

2017年6月期 中間決算短信 (2016年7月1日~2016年12月31日)

Semi-Annual Earnings Report for Fiscal Year ended June 2017 (July 1, 2016 – December 31, 2016)

2017年3月1日

March 1, 2017

| | | | |
|---------|---|-------|--------------------------|
| ファンド名 | i シェアーズ 新興国債券 ETF (Local EM 国債コ ア) | 上場取引所 | 東 |
| コード番号 | 1362 | 売買単位 | 1口 |
| 連動対象指標 | ブルームバーグ・バークレイズ新興市場自国通貨建てコア国債インデックス | | |
| 主要投資資産 | 有価証券 | | |
| 外国投資法人 | i シェアーズ III パブリック・リミテッド・カンパニー | | |
| 代表者 | (役職名) ディレクター | (氏名) | バリー・オドワイアー |
| 管理会社 | ブラックロック・アセット・マネジメント・アイルランド・リミテッド | | |
| URL | http://www.blackrock.com/jp/products/271020/ | | |
| 代表者 | (役職名) ディレクター | (氏名) | バリー・オドワイアー |
| 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 EM Local Govt Bond UCITS ETF USD (Dist)- JDR | Listed Exchange: | TSE |
| Code: | 1362 | Trading unit: | 1 unit |
| Underlying indicator: | Bloomberg Barclays Emerging Markets Local Currency Core Government Bond Index | | |
| Primary invested assets: | Securities | | |
| Foreign Investment Corporation: | iShares III Public Limited Company | | |
| Representative: | (Title) Director | (Name) | Barry O'Dwyer |
| Management co.: | BlackRock Asset Management Ireland Limited | | |
| URL: | http://www.blackrock.com/jp/products/271020/ | | |
| Representative: | (Title) Director | (Name) | Barry O'Dwyer |
| Contact person: | (Title) Attorney-in-Fact | (Name) | Kohei Koikawa (TEL) 03(6250)6200 |

半期報告書提出予定日 2017年3月

Scheduled date of submission of semi-annual report: March 2017

I ファンドの運用状況

I Fund Management

1. 2016年12月中間期の運用状況 (2016年7月1日～2016年12月31日)

1. Management Status for Half-Year Ended December 2016 (from July 1, 2016 to December 31, 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12月中間期 1st Half of the FY ended December 2016 | 379,408 | 96.56 | 13,514 | 3.44 | 392,922 | 100.00 |
| 2016年6月期 FY ended June 2016 | 317,344 | 96.60 | 11,173 | 3.40 | 328,518 | 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12月中間期 1st Half of the FY ended December 2016 | 43,586 | 32,276 | 19,997 | 55,865 |

(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)/当中間計算期 間末(前計算期間末) 発行済口数)×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12月中間期 1st Half of the FY ended December 2016 | 394,786 | 1,863 | 392,922 | 7,033.41 |
| 2016年6月期 FY ended June 2016 | 329,212 | 694 | 328,518 | 7,537.14 |

(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12月中間期 1st Half of the FY ended December 2016 | 214 | 20 | 0 | 234 |
| 2016年6月期 FY ended June 2016 | 112 | 102 | 0 | 214 |

(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12月中間期 1st Half of the FY ended December 2016 | 1口当たり分配金 Dividend per unit | 2016年6月期 FY ended June 2016 | 1口当たり分配金 Dividend per unit |
|--|-------------------------------|--------------------------------|-------------------------------|
| ※ | 円 JPY | ※ | 円 JPY |
| 2016年7月15日 July 15, 2016 | 164 | 2016年1月15日 January 15, 2016 | 208 |

※ 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。

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

(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=113.81円の換算率(2017年1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 = ¥113.81 (the telegraphic transfer middle exchange rate vis-à-vis customers quoted by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on January 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

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Financial Statements

Unaudited financial statements of the Company

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Unaudited condensed Fund primary statements, schedules of investments, schedules of material purchases and sales, and notes:

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IMPORTANT INFORMATION FOR JAPANESE INVESTORS

Some funds of the Company are not authorised for distribution in Japan. Therefore this report does not contain any information with regard to these funds. However, investors are being advised that some of the information in this report has been prepared on a consolidated basis and thus also includes data of those funds, which are not authorised for the distribution to unqualified investors in or from Japan.

