+1.0%	-
IVW	iShares S&P 500 Growth ETF	-	-	-	-	-	-	+2.0%	+1.0%	+2.0%	+3.0%	+4.0%
MTUM	iShares Edge MSCI USA Momentum Factor ETF	-	+2.0%	+2.0%	+2.0%	+2.0%	+3.0%	+3.0%	+3.0%	+3.0%	+3.0%	+3.0%
USMV	iShares Edge MSCI Min Vol USA ETF	-	-	-	-	-	+1.0%	+3.0%	+3.0%	+1.0%	-	-
International Equity		-	-3.0%	-6.0%	-5.0%	-5.0%	-5.0%	-6.0%	-5.0%	-5.0%	-4.0%	-5.0%
HEFA	iShares Currency Hedged MSCI EAFE ETF	-	-3.0%	-6.0%	-5.0%	-5.0%	-5.0%	-6.0%	-5.0%	-5.0%	-4.0%	-4.0%
IEFA	iShares Core MSCI EAFE ETF	-	-	-	-	-	-	-	-	-	-	-
IEMG	iShares Core MSCI Emerging Markets ETF	-	-	-	-	-	-	-	-	-	-	-1.0%

This information should not be relied upon as investment advice, research, or a recommendation by BlackRock regarding (i) the Funds, (ii) the use or suitability of the model portfolios or (iii) any security in particular. Only an investor and their financial advisors know enough about their circumstances to make an investment decision.

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

Investing involves risk, including possible loss of principal. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns.

For Financial Professionals: In the event that you subscribe to receive a BlackRock Model Portfolio, you will receive investment ideas from BlackRock in the form of a model portfolio. The information is designed to be utilized by you solely as a resource, along with other potential sources you consider, in providing advisory services to your clients. BlackRock's Model Portfolios are not intended to constitute investment advice or investment recommendations from BlackRock. BlackRock is not responsible for determining the securities to be purchased, held and/or sold for your clients' accounts, nor is BlackRock responsible for determining the suitability or appropriateness of a Model Portfolio or any securities included therein for any of your clients. BlackRock does not have investment discretion and does not place trade orders for any of your clients' accounts. Information and other marketing materials provided to you by BlackRock concerning a Model Portfolio – including holdings, performance and other characteristics – may not be indicative of your client's actual experience from investing in one or more of the funds included in the Model Portfolio. The Model Portfolios, allocations and data are subject to change.

For end users: Any model performance information included herein represents the performance of BlackRock's Model Portfolios. The performance shown does not reflect the performance of model-based program accounts managed by your investment adviser utilizing BlackRock's non-discretionary Model Portfolios. BlackRock's Model Portfolios are not intended to constitute investment advice or investment recommendations from BlackRock. Your investment adviser may or may not implement BlackRock's Model Portfolios in your account. The performance of your account may differ from the performance shown for a variety of reasons, including but not limited to: your investment adviser, and not BlackRock, is responsible for implementing trades in the accounts; differences in market conditions; client-imposed investment restrictions; the timing of client investments and withdrawals; fees payable; and/or other factors. BlackRock is not responsible for determining the suitability or appropriateness of a strategy based on BlackRock's Model Portfolios. BlackRock does not have investment discretion and does not place trade orders for your account. This material has been created by BlackRock and the information included herein has not been verified by your investment adviser and may differ from information provided by your investment adviser. The Model Portfolios, allocations and data are subject to change.

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

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/ developing markets or in concentrations of single countries.

A fund's use of derivatives may reduce a fund's returns and/or increase volatility and subject the fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. A fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that any fund's hedging transactions will be effective.

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

This material is not intended to be a recommendation or advice by BlackRock. If this material were construed to be a recommendation by BlackRock, BlackRock would seek to rely on Department of Labor Regulation Section 2510.3-21(c)(1). As such, by providing this material to you, a plan fiduciary that is independent of BlackRock, BlackRock does not undertake to provide impartial investment advice or give advice in a fiduciary capacity. Further, BlackRock receives revenue in the form of advisory fees for our mutual funds and exchange traded funds and management fees for our collective investment trusts.

The Funds within the model portfolio are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock").

The iShares Funds are not sponsored, endorsed, issued, sold or promoted by Markit Indices Limited, JPMorgan Chase & Co., MSCI Inc. or S&P Dow Jones Indices LLC. None of these companies make any representation regarding the advisability of investing in the Funds. BlackRock is not affiliated with the companies listed above.

©2017 BlackRock. All rights reserved. **ISHARES** and **BLACKROCK** are registered trademarks of BlackRock. All other marks are the property of their respective owners.