

## 2018 年 3 月期 中間決算短信 (2017 年 4 月 1 日～2017 年 9 月 30 日)

Semi-Annual Earnings Report for Fiscal Year ended March 2018 (April 1, 2017 – September 30, 2017)

2017 年 12 月 12 日

December 12, 2017

フ ァ ン ド 名	i シェアーズ 米国リート・不動産株 ETF-JDR (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) 本柳 祐介 (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) Yusuke Motoyanagi (TEL) 03(6250)6200		

半期報告書提出予定日 2017 年 12 月

Scheduled date of submission of Semi-Annual Report: December 2017

## I ファンドの運用状況

### I Fund Management

#### 1. 2017 年 9 月中間期の運用状況 (2017 年 4 月 1 日～2017 年 9 月 30 日)

##### 1. Management Status for Half-Year Ended September 2017 (from April 1, 2017 to September 30, 2017)

#### (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)	
	金額	構成比	金額	構成比	金額	構成比
	Amount	ratio	Amount	ratio	Amount	ratio
	百万円 JPY mil.	%	百万円 JPY mil.	%	百万円 JPY mil.	%
2017 年 9 月中間期 1st Half of the FY ended September 2017	559,267	108.69	△44,704	(8.69)	514,563	100.00
2017 年 3 月期 FY ended March 2017	560,192	107.42	△38,692	(7.42)	521,500	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	設定口数	交換口数	当中間計算期間末 発行済口数
	No. of Issued Units at End of Previous Calculation Period (①)	No. of Units Created (②)	No. of Units Redeemed (③)	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
2017 年 9 月中間期 1st Half of the FY ended September 2017	58,700	105,600	107,400	56,900

#### (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	負債	純資産	1 口当たり基準価額
	Total Assets (①)	Liabilities (②)	Net Assets (③(①-②))	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
2017 年 9 月中間期 1st Half of the FY ended September 2017	564,290	49,726	514,563	9,043.29
2017 年 3 月期 FY ended March 2017	562,664	41,164	521,500	8,884.16

## (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
2017 年 9 月中間期 1st Half of the FY ended September 2017	173. 901	17. 000	7. 133	183. 768
2017 年 3 月期 FY ended March 2017	176. 500	17. 000	9. 732	183. 768

## (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)

2017 年 9 月中間期 1st Half of the FY ended September 2017	1 口当たり分配金 Dividend per unit	2017 年 3 月期 FY ended March 2017	1 口当たり分配金 Dividend per unit
※1	円 JPY	※1	円 JPY
2017 年 6 月 29 日 June 29, 2017	※2 税率(Tax Rate)10% : 71 税率(Tax Rate)30% : 55	2016 年 6 月 23 日 June 23, 2016	※2 税率(Tax Rate)10% : 63 税率(Tax Rate)30% : 49
2017 年 9 月 27 日 September 27, 2017	※2 税率(Tax Rate)10% : 67 税率(Tax Rate)30% : 52	2016 年 9 月 28 日 September 28, 2016	※2 税率(Tax Rate)10% : 63 税率(Tax Rate)30% : 49
—	—	2016 年 12 月 23 日 December 23, 2016	※2 税率(Tax Rate)10% : 110 税率(Tax Rate)30% : 85
—	—	2017 年 3 月 28 日 March 28, 2017	※2 税率(Tax Rate)10% : 72 税率(Tax Rate)30% : 56

※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=113.16 円の換算率(2017 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 = ¥ 113.16 (the telegraphic transfer middle exchange rate vis-à-vis customers quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on October 31, 2017).

## 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 |

## 2017 SEMI-ANNUAL REPORT (UNAUDITED)



### **iShares Trust**

- ▶ iShares U.S. Aerospace & Defense ETF | ITA | BATS
- ▶ 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 | BATS
- ▶ 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 | BATS
- ▶ 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 | BATS