This interim report and unaudited financial statements (the “Report and Accounts”) may be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Report and Accounts. To the extent that there is any inconsistency between the English language Report and Accounts and the Report and Accounts in another language, the English language Report and Accounts will prevail, except to the extent (and only to the extent) that it is required by law of any jurisdiction where the shares are sold, that in an action based upon disclosure in a Report and Accounts in a language other than English, the language of the Report and Accounts on which such action is based shall prevail. Any disputes as to the terms of the Report and Accounts, regardless of the language of the Report and Accounts, shall be governed by and construed in accordance with the laws of Ireland.

Half yearly management report

FINANCIAL INSTRUMENTS AND RISKS*

Introduction and overview

The Company's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and investors should refer to the prospectus and supplements for a more detailed discussion of the risks inherent in investing in the Company.

Risk management framework

The principal risks and uncertainties of the Company and related risk management policies are consistent with those disclosed in the Company's audited financial statements as at and for the year ended 30 June 2016.

The Directors of the Company consider the following risks to be the principal risks and uncertainties facing the Company for the financial period:

a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Funds may suffer through holding market positions in the face of market movements.

i) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Funds are exposed to market risk by virtue of their investments in equities, warrants, rights, bonds, futures contracts and Contracts for Difference ("CFD's").

The movements in the prices of these investments result in movements in the performance of the Funds. The investment concentrations within the portfolio are disclosed in the schedules of investments by investment type.

Management of other price risk

The Investment Manager manages the Funds' market risk on a daily basis in accordance with the Funds' investment objective. The investment objective of the Funds is to provide investors with a total return, taking into account the capital and income returns, which reflect the total returns of the respective benchmark. The Funds' performances are correlated to their benchmark.

The correlation of the Funds' performance against the benchmark is a metric monitored by key management personnel.

ii) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Funds may invest in securities, which as far as possible and practicable, consist of the component securities of the benchmark index of each Fund, and which may be denominated in currencies other than its reporting currency.

The Funds in line with their benchmarks, are unhedged and are therefore exposed to foreign currency risk.

Consequently, each Fund is exposed to the risk of currency fluctuations between the base currency of the benchmark index and the base currency of the constituent securities of the benchmark index.

The Funds may also invest in forward currency contracts and thus gain further exposure to foreign currency risk.

Management of foreign currency risk

Exchange rate exposures are managed where appropriate and in compliance with the prospectus utilising forward currency contracts. The details of the contracts in place at the financial period end date are disclosed in the schedules of investments.

iii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Funds are exposed to interest rate risk through their cash holdings, including margin cash held with brokers and their investments in fixed and floating interest bearing securities where the value of these securities may fluctuate as a result of a change in interest rates.

The Funds also have indirect exposure to interest rate risk through their investments into futures contracts, whereby the value of the underlying asset may fluctuate as a result of a change in interest rates.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

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FINANCIAL INSTRUMENTS AND RISKS* (continued)

a) Market risk (continued)

iii) Market risk arising from interest rate risk (continued)

Management of interest rate risk

Movements in the prices of these investments are derived from movements in market interest rates and issuer creditworthiness.

Issuer creditworthiness and credit spreads are monitored by the Investment Manager regularly. The securities in which the Funds invest will generally have a minimum rating of investment grade from a ratings agency as set out in the investment policy of the Funds.

Brexit

In a United Kingdom ("UK") referendum held on 23 June 2016, the electorate of the UK resolved to leave the European Union. The result has led to political and economic instability, volatility in the financial markets of the UK and more broadly across Europe. It may also lead to weakening in consumer, corporate and financial confidence in such markets as the UK negotiates its exit from the European Union. The longer term process to implement the political, economic and legal framework between the UK and the European Union is likely to lead to continuing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets. In particular, the decision made in the referendum may lead to a call for similar referendums in other European jurisdictions which may also cause increased economic volatility in wider European and global markets. The result of this referendum does not change how the Funds' portfolios are managed however the mid to long term uncertainty may have an adverse effect on the economy generally and therefore impact on the ability of a Fund to execute on its strategy and it may also result in increased costs to a Fund. For further details on the possible impact of the results of the referendum please refer to the Investment Manager's report.

b) Counterparty credit risk

Exposure to counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Funds are exposed to counterparty credit risk from the parties with which they trade and will bear the risk of settlement default.

