

## 2017 年 3 月期 中間決算短信 (2016 年 4 月 1 日～2016 年 9 月 30 日)

Semi-Annual Earnings Report for Fiscal Year ended March 2017 (April 1, 2016 – September 30, 2016)

2016 年 12 月 9 日

December 9, 2016

フ ァ ン ド 名	i シェアーズ 米国リート・不動産株 ETF (ダウ・ジョーンズ米国不動産)	上場取引所	東
コ ー ド 番 号	1590	売買単位	1 口
連 動 対 象 指 標	ダウ・ジョーンズ米国不動産指数		
主 要 投 資 資 産	有価証券		
管 理 会 社	ブラックロック・ファンド・アドバイザーズ		
U R L	<a href="http://www.blackrock.com/jp/products/269027/">http://www.blackrock.com/jp/products/269027/</a>		
代 表 者	(役職名) マネージング・ディレクター (氏名) ジャック・ジー		
問 合 せ 先 責 任 者	(役職名) 代理人 (氏名) 濃川 耕平 (TEL) 03(6250)6200		
Fund name:	iShares U.S. Real Estate ETF-JDR	Listed Exchange:	TSE
Code:	1590	Trading unit:	1 unit
Underlying indicator:	Dow Jones U.S. Real Estate Index		
Primary invested assets:	Securities		
Management co.:	BlackRock Fund Advisors		
URL:	<a href="http://www.blackrock.com/jp/products/269027/">http://www.blackrock.com/jp/products/269027/</a>		
Representative:	(Title) Managing Director (Name) Jack Gee		
Contact person:	(Title) Attorney-in-Fact (Name) Kohei Koikawa (TEL) 03(6250)6200		

半期報告書提出予定日 2016 年 12 月

Scheduled date of submission of Semi-Annual Report: December 2016

## I ファンドの運用状況

### I Fund Management

#### 1. 2016 年 9 月中間期の運用状況 (2016 年 4 月 1 日～2016 年 9 月 30 日)

##### 1. Management Status for Half-Year Ended September 2016 (from April 1, 2016 to September 30, 2016)

#### (1) 信託財産である外国 ETF の資産内訳

(百万円未満切捨て)

##### (1) Assets of Trust Asset Foreign ETF

(amounts below 1 mil. yen are disregarded)

	主要投資資産		現金・預金・その他の資産 (負債控除後)		合計 (純資産)	
	Primary Invested Assets		Cash/Deposits/Other Assets (minus liabilities)		Total (Net Assets)	
	金額 Amount	構成比 ratio	金額 Amount	構成比 ratio	金額 Amount	構成比 ratio
	百万円 JPY mil.	%	百万円 JPY mil.	%	百万円 JPY mil.	%
2016 年 9 月中間期 1st Half of the FY ended September 2016	556,308	107.62	△39,377	(7.62)	516,931	100.00
2016 年 3 月期 FY ended March 2016	518,649	110.74	△50,304	(10.74)	468,344	100.00

#### (2) 信託財産である外国 ETF の設定・交換実績

##### (2) Creation and Redemption of Trust Asset Foreign ETF

	前計算期間末 発行済口数 No. of Issued Units at End of Previous Calculation Period (①)	設定口数 No. of Units Created (②)	交換口数 No. of Units Redeemed (③)	当中間計算期間末 発行済口数 No. of Issued Units at End of Semi-Annual Period (①+②-③)
	千口 '000 units	千口 '000 units	千口 '000 units	千口 '000 units
2016 年 9 月中間期 1st Half of the FY ended September 2016	57,350	108,800	105,000	61,150

#### (3) 信託財産である外国 ETF の基準価額

##### (3) Net Asset Value of Trust Asset Foreign ETF

	総資産 Total Assets (①)	負債 Liabilities (②)	純資産 Net Assets (③(①-②))	1口当たり基準価額 Net Asset Value per unit (③/①) (③/No. of Issued Units at End of Semi-Annual Period (Previous Calculation Period))×1)
	百万円 JPY mil.	百万円 JPY mil.	百万円 JPY mil.	円 JPY
2016 年 9 月中間期 1st Half of the FY ended September 2016	559,658	42,726	516,931	8,453.49
2016 年 3 月期 FY ended March 2016	521,169	52,824	468,344	8,166.42

(4) 上場外国 ETF 信託受益証券に係る設定・交換実績

(4) Creation and Redemption of Listed Foreign ETF Trust Beneficiary Certificates (JDR)

	前計算期間末 発行済口数 No. of Issued Units at End of Previous Calculation Period	設定口数 No. of Units Created	交換口数 No. of Units Redeemed	当中間計算期間末(前 計算期間末) 発行済口数 No. of Issued Units at End of Semi-Annual Period (Previous Calculation Period)
	(①)	(②)	(③)	(①+②-③)
	千口 '000 units	千口 '000 units	千口 '000 units	千口 '000 units
2016 年 9 月中間期 1st Half of the FY ended September 2016	146.5	30.0	2.6	173.9
2016 年 3 月期 FY ended March 2016	145.0	31.5	0	176.5

(5) 上場外国 ETF 信託受益証券の分配金

(5) Dividend Payment of Listed Foreign ETF Trust Beneficiary Certificates (JDR)

2016 年 9 月中間期 1st Half of the FY ended September 2016	1 口当たり分配金 Dividend per unit	2016 年 3 月期 FY ended March 2016	1 口当たり分配金 Dividend per unit
※1	円 JPY	※1	円 JPY
2016 年 6 月 23 日 June 23, 2016	※2 税率(Tax Rate)10% : 63 税率(Tax Rate)30% : 49	2015 年 6 月 26 日 June 26, 2015	55
2016 年 9 月 28 日 September 28, 2016	※2 税率(Tax Rate)10% : 63 税率(Tax Rate)30% : 49	2015 年 9 月 25 日 September 25, 2015	※2 税率(Tax Rate)10% : 70 税率(Tax Rate)30% : 54
—	—	2015 年 12 月 29 日 December 29, 2015	※2 税率(Tax Rate)10% : 100 税率(Tax Rate)30% : 77
—	—	2016 年 3 月 28 日 March 28, 2016	※2 税率(Tax Rate)10% : 86 税率(Tax Rate)30% : 66

※1 当該期間における分配のための基準日を記載しております。

※1 The record dates for distributions corresponding to the relevant period are indicated.