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

## iSHARES® TRUST

September 30, 2017

	iShares U.S. Real Estate ETF	iShares U.S. Regional Banks ETF	iShares U.S. Telecommunications ETF
<b>ASSETS</b>			
Investments in securities, at cost:			
Unaffiliated	\$4,920,992,050	\$586,386,721	\$ 482,094,700
Affiliated (Note 2)	420,264,498	73,623,173	61,434,844
Total cost of investments in securities	<u>\$5,341,256,548</u>	<u>\$660,009,894</u>	<u>\$ 543,529,544</u>
Investments in securities, at fair value (including securities on loan <sup>a</sup> ) (Note 1):			
Unaffiliated	\$4,521,937,570	\$612,349,753	\$ 393,802,698
Affiliated (Note 2)	420,334,794	84,395,074	61,449,283
Cash pledged to broker for futures contracts	746,000	—	—
Cash	4,085,581	—	181,393
Receivables:			
Investment securities sold	17,999,299	—	—
Dividends and interest	19,819,589	1,292,369	236,488
Capital shares sold	1,733,326	—	—
Total Assets	<u>4,986,656,159</u>	<u>698,037,196</u>	<u>455,669,862</u>
<b>LIABILITIES</b>			
Payables:			
Investment securities purchased	18,723,791	—	—
Collateral for securities on loan (Note 1)	417,111,060	1,625,030	61,427,835
Capital shares redeemed	1,970,803	—	2,182
Investment advisory fees (Note 2)	1,630,623	233,759	150,091
Total Liabilities	<u>439,436,277</u>	<u>1,858,789</u>	<u>61,580,108</u>
NET ASSETS	<u>\$4,547,219,882</u>	<u>\$696,178,407</u>	<u>\$ 394,089,754</u>
<b>Net assets consist of:</b>			
Paid-in capital	\$4,921,534,443	\$663,778,784	\$ 699,498,036
Undistributed (distributions in excess of) net investment income	(27,750,506)	814,104	72,876
Undistributed net realized gain (accumulated net realized loss)	52,499,368	(5,149,414)	(217,203,595)
Net unrealized appreciation (depreciation)	(399,063,423)	36,734,933	(88,277,563)
NET ASSETS	<u>\$4,547,219,882</u>	<u>\$696,178,407</u>	<u>\$ 394,089,754</u>
Shares outstanding <sup>b</sup>	<u>56,900,000</u>	<u>14,750,000</u>	<u>12,950,000</u>
Net asset value per share	<u>\$ 79.92</u>	<u>\$ 47.20</u>	<u>\$ 30.43</u>

<sup>a</sup> Securities on loan with values of \$406,269,156, \$1,594,007 and \$58,529,086, 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, 2017

	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>	\$ 63,433,115	\$ 6,534,865	\$ 6,614,341
Dividends — affiliated (Note 2)	16,306	865,705	2,093
Securities lending income — affiliated — net (Note 2)	<u>465,322</u>	<u>1,345</u>	<u>1,357,694</u>
Total investment income	<u>63,914,743</u>	<u>7,401,915</u>	<u>7,974,128</u>
<b>EXPENSES</b>			
Investment advisory fees (Note 2)	9,797,405	1,517,755	1,007,490
Proxy fees	<u>106,984</u>	<u>15,620</u>	<u>11,178</u>
Total expenses	<u>9,904,389</u>	<u>1,533,375</u>	<u>1,018,668</u>
Net investment income	<u>54,010,354</u>	<u>5,868,540</u>	<u>6,955,460</u>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS)</b>			
Net realized gain (loss) from:			
Investments — unaffiliated	(100,141,845)	104,223	(9,862,092)
Investments — affiliated (Note 2)	(13,909)	(39,778)	(26,882,839)
In-kind redemptions — unaffiliated	198,972,071	21,758,775	21,084,307
In-kind redemptions — affiliated (Note 2)	—	3,861,461	(1,038,886)
Futures contracts	<u>(87,693)</u>	<u>—</u>	<u>—</u>
Net realized gain (loss)	<u>98,728,624</u>	<u>25,684,681</u>	<u>(16,699,510)</u>
Net change in unrealized appreciation/depreciation on:			
Investments — unaffiliated	(15,057,082)	3,769,815	(32,364,692)
Investments — affiliated (Note 2)	(21,941)	5,244,723	22,977,559
Futures contracts	<u>(79,239)</u>	<u>—</u>	<u>—</u>
Net change in unrealized appreciation/depreciation	<u>(15,158,262)</u>	<u>9,014,538</u>	<u>(9,387,133)</u>
Net realized and unrealized gain (loss)	<u>83,570,362</u>	<u>34,699,219</u>	<u>(26,086,643)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<u><u>\$ 137,580,716</u></u>	<u><u>\$40,567,759</u></u>	<u><u>\$(19,131,183)</u></u>

<sup>a</sup> Net of foreign withholding tax of \$ —, \$6,748 and \$ —, respectively.

See notes to financial statements.