Management of counterparty credit risk

Counterparty credit risk is monitored and managed by BlackRock's Risk and Quantitative Analysis ("RQA") Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Credit Officer who reports to the Global Head of RQA. Credit authority resides with the Chief Credit Officer and selected team members to whom specific credit authority has been delegated.

As such, counterparty approvals may be granted by the Chief Credit Officer, or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Credit Officer.

The BlackRock RQA Counterparty & Concentration Risk Team completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures and the collateral management process.

There were no past due or impaired assets as at 31 December 2016 or 30 June 2016.

i) Exchange traded financial derivative instruments

The Funds' holdings in futures contracts expose the Funds to counterparty credit risk.

Management of counterparty credit risk related to futures contracts

The exposure is limited by trading the contracts through a clearing house. The Funds' exposure to counterparty credit risk on contracts in which it currently has a gain position is reduced by such gains received in cash from the counterparty under the daily mark-to-market mechanism on exchange traded futures contracts (variation margin). The Funds' exposure to counterparty credit risk on contracts in which it currently has a loss position is equal to the amount of margin posted to the counterparty which has not been transferred to the exchange under the daily mark-to-market mechanism. The counterparty for futures contracts is Barclays Bank Plc.

Margin is paid or received on futures contracts to cover any exposure by the counterparty or the Funds to each other. The "Margin cash account" on the condensed balance sheet consists of margin receivable from or payable to the Company's clearing brokers and various counterparties.

ii) Over-the-Counter ("OTC") financial derivative instruments

The Funds' holdings in OTC financial derivative instruments (including CFDs) expose the Funds to counterparty credit risk.

Counterparty credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Funds exposure to counterparty credit risk is limited to the contracts in which it currently has a financial asset position reduced by any collateral received from the counterparty, or to counterparties who have received collateral from the Funds.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

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FINANCIAL INSTRUMENTS AND RISKS* (continued)

b) Counterparty credit risk (continued)

ii) Over-the-Counter ("OTC") financial derivative instruments (continued)

All OTC financial derivative instruments are entered into by the Funds under an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement. An ISDA Master Agreement is a bilateral agreement between the Funds and a counterparty that governs OTC financial derivative instruments (including CFDs) entered into by the parties.

The parties' exposures under the ISDA Master Agreement are netted and collateralised together, therefore any collateral disclosures provided are in respect of all OTC financial derivative instruments entered into by the Funds under the ISDA Master Agreement, not just CFDs. All non-cash collateral received/posted by the Funds under the ISDA Master Agreement is transferred bilaterally under a title transfer arrangement.

The carrying value of financial assets together with cash held with counterparties best represents the Funds' gross maximum exposure to counterparty credit risk at the reporting date, before including the effect of ISDA master agreements and close-out netting, which would reduce the overall counterparty credit risk exposure. Cash held as security by the counterparty to derivative contracts is subject to the credit risk of the counterparty.

Management of counterparty credit risk related to OTC financial derivative instruments

The Fund is required to maintain collateral with the counterparties to secure these financial instruments.

iii) Depository

The Funds' Depository is State Street Custodial Services (Ireland) Limited (the "Depository"). The majority of the investments are held by same at financial period end. Investments are segregated from the assets of the Depository, with ownership rights remaining with the Funds. Bankruptcy or insolvency of the Depository may cause the Funds' rights with respect to its investments held by the Depository to be delayed or limited. The maximum exposure to this risk is the amount of long investments disclosed in the schedules of investments.

The Depository has appointed State Street Bank and Trust Company (the "Sub-Custodian") as its global Sub-Custodian. Substantially all of the cash of the Company is held with the Sub-Custodian. The Funds'

cash balances are held by the Sub-Custodian in its account together with its own cash balances and with those cash balances that are held on behalf of other clients. The Funds' cash balances are separately identifiable within the records of the Sub-Custodian.