※2 1 口あたり分配金単価(外国源泉税控除後)は、適用される米国源泉税率毎に算出されています。上記以外の税率についての記載は省略しております。

※2 These amounts of dividend per unit are shown together with, and after the application of, the respective applicable U.S. withholding tax rates. Except to the extent given above, the information concerning the tax rates is omitted.

(注) 上記(1)～(3)の表における米ドルから日本円への換算は、1 米ドル=104.86 円の換算率(2016 年 10 月 31 日に株式会社三菱東京 UFJ 銀行が公表した対顧客電信売買相場の仲値)により計算されています。

(Note) Conversion from United States dollars into Japanese yen with respect to the tables in (1) through (3) above has been made at the exchange rate of \$1 = ¥ 104.86 (the telegraphic transfer middle exchange rate vis-à-vis customers quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on October 31, 2016).

2. 信託財産である外国 ETF の会計方針の変更

2. Change in Accounting Policies of Trust Asset Foreign ETF

(1) 会計基準等の改正に伴う会計方針の変更 : 無  
(1) Changes accompanying revision to accounting standards, etc. : No

(2) (1) 以外の会計方針の変更 : 無  
(2) Changes other than those in (1) : No

## 2016 SEMI-ANNUAL REPORT (UNAUDITED)



### **iShares Trust**

- ▶ iShares U.S. Aerospace & Defense ETF | ITA | NYSE Arca
- ▶ iShares U.S. Broker-Dealers & Securities Exchanges ETF | IAI | NYSE Arca
- ▶ iShares U.S. Healthcare Providers ETF | IHF | NYSE Arca
- ▶ iShares U.S. Home Construction ETF | ITB | NYSE Arca
- ▶ iShares U.S. Insurance ETF | IAK | NYSE Arca
- ▶ iShares U.S. Medical Devices ETF | IHI | NYSE Arca
- ▶ iShares U.S. Oil & Gas Exploration & Production ETF | IEO | NYSE Arca
- ▶ iShares U.S. Oil Equipment & Services ETF | IEZ | NYSE Arca
- ▶ iShares U.S. Pharmaceuticals ETF | IHE | NYSE Arca
- ▶ iShares U.S. Real Estate ETF | IYR | NYSE Arca
- ▶ iShares U.S. Regional Banks ETF | IAT | NYSE Arca
- ▶ iShares U.S. Telecommunications ETF | IYZ | NYSE Arca

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# Statements of Assets and Liabilities (Unaudited) (Continued)

## iSHARES® TRUST

September 30, 2016

	iShares U.S. Real Estate ETF	iShares U.S. Regional Banks ETF	iShares U.S. Telecommunications ETF
<b>ASSETS</b>			
Investments, at cost:			
Unaffiliated	\$5,193,654,407	\$259,116,754	\$ 551,867,828
Affiliated (Note 2)	<u>404,716,139</u>	<u>32,291,463</u>	<u>107,189,544</u>
Total cost of investments	<u>\$5,598,370,546</u>	<u>\$291,408,217</u>	<u>\$ 659,057,372</u>
Investments in securities, at fair value (including securities on loan <sup>a</sup> ) (Note 1):			
Unaffiliated	\$4,900,531,943	\$250,289,733	\$ 511,047,708
Affiliated (Note 2)	<u>404,716,139</u>	<u>30,888,528</u>	<u>93,977,428</u>
Total fair value of investments	5,305,248,082	281,178,261	605,025,136
Cash	3,553,508	—	—
Receivables:			
Due from custodian (Note 4)	144,687	—	—
Dividends and interest	24,898,659	680,191	530,322
Capital shares sold	<u>3,348,518</u>	<u>—</u>	<u>—</u>
Total Assets	<u>5,337,193,454</u>	<u>281,858,452</u>	<u>605,555,458</u>
<b>LIABILITIES</b>			
Payables:			
Investment securities purchased	144,687	—	—
Collateral for securities on loan (Note 1)	399,007,530	418,880	52,066,986
Capital shares redeemed	6,530,505	15,364	10,032
Investment advisory fees (Note 2)	<u>1,783,419</u>	<u>104,692</u>	<u>199,890</u>
Total Liabilities	<u>407,466,141</u>	<u>538,936</u>	<u>52,276,908</u>
NET ASSETS	<u>\$4,929,727,313</u>	<u>\$281,319,516</u>	<u>\$ 553,278,550</u>
<b>Net assets consist of:</b>			
Paid-in capital	\$5,102,601,679	\$352,318,217	\$ 787,598,001
Undistributed (distributions in excess of) net investment income	(29,090,160)	410,276	439,743
Undistributed net realized gain (accumulated net realized loss)	149,338,258	(61,179,021)	(180,726,958)
Net unrealized depreciation	<u>(293,122,464)</u>	<u>(10,229,956)</u>	<u>(54,032,236)</u>
NET ASSETS	<u>\$4,929,727,313</u>	<u>\$281,319,516</u>	<u>\$ 553,278,550</u>
Shares outstanding <sup>b</sup>	<u>61,150,000</u>	<u>8,000,000</u>	<u>17,150,000</u>
Net asset value per share	<u>\$ 80.62</u>	<u>\$ 35.16</u>	<u>\$ 32.26</u>

<sup>a</sup> Securities on loan with values of \$389,577,536, \$410,025 and \$48,565,939, respectively. See Note 1.

<sup>b</sup> No par value, unlimited number of shares authorized.

See notes to financial statements.

# Statements of Operations (Unaudited) (Continued)

## iSHARES® TRUST

Six months ended September 30, 2016

	iShares U.S. Real Estate ETF	iShares U.S. Regional Banks ETF	iShares U.S. Telecommunications ETF
<b>NET INVESTMENT INCOME</b>			
Dividends — unaffiliated <sup>a</sup>	\$ 64,131,657	\$ 3,836,765	\$ 7,692,319
Dividends — affiliated (Note 2)	8,031	486,870	235,680
Securities lending income — affiliated — net (Note 2)	520,441	11,536	1,076,607
Total investment income	64,660,129	4,335,171	9,004,606
<b>EXPENSES</b>			
Investment advisory fees (Note 2)	10,453,673	784,006	1,466,289
Total expenses	10,453,673	784,006	1,466,289
Net investment income	54,206,456	3,551,165	7,538,317
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>			
Net realized gain (loss) from:			
Investments — unaffiliated	(127,556,660)	(1,448,639)	2,561,726
Investments — affiliated (Note 2)	—	(225,515)	(1,021,670)
In-kind redemptions — unaffiliated	308,198,505	(10,650,984)	57,742,425
In-kind redemptions — affiliated (Note 2)	—	(1,737,421)	(2,284,012)
Realized gain distributions from affiliated funds	11	—	—
Net realized gain (loss)	180,641,856	(14,062,559)	56,998,469
Net change in unrealized appreciation/depreciation	(13,553,561)	42,972,624	(23,993,097)
Net realized and unrealized gain	167,088,295	28,910,065	33,005,372
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 221,294,751</b>	<b>\$ 32,461,230</b>	<b>\$ 40,543,689</b>

<sup>a</sup> Net of foreign withholding tax of \$ —, \$2,769 and \$ —, respectively.

