Short Duration Market Review

April 2018

BLACKROCK

The opinions expressed are as of 6 April 2018 and are subject to change at any time due to changes in market or economic conditions.

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BlackRock Fixed Income Platform

BlackRock Fixed Income Story

- From our start as a Fixed Income boutique in 1988, BlackRock is now the **world's largest manager of Fixed Income assets**[1]
- Our commitment to putting the client first and to **understanding and managing Fixed Income risk** are essential components of our success
- Today, we combine our investment experience, expertise and resources on a **shared technology platform** aiming to deliver strong performance and robust solutions to our clients

1988 — **$2 billion FI AUM**
BlackRock founded as a Fixed Income asset manager.

2006 — **$445 billion FI AUM**
BlackRock acquires Merrill Lynch Investment Managers, adding non-US resources and investment capabilities.

2009 — **$1.06 trillion FI AUM**
BlackRock merges with BGI, making the firm a leader in index/ systematic strategies, iShares and efficient portfolio construction

2017 — **$1.7 trillion FI AUM**
We are trusted to manage more assets in fixed income than any other manager[1]

BlackRock Fixed Income Today

- Integrated platform of passive and active **Fixed Income solutions that reflect our heritage** while evolving with the markets
- We believe our size allows us to invest in people and technology, creating **comprehensive global coverage**
- Clients in over **100 countries and investments in 60+ markets**, with many longstanding client partnerships[2]

AUM: figures shown in $USD, BlackRock as of September 2017
The value of your investment and the income from it will vary and your initial investment amount is not guaranteed.
1 Pensions & Investments as of 12/31/2016
2 BlackRock client base as of 6/30/2017

BlackRock's Global Fixed Income Capabilities

Diverse product offerings leverage BlackRock's integrated tools to construct client solutions

Extensive range of product offerings across three investment styles to help meet individual client needs

Investment Capabilities

BROAD MARKET
- Global/Regional
- Single Market/Currency

FOCUSED MARKET
- IG & High Yield Credit
- Rates/Duration
- Securitized
- Municipals
- Emerging Market

ALTERNATIVES
- Liquid Alternatives
- Hedge Funds
- Private Credit

OUTCOME ORIENTED CLIENT SOLUTIONS

Investment Styles

Investment Style	AUM
SYSTEMATIC ACTIVE	$51 billion
FUNDAMENTAL ACTIVE	$764 billion
INDEX & SMART BETA	$1.04 trillion

Comprehensive platform enables investment professionals to focus on portfolio objectives

Aladdin® Technology | Product Strategy | Business Management | Portfolio Construction | Global Trading & Capital Markets | Risk & Quantitative Analysis

AUM: figures shown in $USD, BlackRock as of September 2017

BlackRock Fixed Income

Investment Platform

Robert Kapito, President

BlackRock Alternative Investors — David Blumer
- BLK Real Assets
  - Infrastructure Debt
  - Real Estate Debt
- **Credit** — James Keenan, Tim O'Hara
  - High Yield
  - Bank Loans/CLOs
  - European Middle Markets
  - US Middle Markets
  - Opportunistic/ Distressed
  - Aviation
  - Multi-Strategy Credit
  - Asia Credit
  - Credit Research

Global Fixed Income — Rick Rieder, Richard Kushel

Multi Sector*	Global
Obsidian	European FI
Emerging Markets	Financial Institutions
Asian Fixed Income	Inflation-Linked
Mortgages	IG Credit
Municipals	Securitized Assets
Systematic Active	Systematic Alternatives
Index and iShares	Smart Beta and Factors
Fixed Income Research	

Investment Platform — Richie Prager
- Fixed Income Trading
- Product Strategy
- Business Management
- Trading and Liquidity Strategies

BlackRock as of March 2018

*includes customized core & short duration

Business overview
Team leverages full scope of BlackRock resources

Short Duration Investment Team*

Risk Management
- **Matthew Wang** (16, 16)
- **Helen Zhang** (2, 4)
- **Mary Wu** (1, 3)

Portfolio Management Team

Lead Portfolio Managers

Tom Musmanno, CFA (27, 27)
David Chesney (27, 27) • Scott Maclellan, CFA (15,19)

Core PM

Artis Rebinovs, CFA (5,18)
Adam Carlin, CFA (8, 8)
Amanda Liu, CFA (8,12)
+2 investment professionals