In respect of the cash held by the Sub-Custodian or other depositaries it appoints, the Funds will be exposed to counterparty credit risk of the Sub-Custodian or those depositaries. In the event of the insolvency or bankruptcy of the Sub-Custodian or other depositaries, the Funds will be treated as a general creditor of the Sub-Custodian or the depositaries.

Management of counterparty credit risk related to the Depository

To mitigate the Funds' exposure to the Depository, the Investment Manager employs specific procedures to ensure that the Depository is a reputable institution and that the counterparty credit risk is acceptable to the Funds. The Funds only transact with Depository's that are regulated entities subject to prudential supervision, or with "high credit ratings" assigned by international credit rating agencies.

The long term credit rating of the parent company of the Depository and Sub-Custodian, State Street Corporation, as at 31 December 2016 is A (30 June 2016: A) (Standard and Poor's rating).

In order to further mitigate the Funds' counterparty credit risk exposure to the Sub-Custodian or depository banks, the Funds may enter into additional arrangements such as the placing of residual cash in a money market Collective Investment Scheme ("CIS"), for example Institutional Cash Series Plc ("ICS") shown as a cash equivalent on the condensed balance sheet.

iv) Counterparties

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

Management of counterparty credit risk related to Counterparties

RQA monitors the credit rating and financial position of the brokers used to further mitigate this risk.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

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FINANCIAL INSTRUMENTS AND RISKS* (continued)

b) Counterparty credit risk (continued)

v) Debt securities

Issuer credit risk is the default risk of one of the issuers of any securities held by the Funds. Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating.

Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated. A number of the Funds invest into sovereign and corporate debt. This exposes the Funds to the risk that the issuer of the bonds may default on interest or principal payments.

Management of issuer credit risk related to debt securities

To manage this risk, the Investment Manager invests in a wide range of debt securities, subject to the investment objectives of each Fund and monitors the credit ratings of the investments as disclosed in the schedules of investments. The ratings of the debt securities are continually monitored by the BlackRock Portfolio Management Group ("PMG").

vi) Securities lending

The Funds engage in securities lending activities which expose the Funds to counterparty credit risk. The maximum exposure to each Fund is equal to the value of the securities loaned.

Securities lending transactions entered into by the Funds are subject to a written legal agreement between the Funds and the Securities Lending Agent, BlackRock Advisors (UK) Limited, a related party to the Company, and separately between the Securities Lending Agent and the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of the Depositary on behalf of the Funds. Collateral received is segregated from the assets belonging to the Funds' Depositary or the Lending Agent.

Management of counterparty credit risk related to securities lending

To mitigate this risk, the Funds receive cash and securities as collateral equal to a certain percentage in excess of the fair value of the securities loaned. The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained, if necessary. As at the balance sheet date, all non-cash collateral received consists of securities admitted to or dealt on a regulated market.

The Funds also benefit from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities lent. BlackRock Inc. bears the cost of indemnification against borrower default.

For further details on Securities lending, please refer to the Supplementary Information section.

vii) Collateral

The Funds engage in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

Management of counterparty credit risk related to collateral

The Funds use inbound collateral received from a counterparty to reduce the credit risk associated with any trading activity the Funds have engaged in.

c) Liquidity risk

Exposure to liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulties in meeting their obligations associated with financial liabilities.

Liquidity risk to the Funds arises from the redemption requests of investors and the liquidity of the underlying investments the Funds are invested in. The Funds' shareholders may redeem their shares on the close of any daily dealing deadline for cash equal to a proportionate share of the Funds' NAV.

The Funds are therefore potentially exposed to the liquidity risk of meeting the shareholders' redemptions and may need to sell assets at prevailing market prices to meet liquidity demands. It is also exposed to the liquidity risk of daily margin calls on derivatives.

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

To manage this risk, if redemption requests on any dealing day represent 10% or more of the shares in issue in respect of any Fund, the Manager may, in its discretion, refuse to redeem any shares in excess of 10% (at any time including after the cut-off time on the dealing day).