See notes to financial statements.

# Statements of Changes in Net Assets (Continued)

## iSHARES® TRUST

	<i>iShares U.S. Real Estate ETF</i>		
	Six months ended September 30, 2016 (Unaudited)	Period from May 1, 2015 to March 31, 2016 <sup>a</sup>	Year ended April 30, 2015
<b>INCREASE (DECREASE) IN NET ASSETS</b>			
<b>OPERATIONS:</b>			
Net investment income	\$ 54,206,456	\$ 109,014,079	\$ 137,033,417
Net realized gain	180,641,856	427,424	777,665,156
Net change in unrealized appreciation/depreciation	(13,553,561)	186,505,072	(310,943,554)
Net increase in net assets resulting from operations	221,294,751	295,946,575	603,755,019
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>			
From net investment income	(83,296,616)	(150,743,219)	(177,990,317)
From net realized gain	—	(34,165,146)	(10,391,973)
Total distributions to shareholders	(83,296,616)	(184,908,365)	(188,382,290)
<b>CAPITAL SHARE TRANSACTIONS:</b>			
Proceeds from shares sold	8,731,614,894	17,077,452,277	25,380,070,070
Cost of shares redeemed	(8,406,265,400)	(17,659,606,099)	(25,405,340,051)
Net increase (decrease) in net assets from capital share transactions	325,349,494	(582,153,822)	(25,269,981)
INCREASE (DECREASE) IN NET ASSETS	463,347,629	(471,115,612)	390,102,748
<b>NET ASSETS</b>			
Beginning of period	4,466,379,684	4,937,495,296	4,547,392,548
End of period	\$ 4,929,727,313	\$ 4,466,379,684	\$ 4,937,495,296
Distributions in excess of net investment income included in net assets at end of period	\$ (29,090,160)	\$ —	\$ —
<b>SHARES ISSUED AND REDEEMED</b>			
Shares sold	108,800,000	231,600,000	338,000,000
Shares redeemed	(105,000,000)	(239,700,000)	(337,750,000)
Net increase (decrease) in shares outstanding	3,800,000	(8,100,000)	250,000

<sup>a</sup> The Fund's fiscal year-end was changed from April 30 to March 31.

See notes to financial statements.



# Financial Highlights (Continued)

## iSHARES® TRUST

(For a share outstanding throughout each period)

### iShares U.S. Real Estate ETF

	Six months ended Sep. 30, 2016 (Unaudited)	Period from May 1, 2015 to Mar. 31, 2016 <sup>a</sup>	Year ended Apr. 30, 2015	Year ended Apr. 30, 2014	Year ended Apr. 30, 2013	Year ended Apr. 30, 2012	Year ended Apr. 30, 2011
<b>Net asset value, beginning of period</b>	\$ 77.88	\$ 75.44	\$ 69.75	\$ 73.45	\$ 63.90	\$ 62.15	\$ 52.92
<b>Income from investment operations:</b>							
Net investment income <sup>b</sup>	0.93	1.84	1.92	2.03	2.07	1.81	1.54
Net realized and unrealized gain (loss) <sup>c</sup>	3.22	3.79	6.47	(3.16)	9.93	2.15	9.68
Total from investment operations	4.15	5.63	8.39	(1.13)	12.00	3.96	11.22
<b>Less distributions from:</b>							
Net investment income	(1.41)	(2.60)	(2.55)	(2.49)	(2.45)	(2.21)	(1.99)
Net realized gain	—	(0.59)	(0.15)	(0.08)	—	—	—
Total distributions	(1.41)	(3.19)	(2.70)	(2.57)	(2.45)	(2.21)	(1.99)
<b>Net asset value, end of period</b>	\$ 80.62	\$ 77.88	\$ 75.44	\$ 69.75	\$ 73.45	\$ 63.90	\$ 62.15
<b>Total return</b>	5.34% <sup>d</sup>	7.77% <sup>d</sup>	12.14%	(1.23)%	19.35%	6.84%	21.88%
<b>Ratios/Supplemental data:</b>							
Net assets, end of period (000s)	\$4,929,727	\$4,466,380	\$4,937,495	\$4,547,393	\$5,769,209	\$3,926,945	\$3,598,770
Ratio of expenses to average net assets <sup>e</sup>	0.44%	0.44%	0.43%	0.45%	0.46%	0.47%	0.47%
Ratio of net investment income to average net assets <sup>e</sup>	2.30%	2.72%	2.55%	3.04%	3.16%	3.11%	2.83%
Portfolio turnover rate <sup>f</sup>	10%	13%	21%	27%	16%	14%	17%

<sup>a</sup> The Fund's fiscal year-end was changed from April 30 to March 31.

<sup>b</sup> Based on average shares outstanding throughout each period.

<sup>c</sup> The amounts reported for a share outstanding may not accord with the change in aggregate gains and losses in securities for the fiscal period due to the timing of capital share transactions in relation to the fluctuating market values of the Fund's underlying securities.

<sup>d</sup> Not annualized.

<sup>e</sup> Annualized for periods of less than one year.

<sup>f</sup> Portfolio turnover rates exclude portfolio securities received or delivered as a result of processing capital share transactions in Creation Units.

See notes to financial statements.

# Notes to Financial Statements (Unaudited)

## iSHARES® TRUST

iShares Trust (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Trust was established as a Delaware statutory trust pursuant to an Agreement and Declaration of Trust dated December 16, 1999.