# Statements of Changes in Net Assets (Continued)

## iSHARES® TRUST

	<i>iShares U.S. Pharmaceuticals ETF</i>		<i>iShares U.S. Real Estate ETF</i>	
	Six months ended September 30, 2017 (Unaudited)	Year ended March 31, 2017	Six months ended September 30, 2017 (Unaudited)	Year ended March 31, 2017
<b>INCREASE (DECREASE) IN NET ASSETS</b>				
<b>OPERATIONS:</b>				
Net investment income	\$ 6,048,115	\$ 5,702,023	\$ 54,010,354	\$ 122,304,267
Net realized gain (loss)	(19,653,420)	1,603,665	98,728,624	144,362,835
Net change in unrealized appreciation/depreciation	42,560,437	62,290,877	(15,158,262)	(104,336,258)
Net increase in net assets resulting from operations	28,955,132	69,596,565	137,580,716	162,330,844
<b>DISTRIBUTIONS TO SHAREHOLDERS:</b>				
From net investment income	(6,067,778)	(6,054,440)	(81,760,860)	(182,863,277)
Total distributions to shareholders	(6,067,778)	(6,054,440)	(81,760,860)	(182,863,277)
<b>CAPITAL SHARE TRANSACTIONS:</b>				
Proceeds from shares sold	46,066,746	335,276,725	8,458,951,119	16,590,501,935
Cost of shares redeemed	(144,429,473)	(318,909,577)	(8,576,073,182)	(16,427,827,097)
Net increase (decrease) in net assets from capital share transactions	(98,362,727)	16,367,148	(117,122,063)	162,674,838
INCREASE (DECREASE) IN NET ASSETS	(75,475,373)	79,909,273	(61,302,207)	142,142,405
<b>NET ASSETS</b>				
Beginning of period	717,098,332	637,189,059	4,608,522,089	4,466,379,684
End of period	\$ 641,622,959	\$ 717,098,332	\$ 4,547,219,882	\$ 4,608,522,089
Distributions in excess of net investment income included in net assets at end of period	\$ (19,663)	\$ —	\$ (27,750,506)	\$ —
<b>SHARES ISSUED AND REDEEMED</b>				
Shares sold	300,000	2,300,000	105,600,000	210,800,000
Shares redeemed	(950,000)	(2,200,000)	(107,400,000)	(209,450,000)
Net increase (decrease) in shares outstanding	(650,000)	100,000	(1,800,000)	1,350,000

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, 2017 (Unaudited)	Year ended Mar. 31, 2017	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
<b>Net asset value, beginning of period</b>	\$ 78.51	\$ 77.88	\$ 75.44	\$ 69.75	\$ 73.45	\$ 63.90	\$ 62.15
<b>Income from investment operations:</b>							
Net investment income <sup>b</sup>	0.95	2.19	1.84	1.92	2.03	2.07	1.81
Net realized and unrealized gain (loss) <sup>c</sup>	1.86	1.67	3.79	6.47	(3.16)	9.93	2.15
Total from investment operations	2.81	3.86	5.63	8.39	(1.13)	12.00	3.96
<b>Less distributions from:</b>							
Net investment income	(1.40)	(3.23)	(2.60)	(2.55)	(2.49)	(2.45)	(2.21)
Net realized gain	—	—	(0.59)	(0.15)	(0.08)	—	—
Total distributions	(1.40)	(3.23)	(3.19)	(2.70)	(2.57)	(2.45)	(2.21)
<b>Net asset value, end of period</b>	\$ 79.92	\$ 78.51	\$ 77.88	\$ 75.44	\$ 69.75	\$ 73.45	\$ 63.90
<b>Total return</b>	3.59% <sup>d</sup>	5.03%	7.77% <sup>d</sup>	12.14%	(1.23)%	19.35%	6.84%
<b>Ratios/Supplemental data:</b>							
Net assets, end of period (000s)	\$4,547,220	\$4,608,522	\$4,466,380	\$4,937,495	\$4,547,393	\$5,769,209	\$3,926,945
Ratio of expenses to average net assets <sup>e</sup>	0.44%	0.44%	0.44%	0.43%	0.45%	0.46%	0.47%
Ratio of net investment income to average net assets <sup>e</sup>	2.38%	2.77%	2.72%	2.55%	3.04%	3.16%	3.11%
Portfolio turnover rate <sup>f</sup>	8% <sup>d</sup>	18%	13% <sup>d</sup>	21%	27%	16%	14%

<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	Diversified
U.S. Insurance	Non-diversified	U.S. Regional Banks	Non-diversified
U.S. Medical Devices	Non-diversified	U.S. Telecommunications	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").
- Futures contract notional values are determined based on that day's last reported settlement price on the exchange where the contract is traded.