Product Strategy
- **Ludwig Marek** (5, 18)
- Eric Marino (13, 13)
- Marta Tokar, CFA (5, 5)

BlackRock's Fundamental Fixed Income Platform

Global sector specialists responsible for sector oversight, research, analysis, security selection, and trade execution

Global Rates Strategy	Agency MBS	Municipals	Securitized Assets	US IG Corporate Credit
11 sector specialists	12 sector specialists	31 sector specialists	18 sector specialists	26 sector specialists

US Leveraged Finance	European Credit	Asia Pacific	Emerging Markets
37 sector specialists	30 sector specialists	18 sector specialists	14 sector specialists

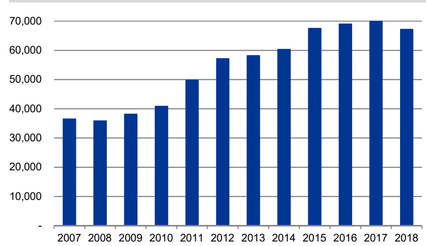
*As of 28 February 2018 (Years at BlackRock / Years in Industry)

Business Overview
March 2018
BlackRock Short Duration

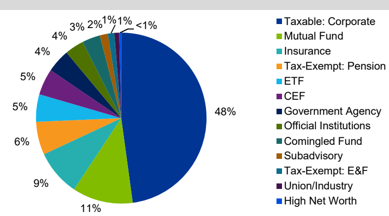
BlackRock manages $67.16 billion in actively managed U.S. short duration portfolios

- **Separate Accounts**:
  - Dedicated separate accounts with customizable guidelines ranging from enhanced cash to total return oriented short duration.
- **Comingled Offering and Registered Strategies:**
  - **BlackRock Low Duration** domestic and off-shore Strategies.
  - **Short Maturity Bond ETF** was launched in September 2013 as an actively managed ETF.
    - Seeks to maximize income through diversified exposure to short-term bonds while maintaining an average duration of less than one year.
  - **Collective Investment Trust (CIT)** offers exposure to a Short Duration strategy designed for capital preservation and liquidity.

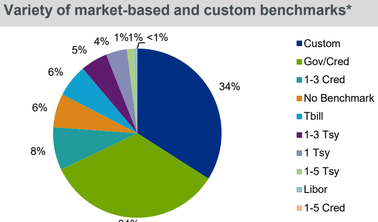
Short Duration Assets under Management ($mln)



Diverse set of clients



Variety of market-based and custom benchmarks*



*All data as of 31 March 2018. *Customized benchmarks include blended indices created by BlackRock on behalf of clients to target a specific duration/yield profile . The products and strategies described may not be suitable for all investors. Strategies include bank collective trust funds maintained and managed by BlackRock Institutional Trust Company, N.A. which are available only to certain qualified employee benefit plans and governmental plans and not offered or available to the general public. There are structural and regulatory differences between collective funds and mutual funds that may affect their respective fees and performance.