Any request for redemptions on such dealing day shall be reduced rateably and the redemption requests shall be treated as if they were received on each subsequent dealing day until all shares to which the original request related have been redeemed.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

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FINANCIAL INSTRUMENTS AND RISKS* (continued)

c) Liquidity risk (continued)

Management of liquidity risk (continued)

In any event settlement for redemptions will normally be made within fourteen days of the dealing day.

The Funds' liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward-looking cash reports which project cash obligations. These reports allow them to manage their cash obligations.

d) Valuation of financial instruments

The Funds are required to classify financial instruments measured at fair value using a fair value hierarchy. The fair value hierarchy has the following categories:

Level 1 - Quoted prices for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund does not adjust the quoted price for these instruments.

Level 2 - Valuation techniques using observable inputs

This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as OTC derivatives, include the use of comparable

recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity determined inputs.

Level 3 - Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation techniques used include inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. The Investment Manager considers observable inputs to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below is an analysis of the Funds financial assets and financial liabilities measured at fair value at 31 December 2016 and 30 June 2016.

31 December 2016

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|------------------|---------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| iShares EM Local Govt Bond UCITS ETF | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Debt securities | - | 3,333,700 | - | 3,333,700 |
| Total | - | 3,333,700 | - | 3,333,700 |

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

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FINANCIAL INSTRUMENTS AND RISKS* (continued)

d) Valuation of financial instruments (continued)

30 June 2016

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|------------------|---------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| iShares EM Local Govt Bond UCITS ETF | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Debt securities | - | 2,788,370 | - | 2,788,370 |
| Total | - | 2,788,370 | - | 2,788,370 |

e) Leverage

The use of derivatives may expose Funds to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure.

A relatively small market movement may have a potentially larger impact on derivatives than on non-derivative instruments. Leveraged derivative positions can therefore increase Fund volatility.

* The information relating to financial instruments and risks is an integral part of the notes to the financial statements.

Half yearly management report

SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or is able to exercise significant influence over the other party, in making financial or operational decisions.

The following entities were related parties to the Company during the financial period ended 31 December 2016:

Board of Directors of the Company

Manager: BlackRock Asset Management
Ireland Limited

Investment Manager,
Promoter and

Securities Lending Agent: BlackRock Advisors (UK) Limited

Sub-Investment Managers: BlackRock Financial Management, Inc.
BlackRock (Singapore) Limited

Representative in Switzerland: BlackRock Asset Management
Schweiz AG

The ultimate holding Company of the Manager, Investment Manager Sub-Investment Managers, Promoter, Securities Lending Agent and representative in Switzerland is BlackRock Inc., a company incorporated in Delaware USA.

PNC Financial Services Group, Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Company during the financial period ended 31 December 2016 and the financial year ended 30 June 2016.

When arranging transactions in securities for the Company, affiliates of PNC may provide securities brokerage, foreign exchange, banking and other services, or may act as principal, on their usual terms and may benefit therefrom. Commissions have been paid to brokers and agents in accordance with the relevant market practice and the benefit of any bulk or other commission discounts or cash commissions rebates provided by brokers or agents have been passed on to the Funds.

The services of PNC Group companies could have been used by the Investment Manager where it is considered appropriate to do so provided that their commissions and other terms of business are generally comparable with those available from unassociated brokers and agents in the markets concerned, and this is consistent with the above policy of obtaining best net results.

Fees payable to the Manager and Investment Manager are paid out of the TER charged to the Funds.

The TER forms part of the operating expenses which are included in the condensed income statement. The Investment Manager will discharge the fees and expenses of the Sub-Investment Managers.

Securities lending income earned by the Funds is disclosed in the tables below:

| | 31 December 2016 | 31 December 2015 |
|---|---------------------|---------------------|
| iShares EM Local Govt Bond UCITS ETF | \$'000 | \$'000 |
| Income earned during the financial period | 279 | 125 |

Details of soft commission arrangements with related parties are disclosed in note 3 of the notes to the financial statements of the Company.

Barry O'Dwyer is a non-executive Director of the Manager.

With the exception of Paul McNaughton and Paul McGowan all Directors are also employees of the BlackRock Group.

The Directors of the Company and the Manager who are employees of the BlackRock Group are not entitled to receive Directors' fees.