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 by the Global Valuation Committee, in accordance with policies approved by the Board. The fair valuation approaches that may be utilized by the Global Valuation Committee to determine fair value include market approach, income approach and the cost approach. The valuation techniques used under these approaches take into consideration inputs that 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 inputs, such as future cash flows, interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and/or default rates. Valuations based on such inputs 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 to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial reporting purposes 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 based on the best information available in the circumstances, to the extent observable inputs are not available, including the Global Valuation Committee's assumptions used in determining the fair value of investments.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgement exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy for each Fund's investments is included in its schedule of investments.

# Notes to Financial Statements (Unaudited) (Continued)

## *iSHARES® TRUST*

Changes in valuation techniques may result in transfers in or out of an assigned level within the fair value 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. The categorization of values determined for financial instruments are based on the pricing transparency of the financial instruments and are not necessarily an indication of the risks associated with investing in those securities.

### **SECURITY TRANSACTIONS AND INCOME RECOGNITION**

Security transactions are accounted for on trade date. Realized gains and losses on investment transactions are determined using the specific identification method. 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, 2017 are reflected in tax reclaims receivable. Upon notification from issuers, some of the dividend income received from a real estate investment trust may be re-designated as a reduction of cost of the related investment and/or realized gain. Non-cash dividends, if any, are recognized on the ex-dividend date and recorded as non-cash 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.

### **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 an approved 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.

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, 2017, 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. Any non-cash collateral received cannot be sold, re-invested or pledged by the Fund, except in the event of borrower default. 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, 2017 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.

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

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, Inc. ("BlackRock"). BlackRock's indemnity allows for full replacement of securities loaned if the collateral received does not cover the value of the securities loaned in the event of borrower default. Each Fund could incur a loss if the value of an investment purchased with cash collateral falls below the value of the loaned securities or if the value of an investment purchased with cash collateral falls below the value of the original 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 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, 2017:

<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<sup>b</sup></i>
<i>U.S. Aerospace &amp; Defense</i>			
Barclays Capital Inc.	\$ 8,943,598	\$ 8,943,598	\$ —
BNP Paribas New York Branch	1,253,358	1,253,358	—
Citigroup Global Markets Inc.	10,614,763	10,614,763	—
Credit Suisse Securities (USA) LLC	2,076,361	2,076,361	—
Deutsche Bank Securities Inc.	17,464,373	17,464,373	—
Goldman Sachs & Co.	25,760,734	25,760,734	—
HSBC Bank PLC	1,165,468	1,165,468	—
Jefferies LLC	1,027,398	1,027,398	—
JPMorgan Securities LLC	21,174,504	21,174,504	—
Merrill Lynch, Pierce, Fenner & Smith	7,307,995	7,307,995	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	22,068,012	22,068,012	—
National Financial Services LLC	1,933,535	1,933,535	—
Nomura Securities International Inc.	74,375	74,375	—
State Street Bank & Trust Company	330,339	330,339	—
UBS AG	9,225,759	9,225,759	—
UBS Securities LLC	639,797	639,797	—
	<u>\$ 131,060,369</u>	<u>\$ 131,060,369</u>	<u>\$ —</u>
<i>U.S. Broker-Dealers &amp; Securities Exchanges</i>			
JPMorgan Securities LLC	\$ 1,623,235	\$ 1,623,235	\$ —
UBS AG	39,982	39,982	—
	<u>\$ 1,663,217</u>	<u>\$ 1,663,217</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<sup>b</sup></i>
<i>U.S. Healthcare Providers</i>			
Citigroup Global Markets Inc.	\$ 431,016	\$ 431,016	\$ —
Credit Suisse Securities (USA) LLC	4,332,840	4,332,840	—
Deutsche Bank Securities Inc.	6,174,011	6,174,011	—
Goldman Sachs & Co.	1,014,443	1,014,443	—
JPMorgan Securities LLC	1,949,923	1,949,923	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	5,473,173	5,473,173	—
State Street Bank & Trust Company	7,044,347	7,044,347	—
	<u>\$ 26,419,753</u>	<u>\$ 26,419,753</u>	<u>\$ —</u>
<i>U.S. Home Construction</i>			
BNP Paribas New York Branch	\$ 702,624	\$ 702,624	\$ —
BNP Paribas Prime Brokerage Inc.	48,335	48,127	(208)
BNP Paribas Prime Brokerage International Ltd.	124,261	124,261	—
Citigroup Global Markets Inc.	8,748,217	8,748,217	—
Credit Suisse Securities (USA) LLC	615,237	615,237	—
Deutsche Bank Securities Inc.	22,239,017	22,239,017	—
Goldman Sachs & Co.	1,933,267	1,933,267	—
HSBC Bank PLC	2,161,327	2,161,327	—
JPMorgan Securities LLC	11,939,263	11,939,263	—
Merrill Lynch, Pierce, Fenner & Smith	814,349	814,349	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	23,168,495	22,750,070	(418,425)
National Financial Services LLC	310,800	310,800	—
Nomura Securities International Inc.	619,982	619,982	—
Scotia Capital (USA) Inc.	65,170	65,170	—
State Street Bank & Trust Company	10,440,850	10,440,850	—
UBS AG	2,270,849	2,270,849	—
UBS Securities LLC	2,206,130	2,206,130	—
Wells Fargo Bank, National Association	706,742	706,742	—
Wells Fargo Securities LLC	5,125	5,125	—
	<u>\$ 89,120,040</u>	<u>\$ 88,701,407</u>	<u>\$(418,633)</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<sup>b</sup></i>
<i>U.S. Medical Devices</i>			
Barclays Capital Inc.	\$ 6,091,698	\$ 6,091,698	\$ —
BNP Paribas New York Branch	4,922,715	4,922,715	—
BNP Paribas Prime Brokerage International Ltd.	731,400	731,400	—
Citigroup Global Markets Inc.	1,141,626	1,125,203	(16,423)
Credit Suisse Securities (USA) LLC	1,880,588	1,880,588	—
Deutsche Bank Securities Inc.	823,781	823,781	—
Goldman Sachs & Co.	16,170,373	16,122,141	(48,232)
JPMorgan Securities LLC	2,826,055	2,826,055	—
Merrill Lynch, Pierce, Fenner & Smith	846,225	843,396	(2,829)
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	5,701,786	5,701,786	—
National Financial Services LLC	686,345	686,345	—
Nomura Securities International Inc.	367,560	367,560	—
State Street Bank & Trust Company	7,452,535	7,452,535	—
UBS Securities LLC	779,458	779,458	—
Wells Fargo Securities LLC	62,700	62,700	—
	<u>\$ 50,484,845</u>	<u>\$ 50,417,361</u>	<u>\$ (67,484)</u>
<i>U.S. Oil &amp; Gas Exploration &amp; Production</i>			
Barclays Capital Inc.	\$ 83,382	\$ 83,382	\$ —
BNP Paribas Prime Brokerage Inc.	2,480,306	2,480,306	—
Citigroup Global Markets Inc.	7,187,254	7,187,254	—
Credit Suisse Securities (USA) LLC	2,351,900	2,351,900	—
Deutsche Bank Securities Inc.	4,300,617	4,300,617	—
HSBC Bank PLC	1,060,696	1,060,696	—
JPMorgan Securities LLC	14,176,076	14,176,076	—
Merrill Lynch, Pierce, Fenner & Smith	202,413	202,413	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	2,637,473	2,637,473	—
Nomura Securities International Inc.	218,977	218,977	—
Scotia Capital (USA) Inc.	2,027,587	2,027,587	—
State Street Bank & Trust Company	1,438,100	1,438,100	—