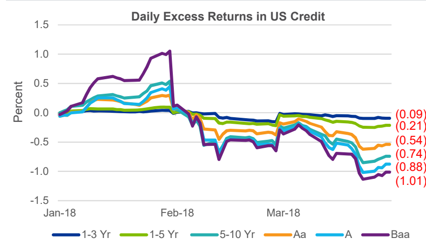
Macro Overview

- **March Non-Farm Payroll:** Nonfarm payrolls rose 103k, which was below the 185k estimate, bringing the three-month to 202k, which is reflective of a continued solid labor market. After the February data benefited from unseasonably warm weather, the unusual cold March impacted data in construction and retail employment. The unemployment rate fell 7 bps to 4.07% and average hourly earnings rose to a muted to 2.7%.
- **Federal Reserve:** As highly anticipated the Federal Open Market Committee decided unanimously to raise its benchmark interest rates by 25 bps to 1.75%, a level not seen since 2008. In the first version of the FOMC's Summary of Economic Projections (SEP) in 2018, the committee raised the trajectory of its 2019 interest rates path to three rate hikes, while lowering its forecast for US unemployment to 3.8% this year and 3.6% in 2019.
- **US-China Trade Relations:** The US administration has ramped up the pressure on its trade relationship with China as the US Trade Representative (USTR) launched a case against Chinese technology licensing practices at the World Trade Organization (WTO), imposed new restrictions on Chinese outbound investments aimed at obtaining key US technologies and planned to impose 25% duties on a yet-to-be determined list of imports from China. China responded by releasing its own list of imports subject to tariffs, which could lead to prolonged US-China negotiations.
- **Risk Assets in Q1:** After a buoyant January which included a rally in stock prices and further spread tightening in credit, the remaining two months saw the S&P 500 decline roughly 9% from its peak this year, while the broader investment grade credit indices lost roughly 1.67% and high yield declined 1.04%. The drivers behind these declines range from inflation concerns, a faster-moving FOMC to a potential trade war with China.
- **The Rise of Libor:** Rather than fundamental in nature, the most recent steep rise in LIBOR (i.e.; 3-month Libor rose 60 bps to 3.0% YTD) was mainly driven by technicals, including the sell-off in short-dated USD credit following repatriation which led to increased rate hedging and the issuance of Commercial Paper (CP). $70bn in non-financials CP issuance YTD shows that corporates prefer tapping into the CP market for cheaper funding.

While 3-mos Libor rose by 60 bps YTD, Libor-OIS widened by 31 bps, suggesting that only ~50% of that rise was Fed related

Source: Bloomberg, BlackRock. Report as of 30 March 2018.
See appendix for information on economic data sources

Being longer duration and lower in credit quality didn't pay off in the first quarter, as rates and risk assets started to selloff



Source: Barclays Research. Data as of 30 March, 2018.

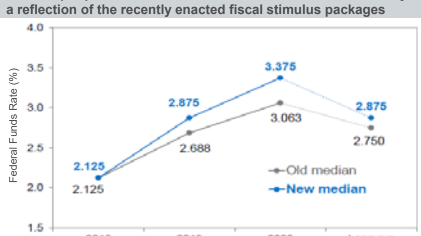
Federal Open Market Committee (FOMC)

Stopping short of four rate hikes for 2018, FOMC steepens 2019 and 2020 path

As widely expected, the FOMC raised the target range for the Federal Funds rate by 25 bps to a band of 1.5%-1.75%, the highest level in a decade. The Committee also steepened the path of further rate normalization to prevent economy from overheating.

- **Stopping Short:** The median dot for 2018 continues to look for a total of three hikes, though the mean moved up by 17 bps and three out of the five "three hike dots" moved higher compared to December, one short of the number required to move the median up to four rate hikes.
- **Steeper Path of Rate Normalization:** The median and mean for 2019 were raised by about one full hike to three rate hikes and for 2020 by one-and-a-half hikes to two rate increases. This upward revision followed the economic forecast of potential growth acceleration with expansion seen to be about a quarter percentage point per year. The longer-run rate revising up to 2.875%;
- **Economic Projections:** The FOMC raised its growth projections for 2018 to 2.7% from 2.5% and to 2.4% from 2.1% for 2019. While the Committee also lowered its forecast for unemployment rate to 3.8% and 3.6% for 2018 and 2019, respectively, it left its PCE outlook unchanged.

The steeper path of rate normalization in 2019 and 2020 is likely a reflection of the recently enacted fiscal stimulus packages



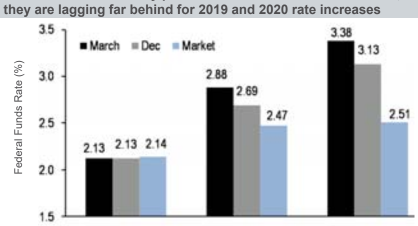
Source: Federal Reserve. Data as of 21 March, 2018.

The FOMC raised its forecast for GDP growth and lowered it for the unemployment rate, yet kept its PCE outlook unchanged

	Median			
	2018	2019	2020	Longer Run
Real GDP Growth (Mar)	2.7	2.4	2.0	1.8
Prior Projection (Dec)	2.5	2.1	2.0	1.8
Unemployment Rate (Mar)	3.8	3.6	3.6	4.5
Prior Projection (Dec)	3.9	3.9	4.0	4.6
PCE Inflation (Mar)	1.9	2.0	2.1	2.0
Prior Projection (Dec)	1.9	2.0	2.0	2.0
Core PCE (Mar)	1.9	2.1	2.1	n/a
Prior Projection (Dec)	1.9	2.0	2.0	n/a
Federal Funds Rate (Mar)	2.125	2.875	3.375	2.875
Prior Projection (Dec)	2.125	2.688	3.063	2.750

Source: Federal Reserve. Data as of 21 March 2018.