These financial statements relate only to the following funds (each, a “Fund,” and collectively, the “Funds”):

<i>iShares ETF</i>	<i>Diversification Classification</i>	<i>iShares ETF</i>	<i>Diversification Classification</i>
U.S. Aerospace & Defense	Non-diversified	U.S. Oil & Gas Exploration & Production	Non-diversified
U.S. Broker-Dealers Securities Exchanges	Non-diversified	U.S. Oil Equipment & Services	Non-diversified
U.S. Healthcare Providers	Non-diversified	U.S. Pharmaceuticals	Non-diversified
U.S. Home Construction	Non-diversified	U.S. Real Estate ETF	Diversified
U.S. Insurance	Non-diversified	U.S. Regional Banks	Non-diversified
U.S. Medical Devices	Non-diversified	U.S. Telecommunications ETF	Non-diversified

The investment objective of each Fund is to seek investment results that correspond generally to the price and yield performance, before fees and expenses, of its underlying index. The investment adviser uses a “passive” or index approach to try to achieve each Fund’s investment objective.

Pursuant to the Trust’s organizational documents, the Funds’ officers and trustees are indemnified against certain liabilities that may arise out of the performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts with service providers that contain general indemnification clauses. The Funds’ maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred.

## 1. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies are consistently followed by each Fund in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Each Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies.

## SECURITY VALUATION

Each Fund’s investments are valued at fair value each day that the Fund’s listing exchange is open and, for financial reporting purposes, as of the report date should the reporting period end on a day that the Fund’s listing exchange is not open. U.S. GAAP defines fair value as the price a fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The BlackRock Global Valuation Methodologies Committee (the “Global Valuation Committee”) provides oversight of the valuation of investments for the Funds. The investments of each Fund are valued pursuant to policies and procedures developed by the Global Valuation Committee and approved by the Board of Trustees of the Trust (the “Board”).

- Equity investments traded on a recognized securities exchange are valued at that day’s last reported trade price or the official closing price, as applicable, on the exchange where the stock is primarily traded. Equity investments traded on a recognized exchange for which there were no sales on that day are valued at the last traded price.

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

- Open-end U.S. mutual funds (including money market funds) are valued at that day's published net asset value ("NAV").

In the event that application of these methods of valuation results in a price for an investment which is deemed not to be representative of the fair value of such investment or if a price is not available, the investment will be valued based upon other available factors deemed relevant by the Global Valuation Committee, in accordance with policies approved by the Board. These factors include but are not limited to (i) attributes specific to the investment; (ii) the principal market for the investment; (iii) the customary participants in the principal market for the investment; (iv) data assumptions by market participants for the investment, if reasonably available; (v) quoted prices for similar investments in active markets; and (vi) other factors, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and/or default rates. Valuations based on such factors are reported to the Board on a quarterly basis.

The Global Valuation Committee employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Trust's pricing vendors, a regular review of key inputs and assumptions, transactional back-testing or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices, reviews of large movements in market values, and reviews of market related activity.

Fair value pricing could result in a difference between the prices used to calculate a Fund's NAV and the prices used by the Fund's underlying index, which in turn could result in a difference between the Fund's performance and the performance of the Fund's underlying index.

Various inputs are used in determining the fair value of financial instruments. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes. The level of a value determined for a financial instrument within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement in its entirety. The categorization of a value determined for a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and is not necessarily an indication of the risk associated with investing in the instrument. The three levels of the fair value hierarchy are as follows:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not considered to be active, inputs other than quoted prices that are observable for the asset or liability (such as exchange rates, financing terms, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs; and
- Level 3 — Unobservable inputs for the asset or liability, including the Global Valuation Committee's assumptions used in determining the fair value of investments.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period.

## SECURITY TRANSACTIONS AND INCOME RECOGNITION

Security transactions are accounted for on trade date. Dividend income and capital gain distributions, if any, are recognized on the ex-dividend date, net of any foreign taxes withheld at source. Any taxes withheld that are reclaimable from foreign tax authorities as of September 30, 2016 are reflected in tax reclaims receivable. Non-cash dividends received in the form of stock in

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

an elective dividend, if any, are recorded as dividend income at fair value. Distributions received by the Funds may include a return of capital that is estimated by management. Such amounts are recorded as a reduction of the cost of investments or reclassified to capital gains. Interest income is accrued daily. Realized gains and losses on investment transactions are determined using the specific identification method.

### DISTRIBUTIONS TO SHAREHOLDERS

Dividends and distributions paid by each Fund are recorded on the ex-dividend dates. Distributions are determined on a tax basis and may differ from net investment income and net realized capital gains for financial reporting purposes. Dividends and distributions are paid in U.S. dollars and cannot be automatically reinvested in additional shares of the Funds.

### LOANS OF PORTFOLIO SECURITIES

Each Fund may lend its investment securities to approved borrowers, such as brokers, dealers and other financial institutions. The borrower pledges and maintains with the Fund collateral consisting of cash, an irrevocable letter of credit issued by a bank, or securities issued or guaranteed by the U.S. government. The initial collateral received by each Fund is required to have a value of at least 102% of the current value of the loaned securities for securities traded on U.S. exchanges and a value of at least 105% for all other securities. The collateral is maintained thereafter at a value equal to at least 100% of the current value of the securities on loan. The market value of the loaned securities is determined at the close of each business day of the Funds. Any additional required collateral is delivered to the Funds and any excess collateral is returned by the Funds on the next business day. During the term of the loan, each Fund is entitled to all distributions made on or in respect of the loaned securities but does not receive interest income on securities received as collateral. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions.

On October 11, 2016, BlackRock, Inc. ("BlackRock") implemented changes required by amendments to Rule 2a-7 under the 1940 Act, which governs the operations of U.S. money market funds. The Funds may be exposed to additional risks when reinvesting the cash collateral in money market funds that do not seek to maintain a stable NAV per share of \$1.00 and which may be subject to redemption gates or liquidity fees under certain circumstances.

Any cash received as collateral for securities on loan may be reinvested in certain short-term instruments either directly on behalf of a fund or through one or more joint accounts or money market funds, including those managed by BlackRock Fund Advisors ("BFA"), the Funds' investment adviser, or its affiliates. As of September 30, 2016, any securities on loan were collateralized by cash and/or U.S. government obligations. Cash collateral received was invested in money market funds managed by BFA and is disclosed in the schedules of investments. The securities on loan for each Fund are also disclosed in its schedule of investments. The total value of any securities on loan as of September 30, 2016 and the total value of the related cash collateral are disclosed in the statements of assets and liabilities. Income earned by the Funds from securities lending is disclosed in the statements of operations.