Wells Fargo Securities LLC	33,170	33,170	—
	<u>\$ 38,197,951</u>	<u>\$ 38,197,951</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<sup>b</sup></i>
<i>U.S. Oil Equipment &amp; Services</i>			
Barclays Capital Inc.	\$ 1,431,789	\$ 1,431,789	\$ —
BNP Paribas New York Branch	47,415	47,415	—
BNP Paribas Prime Brokerage Inc.	1,278,743	1,278,743	—
BNP Paribas Prime Brokerage International Ltd.	764,159	764,159	—
Citigroup Global Markets Inc.	3,698,430	3,698,430	—
Credit Suisse Securities (USA) LLC	1,017,829	1,017,829	—
Deutsche Bank Securities Inc.	1,517,163	1,517,163	—
Goldman Sachs & Co.	14,797,039	14,797,039	—
HSBC Bank PLC	177	177	—
JPMorgan Securities LLC	12,101,393	12,101,393	—
Merrill Lynch, Pierce, Fenner & Smith	1,627,783	1,627,783	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	3,666,913	3,666,913	—
Nomura Securities International Inc.	29,970	29,970	—
Scotia Capital (USA) Inc.	159,538	159,538	—
SG Americas Securities LLC	71,891	71,891	—
State Street Bank & Trust Company	1,145,227	1,145,227	—
UBS AG	671,238	671,238	—
UBS Securities LLC	8,232	8,232	—
	<u>\$ 44,034,929</u>	<u>\$ 44,034,929</u>	<u>\$ —</u>
<i>U.S. Pharmaceuticals</i>			
Barclays Capital Inc.	\$ 5,479,545	\$ 5,479,545	\$ —
BNP Paribas New York Branch	11,215,469	11,215,469	—
BNP Paribas Prime Brokerage Inc.	1,383,669	1,369,066	(14,603)
BNP Paribas Prime Brokerage International Ltd.	682,506	682,506	—
Citigroup Global Markets Inc.	462,718	462,718	—
Credit Suisse Securities (USA) LLC	7,974,090	7,974,090	—
Deutsche Bank Securities Inc.	15,006,112	15,006,112	—
Goldman Sachs & Co.	16,354,780	16,354,780	—
HSBC Bank PLC	3,572,453	3,550,756	(21,697)
Jefferies LLC	1,250,406	1,250,406	—
JPMorgan Securities LLC	20,752,476	20,752,476	—
Merrill Lynch, Pierce, Fenner & Smith	10,889,559	10,889,559	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	23,015,343	23,015,343	—
National Financial Services LLC	232,069	232,069	—
Nomura Securities International Inc.	339,968	339,968	—
SG Americas Securities LLC	490,900	490,900	—
State Street Bank & Trust Company	3,154,171	3,154,171	—
UBS AG	1,752,494	1,752,494	—
UBS Securities LLC	1,073,834	1,073,834	—
	<u>\$ 125,082,562</u>	<u>\$ 125,046,262</u>	<u>\$ (36,300)</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<sup>b</sup></i>
<i>U.S. Real Estate</i>			
Barclays Capital Inc.	\$ 1,476,484	\$ 1,476,484	\$ —
BNP Paribas New York Branch	747,433	747,433	—
BNP Paribas Prime Brokerage Inc.	1,582,672	1,582,672	—
BNP Paribas Prime Brokerage International Ltd.	5,186,159	5,186,159	—
Citigroup Global Markets Inc.	36,936,245	36,936,245	—
Credit Suisse Securities (USA) LLC	1,391,162	1,391,162	—
Deutsche Bank Securities Inc.	5,581,997	5,581,997	—
Goldman Sachs & Co.	82,311,736	82,311,736	—
HSBC Bank PLC	745,969	745,969	—
Jefferies LLC	7,820	7,820	—
JPMorgan Securities LLC	49,951,406	49,951,406	—
Merrill Lynch, Pierce, Fenner & Smith	66,312,557	66,312,557	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	100,441,736	100,441,736	—
National Financial Services LLC	738,985	738,985	—
Nomura Securities International Inc.	15,933,470	15,933,470	—
State Street Bank & Trust Company	17,563,891	17,563,891	—
UBS AG	9,199,483	9,199,483	—
UBS Securities LLC	10,024,206	10,024,206	—
Wells Fargo Securities LLC	135,745	135,745	—
	<u>\$ 406,269,156</u>	<u>\$ 406,269,156</u>	<u>\$ —</u>
<i>U.S. Regional Banks</i>			
State Street Bank & Trust Company	<u>\$ 1,594,007</u>	<u>\$ 1,594,007</u>	<u>\$ —</u>
<i>U.S. Telecommunications</i>			
Barclays Capital Inc.	\$ 1,842,668	\$ 1,842,668	\$ —
BNP Paribas New York Branch	2,460,819	2,460,819	—
BNP Paribas Prime Brokerage International Ltd.	1,136,884	1,136,884	—
Citigroup Global Markets Inc.	3,890,000	3,890,000	—
Credit Suisse Securities (USA) LLC	5,786,683	5,786,683	—
Deutsche Bank Securities Inc.	11,453,903	11,453,903	—
Goldman Sachs & Co.	5,237,118	5,237,118	—
HSBC Bank PLC	3,403,700	3,403,700	—
Jefferies LLC	912,418	912,418	—
JPMorgan Securities LLC	1,379,201	1,379,201	—
Merrill Lynch, Pierce, Fenner & Smith	7,756,280	7,756,280	—
Morgan Stanley & Co. LLC (U.S. Equity Securities Lending)	12,169,579	12,169,579	—
National Financial Services LLC	109,180	109,180	—
Nomura Securities International Inc.	787,007	787,007	—
SG Americas Securities LLC	22,660	22,660	—
Timber Hill LLC	31,760	31,760	—
UBS AG	1,606	1,606	—
UBS Securities LLC	63,860	63,860	—
Wells Fargo Securities LLC	83,760	83,760	—
	<u>\$ 58,529,086</u>	<u>\$ 58,529,086</u>	<u>\$ —</u>