While markets have fully priced in the three rate hikes for 2018, they are lagging far behind for 2019 and 2020 rate increases

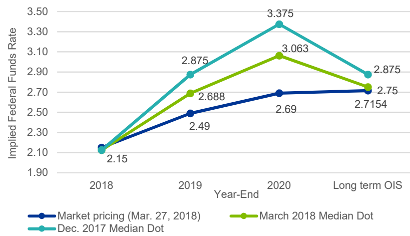


Source: Federal Reserve, JPMorgan. Data as of 21 March, 2018

Federal Open Market Committee (FOMC)

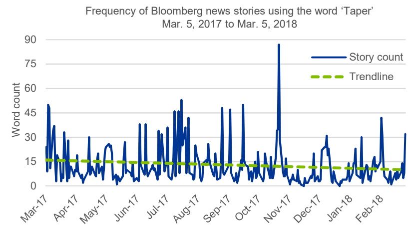
Risk of a more aggressive Fed remains an overhang for markets

The market continues to underprice the rate path outlined by the FOMC – particularly for 2019 and 2020



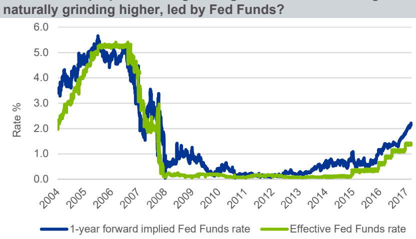
Source: Bloomberg; as of Mar. 5, 2018.

Has the market has become less interested in the direction of Fed policy?



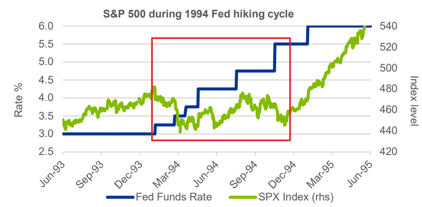
Source: Bloomberg; as of Mar. 5, 2018.

Is the market prepare for a tightening era with rates starting naturally grinding higher, led by Fed Funds?



Source: Bloomberg; as of Mar. 5, 2018

While a 1994 type market is not our base case, it highlights the risks from markets surprised by Fed policy



Source: Bloomberg, Bank of America Merrill Lynch; as of Feb. 9, 2018

February 2018

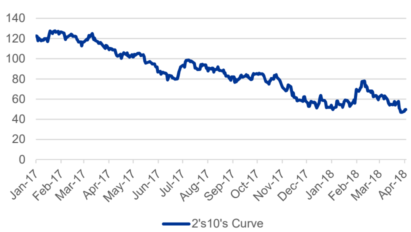
US Rates

Short duration bond performance during a hiking cycles

As illustrated by the BBG Barclays 1-3 year Government/Credit Index, short duration bonds have been able to produce positive performance in the last four Fed rate hiking cycles.

- In each scenario the bond's coupon income was able to compensate investors for the negative price returns caused by higher rates.
- Even with today's low yields, the gradual pace of hikes has led to positive returns.
- The yield curve has flattened as front-end rates have been moving at a faster pace than back-end rates. Yield curve flattening is typical during rate hiking cycles and make short duration fixed income appear relatively attractive.

As is typical during a rate hiking cycle the yield curve has been flattening



Source: Bloomberg. Data as of 3 April 2018.

Historical Tightening Cycles

				BBG Barclays 1-3 Year Government Credit Index		
Tightening Cycle	Starting Fed Funds Rate	Ending Fed Funds Rate	Duration in Months	Price Return	Coupon return	Total Return
Feb 1994-Feb 1995	3.00%	6.00%	12	-4.03%	6.72%	**2.69%**
June 1999-May 2000	4.75%	6.50%	11	-1.99%	5.70%	**3.71%**
June 2004 -June 2006	1.00%	5.25%	24	-3.81%	8.00%	**4.19%**
Dec 2015-March 2018	0.25%	1.50%/1.75%	27 (ongoing)	-2.52%	4.51%	**1.93%**

Source: Barclays, Fed Prime Rate, The US Department of the Treasury.