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate these risks, the Funds benefit from a borrower default indemnity provided by BlackRock. BlackRock's indemnity allows for full replacement of securities lent. Each Fund could suffer a loss if the value of the investments purchased with cash collateral falls below the value of the cash collateral received.

Securities lending transactions are entered into by the Funds under Master Securities Lending Agreements ("MSLA") which provide the right, in the event of default (including bankruptcy or insolvency) for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaults, a Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. The value of the collateral is typically greater than that of the market value of the securities loaned, leaving the lender with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

prohibitions against such a right of offset in the event of an MSLA counterparty's bankruptcy or insolvency. Under the MSLA, the borrower can resell or re-pledge the loaned securities, and a Fund can reinvest cash collateral, or, upon an event of default, resell or re-pledge the collateral.

The following table is a summary of securities lending agreements which are subject to offset under an MSLA as of September 30, 2016:

<i>iShares ETF and Counterparty</i>	<i>Market Value of Securities on Loan</i>	<i>Cash Collateral Received<sup>a</sup></i>	<i>Net Amount</i>
<i>U.S. Aerospace &amp; Defense</i>			
Barclays Capital Inc.	\$ 2,068,182	\$ 2,068,182	\$ —
Citigroup Global Markets Inc.	2,686,841	2,686,841	—
Credit Suisse Securities (USA) LLC	624,173	624,173	—
Goldman Sachs & Co.	15,939,336	15,939,336	—
HSBC Bank PLC	17,062	17,062	—
Jefferies LLC	196,163	196,163	—
JPMorgan Securities LLC	453,232	453,232	—
Merrill Lynch, Pierce, Fenner & Smith	1,819,716	1,819,716	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	4,500,832	4,500,832	—
UBS Securities LLC	219,909	219,909	—
	<u>\$ 28,525,446</u>	<u>\$ 28,525,446</u>	<u>\$ —</u>
<i>U.S. Broker-Dealers &amp; Securities Exchanges</i>			
Citigroup Global Markets Inc.	\$ 93,707	\$ 93,707	\$ —
Goldman Sachs & Co.	252,416	252,416	—
JPMorgan Securities LLC	329,728	329,728	—
Merrill Lynch, Pierce, Fenner & Smith	71,224	71,224	—
Wells Fargo Securities LLC	224,518	224,518	—
	<u>\$ 971,593</u>	<u>\$ 971,593</u>	<u>\$ —</u>
<i>U.S. Healthcare Providers</i>			
BNP Paribas Prime Brokerage International Ltd.	\$ 8,428,541	\$ 8,428,541	\$ —
Citigroup Global Markets Inc.	2,120,796	2,120,796	—
Deutsche Bank Securities Inc.	2,568,628	2,568,628	—
Goldman Sachs & Co.	1,893,973	1,893,973	—
Jefferies LLC	105,488	105,488	—
JPMorgan Securities LLC	6,111,867	6,111,867	—
Merrill Lynch, Pierce, Fenner & Smith	2,390,650	2,390,650	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	9,246,799	9,246,799	—
Scotia Capital (USA) Inc.	250,123	250,123	—
State Street Bank & Trust Company	3,046,472	3,046,472	—
Wells Fargo Securities LLC	257,127	257,127	—
	<u>\$ 36,420,464</u>	<u>\$ 36,420,464</u>	<u>\$ —</u>

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

<i>iShares ETF and Counterparty</i>	<i>Market Value of Securities on Loan</i>	<i>Cash Collateral Received<sup>a</sup></i>	<i>Net Amount</i>
<i>U.S. Home Construction</i>			
Barclays Capital Inc.	\$ 50,089	\$ 50,089	\$ —
BNP Paribas Prime Brokerage International Ltd.	5,001,655	5,001,655	—
Citigroup Global Markets Inc.	1,077,836	1,077,836	—
Credit Suisse Securities (USA) LLC	1,407,040	1,407,040	—
Deutsche Bank Securities Inc.	10,016,151	10,016,151	—
Goldman Sachs & Co.	15,475,400	15,475,400	—
HSBC Bank PLC	1,569,874	1,569,874	—
JPMorgan Securities LLC	29,558,352	29,558,352	—
Merrill Lynch, Pierce, Fenner & Smith	349,200	349,200	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	1,627,608	1,627,608	—
National Financial Services LLC	573,291	573,291	—
UBS AG	924,193	924,193	—
UBS Securities LLC	6,129,100	6,129,100	—
	<u>\$ 73,759,789</u>	<u>\$ 73,759,789</u>	<u>\$ —</u>
<i>U.S. Medical Devices</i>			
Barclays Capital Inc.	\$ 157,079	\$ 157,079	\$ —
BNP Paribas Prime Brokerage Inc.	864,476	864,476	—
BNP Paribas Prime Brokerage International Ltd.	12,571,565	12,571,565	—
Citigroup Global Markets Inc.	349,161	349,161	—
Credit Suisse Securities (USA) LLC	430,700	430,700	—
Goldman Sachs & Co.	17,467,542	17,467,542	—
Jefferies LLC	164,080	164,080	—
JPMorgan Securities LLC	4,609,091	4,609,091	—
Merrill Lynch, Pierce, Fenner & Smith	3,526,230	3,526,230	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	178,190	178,190	—
State Street Bank & Trust Company	7,784,172	7,784,172	—
UBS Securities LLC	2,455	2,455	—
Wells Fargo Securities LLC	126,525	126,525	—
	<u>\$ 48,231,266</u>	<u>\$ 48,231,266</u>	<u>\$ —</u>
<i>U.S. Oil &amp; Gas Exploration &amp; Production</i>			
BNP Paribas Prime Brokerage Inc.	\$ 398,334	\$ 398,334	\$ —
BNP Paribas Prime Brokerage International Ltd.	25,774	25,774	—
Citigroup Global Markets Inc.	1,544,724	1,544,724	—
Deutsche Bank Securities Inc.	18,819	18,819	—
HSBC Bank PLC	30	30	—
JPMorgan Securities LLC	1,522,301	1,522,301	—
Merrill Lynch, Pierce, Fenner & Smith	1,373,003	1,373,003	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	70,083	70,083	—
State Street Bank & Trust Company	307,710	307,710	—
UBS Securities LLC	28,290	28,290	—
	<u>\$ 5,289,068</u>	<u>\$ 5,289,068</u>	<u>\$ —</u>