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

- <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.
- <sup>b</sup> Additional collateral is delivered to the Funds on the next business day in accordance with the MSLA. The net amount would be subject to the borrower default indemnity in the event of default by a counterparty.

## 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 (i) interest and taxes; (ii) brokerage commissions and other expenses connected with the execution of portfolio transactions; (iii) distribution fees; (iv) the advisory fee payable to BFA; and (v) litigation expenses and any extraordinary expenses (in each case as determined by a majority of the independent trustees).

For its investment advisory services to each Fund, BFA is entitled to an annual investment advisory fee, accrued daily and paid monthly by the Funds, 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 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.

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

For the six months ended September 30, 2017, 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	\$ 405,742	U.S. Oil & Gas Exploration & Production	29,174
U.S. Broker-Dealers & Securities Exchanges	1,425	U.S. Oil Equipment & Services	45,531
U.S. Healthcare Providers	38,140	U.S. Pharmaceuticals	380,011
U.S. Home Construction	122,566	U.S. Real Estate	246,268
U.S. Insurance	294	U.S. Regional Banks	721
U.S. Medical Devices	38,905	U.S. Telecommunications	549,105

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, 2017, 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	\$55,927,651	\$17,960,437
U.S. Broker-Dealers & Securities Exchanges	1,136,698	1,545,220
U.S. Healthcare Providers	14,118,826	12,069,919
U.S. Home Construction	8,527,362	14,250,716
U.S. Insurance	3,847,192	4,330,880
U.S. Medical Devices	3,826,952	15,303,495
U.S. Oil & Gas Exploration & Production	22,252,370	22,373,295
U.S. Oil Equipment & Services	3,291,620	10,451,073
U.S. Pharmaceuticals	12,938,505	27,666,687
U.S. Real Estate	5,617,064	1,785,914
U.S. Regional Banks	2,551,262	1,291,373
U.S. Telecommunications	8,424,562	14,222,944

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, 2017 were as follows:

<i>iShares ETF</i>	<i>Purchases</i>	<i>Sales</i>
U.S. Aerospace & Defense	\$221,818,912	\$186,846,569
U.S. Broker-Dealers & Securities Exchanges	10,490,122	11,780,650
U.S. Healthcare Providers	52,612,538	42,362,265
U.S. Home Construction	81,546,246	81,498,206
U.S. Insurance	14,388,320	13,690,453
U.S. Medical Devices	44,136,511	44,280,093
U.S. Oil & Gas Exploration & Production	49,948,659	49,411,372
U.S. Oil Equipment & Services	27,051,827	26,762,447
U.S. Pharmaceuticals	84,173,147	84,480,021
U.S. Real Estate	342,086,732	358,494,880
U.S. Regional Banks	17,809,168	15,877,793
U.S. Telecommunications	68,999,061	72,253,478

In-kind transactions (see Note 4) for the six months ended September 30, 2017 were as follows:

<i>iShares ETF</i>	<i>In-kind Purchases</i>	<i>In-kind Sales</i>
U.S. Aerospace & Defense	\$1,427,195,353	\$ 244,836,596
U.S. Broker-Dealers & Securities Exchanges	18,381,715	39,699,834
U.S. Healthcare Providers	43,999,265	64,096,470
U.S. Home Construction	1,481,945,863	1,320,631,961
U.S. Insurance	5,743,688	8,790,562
U.S. Medical Devices	661,492,966	467,393,701
U.S. Oil & Gas Exploration & Production	59,392,048	46,508,575
U.S. Oil Equipment & Services	15,431,410	26,462,713
U.S. Pharmaceuticals	45,856,420	143,857,244
U.S. Real Estate	8,289,913,054	8,398,371,711
U.S. Regional Banks	64,525,893	150,708,104
U.S. Telecommunications	298,614,462	395,234,121

### 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.

### 5. FUTURES CONTRACTS

The Fund's use of futures contracts is generally limited to cash equitization. This involves the use of available cash to invest in index futures contracts in order to gain exposure to the equity markets represented in or by the Fund's underlying index and is intended to allow the Fund to better track its underlying index. Futures contracts are standardized, exchange-traded agreements to buy or sell a financial instrument at a set price on a future date. Upon entering into a futures contract, a fund is required to pledge to the executing broker which holds segregated from its own assets, an amount of cash, U.S. government securities or other high-quality debt and equity securities equal to the minimum initial margin requirements of the exchange on which the contract is traded.