March 2018

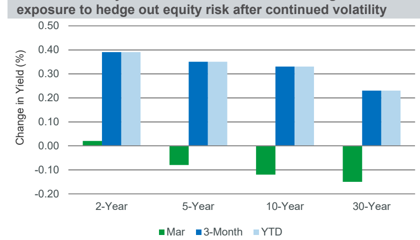
US Rates / Agencies / SSA

US Treasury curve flattened as investors sought equity hedges amid volatility

With the risk of a potential trade war elevating equity volatility in March and the FOMC stopping short of signaling four rate hikes for this year, US Treasury rates rallied effectively flattening the yield curve to the lowest since 2007.

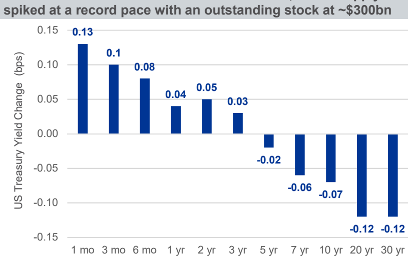
- **US Interest Rates:** Front end rates were range bound in March as most of the 25 bps rate hike by the Fed was priced in while the steeper rate path for 2018 and 2019 had a limited impact on rates markets. Two-year Treasury rates sold off prior to the FOMC meeting reaching an intra-month high of 2.34% before collapsing ending the month at 2.27%.
- **US Treasury Curve:** Over the month, government bonds rallied as the negative correlation between equities and yields returned. By month-end, the yield curve between 2-year and 10-year Treasuries reached its flattest level since October 2007 at 47 bps (from 59 bps).
- **T-Bill Supply:** The very front end saw rates cheapened further as a spike in T-Bill supply overwhelmed the market hitting nearly $300bn in outstanding stock. This may moderate, however, in April with the income tax filing set for April 15.

The US Treasury curve flattened as investors sought rates exposure to hedge out equity risk after continued volatility



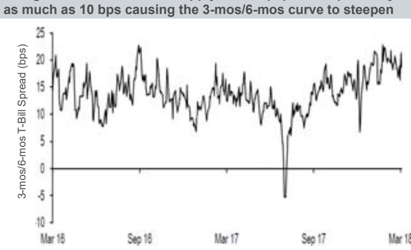
Source: Bloomberg. Data as of 30 March 2018.

Front end rates continued to sell off in March, as bill supply spiked at a record pace with an outstanding stock at ~$300bn



Source: Federal Reserve. Report as of 30 March, 2018.

Alongside the massive bill supply, 6-mos paper cheapened by as much as 10 bps causing the 3-mos/6-mos curve to steepen



Source: JPMorgan. Data as of 23 March, 2018.

March 2018

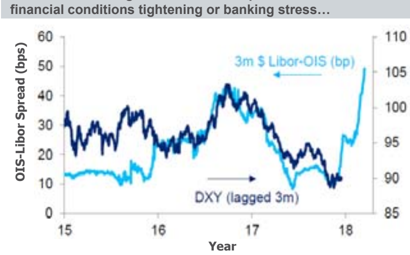
US Libor

A surge in US Libor driven by liquidity/funding needs puts it back in focus

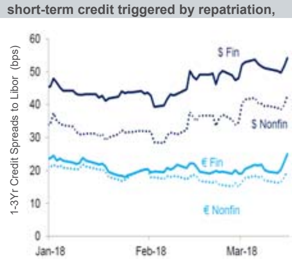
The London interbank offered rate (LIBOR), a survey-based interest rate benchmark, continued to rise in 2018 on increased short term liquidity needs and on scarcity of USD funding.

- **No Macro Drivers:** While in the past a surging Libor was a reflection of poor macroeconomic fundamentals and heightened credit risk, the drivers this time around are more technical in nature.
- **Technicals Matter:** Increased scarcity of USD funding over and above the Fed's intended tightening and the sell-off in short-dated USD credit following repatriation, which led to increased rate hedging and issuance in Commercial Paper (CPs), led to a continued rise in Libor.
- **USD Cash is King:** Following US tax reforms, corporations shortened duration of their holdings in order to have instant access to cash for stock buybacks and M&A, which led to front-end bond selling. In order to reduce exposure to widening credit spreads and remain liquid, the $150bn in CP issuance last year was driven by nonfinancial corporates. Another driver was non-US corporates which sought USD funding via the CP market.