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

<i>iShares ETF and Counterparty</i>	<i>Market Value of Securities on Loan</i>	<i>Cash Collateral Received<sup>a</sup></i>	<i>Net Amount</i>
<i>U.S. Oil Equipment &amp; Services</i>			
BNP Paribas Prime Brokerage International Ltd.	\$ 123,308	\$ 123,308	\$ —
Citigroup Global Markets Inc.	3,496,819	3,496,819	—
Credit Suisse Securities (USA) LLC	1,051,947	1,051,947	—
Deutsche Bank Securities Inc.	2,823,913	2,823,913	—
Goldman Sachs & Co.	139,454	139,454	—
Jefferies LLC	26,754	26,754	—
JPMorgan Securities LLC	10,471,905	10,471,905	—
Merrill Lynch, Pierce, Fenner & Smith	3,913,575	3,913,575	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	4,993,814	4,993,814	—
Scotia Capital (USA) Inc.	511,224	511,224	—
UBS Securities LLC	477,814	477,814	—
Wells Fargo Securities LLC	358,038	358,038	—
	<u>\$ 28,388,565</u>	<u>\$ 28,388,565</u>	<u>\$ —</u>
<i>U.S. Pharmaceuticals</i>			
Barclays Capital Inc.	\$ 3,225,711	\$ 3,225,711	\$ —
BNP Paribas Prime Brokerage Inc.	57,834	57,834	—
BNP Paribas Prime Brokerage International Ltd.	7,819,862	7,819,862	—
Citigroup Global Markets Inc.	4,292,927	4,292,927	—
Credit Suisse Securities (USA) LLC	1,776,313	1,776,313	—
Deutsche Bank Securities Inc.	35,066,513	35,066,513	—
Goldman Sachs & Co.	1,637,442	1,637,442	—
HSBC Bank PLC	261,800	261,800	—
Jefferies LLC	1,054,189	1,054,189	—
JPMorgan Securities LLC	6,012,193	6,012,193	—
Merrill Lynch, Pierce, Fenner & Smith	4,173,154	4,173,154	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	5,854,962	5,854,962	—
National Financial Services LLC	175,280	175,280	—
Nomura Securities International Inc.	669,203	669,203	—
RBC Capital Markets LLC	3,424,051	3,424,051	—
Scotia Capital (USA) Inc.	303,132	303,132	—
UBS AG	4,689,341	4,689,341	—
UBS Securities LLC	4,705,219	4,705,219	—
Wells Fargo Securities LLC	4,903,462	4,903,462	—
	<u>\$ 90,102,588</u>	<u>\$ 90,102,588</u>	<u>\$ —</u>



# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

<i>iShares ETF and Counterparty</i>	<i>Market Value of Securities on Loan</i>	<i>Cash Collateral Received<sup>a</sup></i>	<i>Net Amount</i>
<i>U.S. Real Estate</i>			
Barclays Capital Inc.	\$ 3,889,280	\$ 3,889,280	\$ —
BNP Paribas Prime Brokerage International Ltd.	2,133,987	2,133,987	—
Citigroup Global Markets Inc.	41,496,350	41,496,350	—
Credit Suisse Securities (USA) LLC	10,509,157	10,509,157	—
Deutsche Bank Securities Inc.	5,865,392	5,865,392	—
Goldman Sachs & Co.	73,196,895	73,196,895	—
HSBC Bank PLC	2,155,870	2,155,870	—
Jefferies LLC	306,269	306,269	—
JPMorgan Securities LLC	66,466,508	66,466,508	—
Merrill Lynch, Pierce, Fenner & Smith	42,733,673	42,733,673	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	83,560,402	83,560,402	—
National Financial Services LLC	10,948,531	10,948,531	—
Scotia Capital (USA) Inc.	1,578,200	1,578,200	—
State Street Bank & Trust Company	28,042,873	28,042,873	—
UBS AG	4,333,090	4,333,090	—
UBS Securities LLC	11,282,753	11,282,753	—
Wells Fargo Securities LLC	1,078,306	1,078,306	—
	<u>\$ 389,577,536</u>	<u>\$ 389,577,536</u>	<u>\$ —</u>
<i>U.S. Regional Banks</i>			
Goldman Sachs & Co.	<u>\$ 410,025</u>	<u>\$ 410,025</u>	<u>\$ —</u>
<i>U.S. Telecommunications</i>			
Barclays Capital Inc.	\$ 4,797,800	\$ 4,797,800	\$ —
BNP Paribas Prime Brokerage Inc.	7,110,700	7,110,700	—
BNP Paribas Prime Brokerage International Ltd.	976,023	976,023	—
Citigroup Global Markets Inc.	913,817	913,817	—
Credit Suisse Securities (USA) LLC	2,556,418	2,556,418	—
Deutsche Bank Securities Inc.	3,956,492	3,956,492	—
Goldman Sachs & Co.	11,657,975	11,657,975	—
Jefferies LLC	224,236	224,236	—
JPMorgan Securities LLC	3,517,141	3,517,141	—
Merrill Lynch, Pierce, Fenner & Smith	1,241,844	1,241,844	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	8,444,534	8,444,534	—
National Financial Services LLC	253,556	253,556	—
Nomura Securities International Inc.	1,307,490	1,307,490	—
SG Americas Securities LLC	23,880	23,880	—
UBS Securities LLC	1,041,420	1,041,420	—
Wells Fargo Securities LLC	542,613	542,613	—
	<u>\$ 48,565,939</u>	<u>\$ 48,565,939</u>	<u>\$ —</u>

<sup>a</sup> Collateral received in excess of the market value of securities on loan is not presented in this table. The total cash collateral received by each Fund is disclosed in the Fund's statement of assets and liabilities.



# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

### 2. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Pursuant to an Investment Advisory Agreement with the Trust, BFA manages the investment of each Fund's assets. BFA is a California corporation indirectly owned by BlackRock. Under the Investment Advisory Agreement, BFA is responsible for substantially all expenses of the Funds, except interest, taxes, brokerage commissions and other expenses connected with the execution of portfolio transactions, distribution fees, litigation expenses and any extraordinary expenses.