Pursuant to the contract, the fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in notional value of the contract. Such receipts or payments are known as margin variation and are recorded by the fund as unrealized appreciation or depreciation. When the contract is closed, the fund records a realized gain or loss equal to the difference between the notional value of the contract at the time it was opened and the notional value at the time it was closed. Losses may arise if the notional value of a futures contract decreases due to an unfavorable change in the market rates or values of the underlying instrument during the term of the contract or if the counterparty does not perform under the contract. The use of futures contracts also involves the risk of an imperfect correlation in the movements in the price of futures contracts and the assets underlying such contracts.

The following table shows the realized and unrealized gains (losses) on futures contracts held by the iShares U.S. Real Estate ETF during the six months ended September 30, 2017 and the related locations in the statements of operations, presented by risk exposure category:

	<i>Net Realized Gain (Loss)</i>	<i>Net Change in Unrealized Appreciation/Depreciation</i>
Equity contracts:		
Futures contracts	<u>\$ (87,693)</u>	<u>\$ (79,239)</u>

The following table shows the average quarter-end balances of open futures contracts for the iShares U.S. Real Estate ETF for the six months ended September 30, 2017:

<i>Average value of contracts purchased</i>	<u><u>\$7,778,520</u></u>
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### 6. PRINCIPAL RISKS

In the normal course of business, each Fund invests in securities or other instruments and may enter into certain transactions, and such activities subject the Fund to various risks, including, among others, fluctuations in the market (market risk) or failure of an issuer to meet all of its obligations. The value of securities or other instruments may also be affected by various factors, including, without limitation: (i) the general economy; (ii) the overall market as well as local, regional or global political and/or social instability; (iii) regulation, taxation or international tax treaties between various countries; or (iv) currency, interest rate or price fluctuations. Each Fund's prospectus provides details of the risks to which the Fund is subject.

# Notes to Financial Statements (Unaudited) (Continued)

## *iSHARES® TRUST*

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 a fund may suffer through holding market positions in the face of market movements. A fund is exposed to market risk by its investment in equity, fixed income and/or financial derivative instruments or by its investment in underlying funds. The fair value of securities held by a fund 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 a 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 a fund to issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of a 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.

## **7. 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.

# Notes to Financial Statements (Unaudited) (Continued)

## iSHARES® TRUST

As of March 31, 2017, the Funds' fiscal year-end, the 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 2018</i>	<i>Expiring 2019</i>	<i>Total</i>
U.S. Aerospace & Defense	\$ 9,931,981	\$ 18,274,518	\$ 1,447,425	\$ 29,653,924
U.S. Broker-Dealers & Securities Exchanges	19,676,652	17,785,438	2,266,806	39,728,896
U.S. Healthcare Providers	22,301,316	5,250,466	—	27,551,782
U.S. Home Construction	14,577,492	146,896,099	7,844,464	169,318,055
U.S. Insurance	671,826	2,305,872	2,460,926	5,438,624
U.S. Medical Devices	—	5,371,460	6,907,841	12,279,301
U.S. Oil & Gas Exploration & Production	51,063,414	9,040,459	7,967,383	68,071,256
U.S. Oil Equipment & Services	86,407,173	57,694,132	23,866,864	167,968,169
U.S. Pharmaceuticals	33,503,987	—	—	33,503,987
U.S. Real Estate	4,210,689	—	—	4,210,689
U.S. Regional Banks	9,286,131	19,012,829	1,225,053	29,524,013
U.S. Telecommunications	41,892,348	109,926,562	30,701,158	182,520,068

<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, 2017, 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.

## 8. LEGAL PROCEEDINGS

On June 16, 2016, investors (the “Plaintiffs”) in certain iShares funds (iShares Core S&P Small-Cap ETF, iShares Russell 1000 Growth ETF, iShares Core S&P 500 ETF, iShares Russell Mid-Cap Growth ETF, iShares Russell Mid-Cap ETF, iShares Russell Mid-Cap Value ETF, iShares Select Dividend ETF, iShares Morningstar Mid-Cap ETF, iShares Morningstar Large-Cap ETF, iShares U.S. Aerospace & Defense ETF and iShares U.S. Preferred Stock ETF) filed a putative class action lawsuit against iShares Trust, BlackRock, Inc. and certain of its advisory affiliates, and certain directors/trustees and officers of the Funds (collectively, “Defendants”). The lawsuit alleges the Defendants violated federal securities laws by failing to adequately disclose in the prospectuses issued by the funds noted above the risks of using stop-loss orders in the event of a ‘flash crash’, such as the one that occurred on May 6, 2010. On September 18, 2017, the Court issued a Statement of Decision holding that the Plaintiffs lack standing to assert their claims. On October 11, 2017, the Court entered final judgment dismissing all of Plaintiffs' claims with prejudice.

## 9. 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.