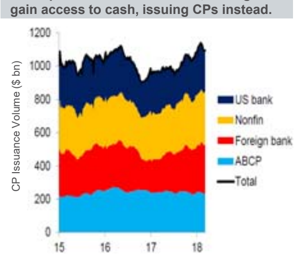
The latest widening of the Libor-OIS spread is less indicative of financial conditions tightening or banking stress…



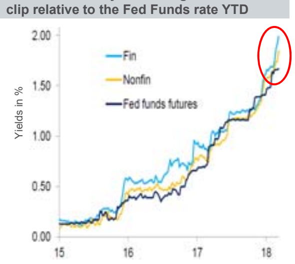
… but rather a reflection of a selloff in short-term credit triggered by repatriation,



as corporates reduce duration, aiming to gain access to cash, issuing CPs instead.



The result is CP yields rising at a faster clip relative to the Fed Funds rate YTD



Source: Citi Research, Markit. Report as of 18 March, 2018.

March 2018

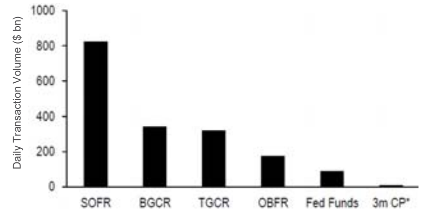
Replacement of US Libor

Alternative reference rates are published as regulators prepare for substitution

Various regulatory bodies including UK's Financial Conduct Authority (FCA) and the Federal Reserve Bank of New York are preparing to consider alternative interest rate benchmarks to replace the London interbank offered rate (LIBOR), a survey-based rate benchmark by 2021.

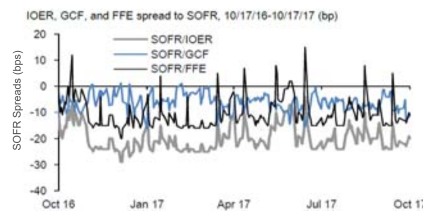
- **Background:** In July 2012, the UK commissioned review of the Libor-setting process. From 2013 to 2016, various regulatory bodies, including the International Organization of Securities Commission (IOSCO) and the Financial Stability Board (FSB) released reports on reforming financial benchmarks, including Libor. In July 2017, the FCA announced it will no longer compel panel banks to participate in setting Libor rates by 2022.
- **Introducing SOFR:** On April 3, the Fed began publishing the Secured Overnight Financing Rate (SOFR), marking a first step on the long road to replacing LIBOR as the standard interest rate benchmark.
- **Components of SOFR:** SOFR is an overnight rate based on Treasury repurchases ("repos"), specifically triparty repos, GCF (General Collateral Finance) and Fixed Income Clearing Corporation (FICC) cleared bilateral trades. The Fed also began publishing daily data on the Tri-party General Collateral Rate (TGCR) and the Broad General Collateral Rate (BGCR), two subcomponents of the SOFR.
- **Calculation Method:** SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data from Bank of New York Mellon as well as GCF repo transaction data and data on bilateral repo transactions cleared through FICC's DVP service, collected from DTCC.
- **How Does it Compare to Other Money Market Rates?** The SOFR registered 1.83% (as of April 3, 2018), trading 10 bps below GCF, 8 bps above IOER, and 14 bps above FFER. It is somewhat usual for SOFR to trade above Fed funds or even above IOER. This could also have been a function of markets still trying to recover from quarter-end and the large amount of T-bill supply that has hit the market.
- **Developing a Derivatives Market:** The next step is developing a derivatives market with cash flows tied to SOFR. As such, in early May, CME plans to launch monthly and quarterly futures tied to SOFR.
- **Main Risk:** One risk we see to investors is the failure to effectively transition legacy positions, which could broadly impact financial stability.

Relative to other rates, SOFR is based on a much more active and liquid market, accounting for ~$800bn of avg. daily volume



Source: Federal Reserve, Bloomberg, JPMorgan. Data as of 4 April 2018

Historically, SOFR appeared to trade below IOER, GCF, and FFE



Source: Federal Reserve, Bloomberg, JPMorgan. Data as of 4 April 2018

BGCR = Broad General Collateral Rate; TGCR = Tri-party General Collateral Rate; OBFR = Overnight Bank Funding Rate; CP = Commercial Paper; FFER = Federal Funds Effective Rate; IOER = Interest on Excess Reserves.