For its investment advisory services to each Fund, BFA is entitled to an annual investment advisory fee based on each Fund's allocable portion of the aggregate of the average daily net assets of the Fund and certain other iShares funds, as follows:

<i>Investment Advisory Fee</i>	<i>Aggregate Average Daily Net Assets</i>
0.48%	First \$10 billion
0.43	Over \$10 billion, up to and including \$20 billion
0.38	Over \$20 billion, up to and including \$30 billion
0.34	Over \$30 billion, up to and including \$40 billion
0.33	Over \$40 billion, up to and including \$50 billion
0.31	Over \$50 billion

The U.S. Securities and Exchange Commission (the "SEC") has issued an exemptive order which permits BlackRock Institutional Trust Company, N.A. ("BTC"), an affiliate of BFA, to serve as securities lending agent for the Funds, subject to applicable conditions. As securities lending agent, BTC bears all operational costs directly related to securities lending. Each Fund is responsible for fees in connection with the investment of cash collateral received for securities on loan in a money market fund managed by BFA, however, BTC has agreed to reduce the amount of securities lending income it receives in order to effectively limit the collateral investment fees each Fund bears to an annual rate of 0.04% (the "collateral investment fees"). Securities lending income is equal to the total of income earned from the reinvestment of cash collateral, net of fees and other payments to and from borrowers of securities, and less the collateral investment fees. The Funds retain a portion of securities lending income and remit the remaining portion to BTC as compensation for its services as securities lending agent.

Pursuant to a securities lending agreement, each Fund retains 71.5% of securities lending income and the amount retained can never be less than 65% of the total of securities lending income plus the collateral investment fees. In addition, commencing the business day following the date that the aggregate securities lending income plus the collateral investment fees generated across all 1940 Act iShares exchange-traded funds (the "iShares ETF Complex") in a given calendar year exceeds the aggregate securities lending income generated across the iShares ETF Complex in the calendar year 2013, each Fund, pursuant to a securities lending agreement, will retain for the remainder of that calendar year 75% of securities lending income and the amount retained can never be less than 65% of the total of securities lending income plus the collateral investment fees.

For the six months ended September 30, 2016, the total of securities lending agent services and collateral investment fees paid were as follows:

<i>iShares ETF</i>	<i>Fees Paid to BTC</i>	<i>iShares ETF</i>	<i>Fees Paid to BTC</i>
U.S. Aerospace & Defense	\$ 137,737	U.S. Oil & Gas Exploration & Production	\$ 16,177
U.S. Broker-Dealers & Securities Exchanges	6,000	U.S. Oil Equipment & Services	31,629
U.S. Healthcare Providers	112,757	U.S. Pharmaceuticals	170,364
U.S. Home Construction	126,735	U.S. Real Estate	277,012
U.S. Insurance	49	U.S. Regional Banks	4,949
U.S. Medical Devices	58,417	U.S. Telecommunications	422,310

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

BlackRock Investments, LLC, an affiliate of BFA, is the distributor for each Fund. Pursuant to the distribution agreement, BFA is responsible for any fees or expenses for distribution services provided to the Funds.

Cross trading is the buying or selling of portfolio securities between funds to which BFA (or an affiliate) serves as investment adviser. At its regularly scheduled quarterly meetings, the Board reviews such transactions as of the most recent calendar quarter for compliance with the requirements and restrictions set forth by Rule 17a-7.

For the six months ended September 30, 2016, transactions executed by the Funds pursuant to Rule 17a-7 under the 1940 Act were as follows:

<i>iShares ETF</i>	<i>Purchases</i>	<i>Sales</i>
U.S. Aerospace & Defense	\$ 6,655,402	\$ 5,115,350
U.S. Broker-Dealers & Securities Exchanges	561,112	363,073
U.S. Healthcare Providers	1,785,647	4,392,616
U.S. Home Construction	7,850,129	12,251,062
U.S. Insurance	947,639	562,823
U.S. Medical Devices	16,171,993	47,285,765
U.S. Oil & Gas Exploration & Production	778,221	2,344,631
U.S. Oil Equipment & Services	6,234,816	10,779,236
U.S. Pharmaceuticals	12,373,988	19,781,313
U.S. Real Estate	387,604	1,021,849
U.S. Regional Banks	3,819,339	1,774,175
U.S. Telecommunications	7,354,485	25,646,281

Each Fund may invest its positive cash balances in certain money market funds managed by BFA or an affiliate. The income earned on these temporary cash investments is included in "Dividends – affiliated" in the statements of operations.

The PNC Financial Services Group, Inc. is the largest stockholder of BlackRock and is considered to be an affiliate of the Funds for 1940 Act purposes.

Certain trustees and officers of the Trust are also officers of BTC and/or BFA.

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

### 3. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments (excluding in-kind transactions and short-term investments) for the six months ended September 30, 2016 were as follows:

<i>iShares ETF</i>	<i>Purchases</i>	<i>Sales</i>
U.S. Aerospace & Defense	\$ 31,046,651	\$ 29,643,390
U.S. Broker-Dealers & Securities Exchanges	5,007,661	5,859,059
U.S. Healthcare Providers	23,403,845	25,664,694
U.S. Home Construction	90,320,061	90,247,306
U.S. Insurance	5,529,535	6,209,753
U.S. Medical Devices	155,092,351	153,970,427
U.S. Oil & Gas Exploration & Production	14,316,462	15,228,281
U.S. Oil Equipment & Services	25,447,584	23,035,106
U.S. Pharmaceuticals	99,478,642	100,589,463
U.S. Real Estate	473,465,220	471,467,077
U.S. Regional Banks	13,676,906	12,886,841
U.S. Telecommunications	155,610,899	140,383,346

In-kind transactions (see Note 4) for the six months ended September 30, 2016 were as follows:

<i>iShares ETF</i>	<i>In-kind Purchases</i>	<i>In-kind Sales</i>
U.S. Aerospace & Defense	\$ 382,770,522	\$ 205,490,411
U.S. Broker-Dealers & Securities Exchanges	9,652,455	31,963,818
U.S. Healthcare Providers	222,762,909	312,706,478
U.S. Home Construction	770,702,007	1,022,711,632
U.S. Insurance	—	14,781,281
U.S. Medical Devices	618,458,911	245,131,270
U.S. Oil & Gas Exploration & Production	57,016,908	132,438,440
U.S. Oil Equipment & Services	5,441,868	42,643,314
U.S. Pharmaceuticals	63,158,010	165,871,134
U.S. Real Estate	8,445,896,420	8,123,684,937
U.S. Regional Banks	11,906,298	168,705,995
U.S. Telecommunications	554,592,543	596,292,671

### 4. CAPITAL SHARE TRANSACTIONS

Capital shares are issued and redeemed by each Fund only in aggregations of a specified number of shares or multiples thereof ("Creation Units") at NAV. Except when aggregated in Creation Units, shares of each Fund are not redeemable. Transactions in capital shares for each Fund are disclosed in detail in the statements of changes in net assets.