March 2018

Short Duration Positioning – Relative Value Map*

Global Rates / Macro

- Given the strength of recent data and the relatively hawkish communication at the most recent FOMC meeting, we moved from neutral to short at the front-end after the month end extension as we feel that the quality of data should be supportive of rate hikes in 2018 and early 2019.

Agency / Gov't Guaranteed / Supranationals

- We have grown cautious on Canadian provincials given risk around the NAFTA negotiations. US agency debentures are still unattractive in our view based on rich valuations.

Corporate Credit

- We continue to tactically add exposure due to the recent spread widening. We are overweight banking, media & telecom and tobacco. Our key underweights are in the consumer oriented sectors. We are also underweight retail on broader secular concerns in the space and food/beverages on valuation and M&A risk.

Agency MBS

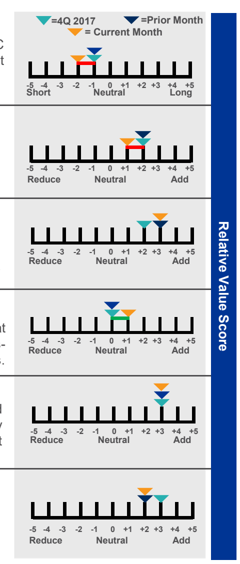
- Given the range bound rates environment combined with a decline in volatility and expectations that banks will return to the market as C&I*** growth remains muted, we favor 2.5 coupon 15-year pass-throughs. Additionally, we believe the carry of the roll is particularly attractive and prefer TBAs over pools.

ABS

- We continue to remain positive on the sector due to improving expectations for economic growth and tightening labor markets, as well as strong fundamentals and solid liquidity. We favor higher quality sectors, including private student loans, prime autos, bank cards and AAA** CLOs. Due to the recent widening in front-end swap spreads, we have been looking for opportunities to add 1-2 year prime paper.

CMBS

- We are cautious on the sector with the bias towards higher quality and shorter paper that rolled down as we believe that raising rates could potentially weigh on commercial real estate valuations.



*The opinions expressed are as of 30 March 2018 and are subject to change at any time due to changes in market or economic conditions. Note that strategies employed may vary depending on individual client guidelines. Relative value score is assigned by the Short Duration Portfolio Team based on their opinion of relative value in each sector and is not derived from a mathematical model. C&I*** Commercial and Industrial loans which are typically made to corporations or businesses. **S&P Rating

Appendix

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Corporate Credit

Negative sentiment driven by various factors caused spreads to widen further

- **Return Summary:**
  – US 1-3 year Corporates had an excess return of -9 bps versus duration adjusted Treasuries, bringing YTD returns to -21 bps.
- **Issuance:**
  – While new issue supply of $113bn, including CVS's $40bn debt sale to finance the purchase of Aetna, fell short of the $150bn in estimates, the market was not supportive of this large supply as weakening demand together with heightened volatility and macroeconomic uncertainty weighed on markets.
- **Market Color:**
  – Political risk pervaded the market narrative for the month as President Trump's announcement to impose tariffs on steel and aluminum, the continued turnover in the Trump administration, and fears around privacy concerns in the technology sector all coalesced to fuel an equity selloff and rate rally towards the end of the month.
  – Adding to the negative sentiment are higher hedging costs for foreign buyers which could further dampen demand for US credit.

BBG Barclays US Corporate Indices – Excess Return by Sector

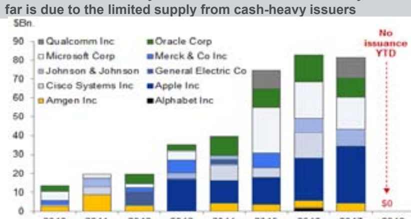
Excess Returns (bps)*	US Corp 1-3 YR		US Corp 3-5 YR		US Corp 10+ Yr		US Corp IG Agg	
March 2018	MTD	YTD	MTD	YTD	MTD	YTD	MTD	YTD
Corporate	-13	-28	-40	-56	-179	-121	-91	-79
Financial	-16	377	-45	-67	-221	-226	-86	-86
Industrial	-11	-22	-35	-48	-171	-97	-91	-91
Utility	-17	-26	-54	-61	-161	-110	-116	-116

Source: Barclays Research. Data as of 30 March 2018. Past performance is not a guarantee of futures results. Index performance is for illustrative purposes only. It is not possible to invest directly in an index. *Duration adjusted excess returns provided by Barclays. See appendix for on economic data sources. Issuance data is calculated internally from the BlackRock capital markets group.

Political risk, economic doubts led by import tariffs and rising hedging costs for foreign investors led to widening spreads

Source: JPMorgan. Report as of 6 April 2018.

One of the reasons why front end credit held in relatively well so far is due to the limited supply from cash-heavy issuers



Source: Dealogic, Goldman Sachs Global Investment Research. Report as of 3 April, 2018.

Asset-Backed Securities (ABS)

March 2018

Spreads continued to widen amid short duration ABS on supply, relative value

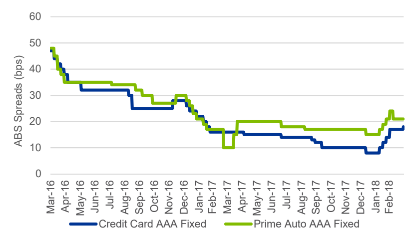
- **Return summary**:
  - The Barclays ABS Floating Rate 1-3 Year Index posted an excess return of 0 bps vs. duration adjusted Treasuries in February, bringing the YTD return to 6 bps.
- **Issuance:**
  - We saw $22.1bn of ABS issuance across 38 transactions, which was up 35% MoM and up 7.5% YoY.
  - Auto related ABS issuance represented 45% of total supply in March, while esoterics represented 14%. MoM.
- **Market color:**
  - Over the past month, spreads have generally widened across all products, especially short-duration paper, given high dealer inventory in ABS; the repatriation of cash, which is affecting corporate treasurers' demand for high-quality, short-duration paper; and heavy new issue supply across most markets.
  - While we don't view heavy supply as a singular factor for the most recent market weakness, since investors still have cash to put to work, it certainly does not help the technical backdrop and could weigh more heavily on spreads if issuance remains elevated.
  - Spreads in high quality paper moved 10-15bps wider in March due to the negative supply technical. Higher yielding paper outperformed due to the scarcity effect of these sectors, only moving 5-10bps wider.
  - Collateral performance in private student loans remains strong, while we see performance in auto loans and unsecured consumer loans as worsening but at a controlled pace. Charge-offs in credit card ABS trusts increased in March to 2.42% from 2.26% in February.

Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index. Past performance is not indicative of future returns. Duration adjusted excess returns provided by Barclays. See appendix for on economic data sources. Issuance data is calculated internally from the BlackRock trading desk. *S&P

The most recent spread widening in ABS impacted sub-sectors and credit rating indiscriminately

Source: Barclays Research. Data as of 23 March 2018.

For the second straight month spreads have widened as investors rotated into cheapening corporate credit



Source: BlackRock using data from JPMorgan. Data as of 30 March 2018.

Excess returns versus Treasuries

March 2018

Short Duration Sectors

Duration-adjusted excess returns by sector (in basis points)*

BBG Barclays Index	2014	2015	2016	Q2 2017	Q3 2017	Oct 2017	Nov 2017	Dec 2017	Q4 2017	2017	Jan 2018	Feb 2018	Mar 2018	Q1 2018
Barclays Agg	12	-53	138	30	41	17	2	17	36	121	18	-20	-29	-31
Agency 1-3 Yrs	8	-6	12	12	5	2	-2	0	0	31	1	-3	3	1
MBS 15 Yrs	85	16	10	-2	26	4	-12	16	7	37	-14	-20	12	-22
ABS Float. Rate 1-3 Yrs	62	21	118	22	21	7	1	4	12	96	6	0	0	6
CMBS 1-3.5 Yrs	93	-4	115	38	2	19	6	4	29	81	7	-8	-1	-2
Credit 1-3 Yrs	43	24	112	33	27	11	-4	6	13	113	4	-15	-9	-21
Credit 1-5 Yrs	56	13	148	46	40	17	-4	9	23	162	9	-22	-21	-34
US Float. Rate Credit**	66	41	172	37	34	20	6	6	32	164	22	-1	-12	9
US High Yield 1-5 Yrs***	-45	-598	1498	141	126	47	-13	30	64	557	126	-20	-45	60

* Unannualized
** Represented by US Floating Rate Corporates Index
*** Barclays US High Yield 1-5 Yr Cash Pay 2% Index
Source: Barclays Capital. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an index. Past performance is not indicative of future returns. Boxes highlighted in yellow represent the current period.