The consideration for the purchase of Creation Units of a fund in the Trust generally consists of the in-kind deposit of a designated portfolio of securities and a specified amount of cash. Certain funds in the Trust may be offered in Creation Units solely or partially for cash in U.S. dollars. Investors purchasing and redeeming Creation Units may pay a purchase transaction fee and a redemption transaction fee directly to State Street Bank and Trust Company, the Trust's administrator, to offset transfer and other transaction costs associated with the issuance and redemption of Creation Units, including Creation Units for cash.

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

Investors transacting in Creation Units for cash may also pay an additional variable charge to compensate the relevant fund for certain transaction costs (i.e., stamp taxes, taxes on currency or other financial transactions, and brokerage costs) and market impact expenses relating to investing in portfolio securities. Such variable charges, if any, are included in "Proceeds from shares sold" in the statements of changes in net assets.

From time to time, settlement of securities related to in-kind contributions or in-kind redemptions may be delayed. In such cases, securities related to in-kind contributions are reflected as "Due from custodian" and securities related to in-kind redemptions are reflected as "Securities related to in-kind transactions" in the statements of assets and liabilities.

### 5. PRINCIPAL RISKS

In the normal course of business, each Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests. The significant types of financial risks each Fund is exposed to include market risk and credit risk. Each Fund's prospectus provides details of these and other types of risk.

BFA uses a "passive" or index approach to try to achieve each Fund's investment objective following the securities included in its underlying index during upturns as well as downturns. BFA does not take steps to reduce market exposure or to lessen the effects of a declining market. Divergence from the underlying index and the composition of the portfolio is monitored by BFA.

#### MARKET RISK

Market risk arises mainly from uncertainty about future values of financial instruments influenced by price, currency and interest rate movements. It represents the potential loss each Fund may suffer through holding market positions in the face of market movements. Each Fund is exposed to market risk by virtue of its direct and/or indirect investment in equity instruments. The fair value of securities held by the Funds may decline due to general market conditions, economic trends or events that are not specifically related to the issuers of the securities including local, regional or global political, social or economic instability or to factors that affect a particular industry or group of industries. The extent of each Fund's exposure to market risk is the market value of the investments held as shown in the Fund's schedule of investments.

A diversified portfolio, where this is appropriate and consistent with a fund's objectives, minimizes the risk that a price change of a particular investment will have a material impact on the NAV of a fund. The investment concentrations within each Fund's portfolio are disclosed in its schedule of investments.

When a fund concentrates its investments in securities within a single or limited number of market sectors, it assumes the risk that economic, political and social conditions affecting those market sectors may have a significant impact on its investment performance.

#### CREDIT RISK

Credit risk is the risk that an issuer or guarantor of debt instruments or the counterparty to a financial transaction, including derivatives contracts, repurchase agreements or loans of portfolio securities, is unable or unwilling to make timely interest and/or principal payments or to otherwise honor its obligations. BFA and its affiliates manage counterparty credit risk by entering into transactions only with counterparties that they believe have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Funds to issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of each Fund's exposure to credit and counterparty risks with respect to those financial assets is approximated by their value recorded in its statement of assets and liabilities.

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

### 6. INCOME TAX INFORMATION

Each Fund is treated as an entity separate from the Trust's other funds for federal income tax purposes. It is the policy of each Fund to qualify as a regulated investment company by complying with the provisions applicable to regulated investment companies, as defined under Subchapter M of the Internal Revenue Code of 1986, as amended, and to annually distribute substantially all of its ordinary income and any net capital gains (taking into account any capital loss carryforwards) sufficient to relieve it from all, or substantially all, federal income and excise taxes. Accordingly, no provision for federal income taxes is required.

For purposes of U.S. GAAP, in-kind redemptions are treated as sales of securities resulting in realized capital gains or losses to the Funds. Because such gains or losses are not taxable to the Funds and are not distributed to existing Fund shareholders, the gains or losses are reclassified from accumulated net realized gain (loss) to paid-in capital at the end of the Funds' tax year. These reclassifications have no effect on net assets or NAV per share.

The tax character of current year distributions will be determined at the end of the current fiscal year.

As of March 31, 2016, the Funds' fiscal year-end, the following Funds had capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates as follows:

<i>iShares ETF</i>	<i>Non-Expiring<sup>a</sup></i>	<i>Expiring 2017</i>	<i>Expiring 2018</i>	<i>Expiring 2019</i>	<i>Total</i>
U.S. Aerospace & Defense	\$ 4,967,305	\$ 9,600,011	\$ 18,274,518	\$ 1,447,425	\$ 34,289,259
U.S. Broker-Dealers & Securities Exchanges	16,696,139	31,804,022	17,785,438	2,266,806	68,552,405
U.S. Healthcare Providers	3,411,634	—	5,250,466	—	8,662,100
U.S. Home Construction	12,048,740	24,583,851	146,896,099	7,844,464	191,373,154
U.S. Insurance	—	10,469,223	2,305,872	2,460,926	15,236,021
U.S. Medical Devices	2,549,042	—	9,121,535	6,907,841	18,578,418
U.S. Oil & Gas Exploration & Production	22,895,283	1,593,277	9,040,459	7,967,383	41,496,402
U.S. Oil Equipment & Services	45,055,455	1,460,417	57,694,132	23,866,864	128,076,868
U.S. Pharmaceuticals	12,508,700	—	—	—	12,508,700
U.S. Regional Banks	7,844,169	14,260,731	19,012,829	1,225,053	42,342,782
U.S. Telecommunications	47,050,318	37,556,483	109,926,562	30,701,158	225,234,521

<sup>a</sup> Must be utilized prior to losses subject to expiration.

The Funds may own shares in certain foreign investment entities, referred to, under U.S. tax law, as "passive foreign investment companies." The Funds may elect to mark-to-market annually the shares of each passive foreign investment company and would be required to distribute to shareholders any such marked-to-market gains.

Management has analyzed tax laws and regulations and their application to the Funds as of September 30, 2016, inclusive of the open tax return years, and does not believe there are any uncertain tax positions that require recognition of a tax liability in the Funds' financial statements.

### 7. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Funds through the date the financial statements were available to be issued and has determined that there were no subsequent events requiring adjustment or disclosure in the financial statements.