Each of the Directors of the Company at the financial period end also serve on the Board of a number of BlackRock Funds.

Investments in funds managed by BlackRock Asset Management Ireland Limited are marked on the relevant Funds' schedule of investments.

Cash equivalents relate entirely to investments in ICS funds which are managed by BlackRock Asset Management Ireland Limited. No management fees are incurred as a result of any of the investments in ICS.

All related party transactions were carried out at arm's length in the ordinary course of business. The terms and returns received by the related parties in making the investments were no more favourable than those received by other investors investing into the same share classes.

Significant Holdings

The following investors

- i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or
- ii) are investors (other than those listed in (i) above) who held more than 20% of the voting shares in issue in the Company and are as a result, considered to be related parties to the Company.

Half yearly management report

SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Significant Holdings (continued)

31 December 2016

| Total % of shares held by funds managed by the BlackRock Group or held by affiliates of BlackRock Inc | Number of investors holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc | Total % of shares held by shareholders holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc |
|---|--|---|
| Nil | 1 | 100.00* |

* Due to the change in the trade settlement structure, the Company now has a single shareholder which is a nominee of the common depository (Citibank Europe plc). The ultimate beneficial ownership of the Company is passed from the common depository through the ICSD (Euroclear, Clearstream) to the participants of the ICSD."

30 June 2016

| Total % of shares held by funds managed by the BlackRock Group or held by affiliates of BlackRock Inc | Number of investors holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc | Total % of shares held by shareholders holding 20% or more of the voting shares in issue who are not affiliates of BlackRock Group or BlackRock Inc |
|---|--|---|
| Nil | 1 | 100.00* |

* Due to the change in the trade settlement structure, the Company now has a single shareholder which is a nominee of the common depository (Citibank Europe plc). The ultimate beneficial ownership of the Company is passed from the common depository through the ICSD (Euroclear, Clearstream) to the participants of the ICSD."

No provisions have been recognised by the Funds against amounts due from related parties at the financial period end date (30 June 2016: Nil).

No amounts have been written off in the financial period in respect of amounts due to or from related parties (30 June 2016: Nil).

No commitments secured or unsecured or guarantees have been entered into with related parties during the financial period (30 June 2016: Nil).

CONDENSED INCOME STATEMENT (unaudited)

For the financial period ended 31 December 2016

| | Note | Financial period ended 31 December 2016 €'000 | Financial period ended 31 December 2015 €'000 |
|--|------|--|--|
| Operating income | | 407,159 | 290,397 |
| Net gains/(losses) on financial assets/liabilities at fair value through profit or loss | | 101,573 | (617,340) |
| Total gains/(losses) | | 508,732 | (326,943) |
| Operating expenses | | (50,250) | (34,534) |
| Negative yield on financial assets | | (914) | (92) |
| Net operating profit/(loss) | | 457,568 | (361,569) |
| Finance costs: | | | |
| Distributions to redeemable participating shareholders | 6 | (218,729) | 6,164 |
| Interest expense | | (221) | (97) |
| Total finance costs | | (218,950) | 6,067 |
| Net profit/(loss) for the financial period before tax | | 238,618 | (355,502) |
| Taxation | | (18,895) | (11,007) |
| Net profit/(loss) for the financial period after tax | | 219,723 | (366,509) |
| Adjustment to align to the valuation methodology as set out in the prospectus | | 12,971 | 750 |
| Increase/(decrease) in net assets attributable to redeemable participating shareholders from operations | | 232,694 | (365,759) |

There are no recognised gains or losses arising in the financial period other than those dealt with in the condensed income statement. In arriving at the results of the financial period, all amounts relate to continuing operations.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS (unaudited)

For the financial period ended 31 December 2016

| | Financial period ended 31 December 2016 €'000 | Financial period ended 31 December 2015 €'000 |
|--|--|--|
| Net assets attributable to redeemable participating shareholders at the beginning of the financial period | 34,626,258 | 26,749,778 |
| Notional foreign exchange adjustment* | 808,715 | 195,877 |
| Increase/(decrease) in net assets attributable to redeemable participating shareholders from operations | 232,694 | (365,759) |
| Share transactions: | | |
| Proceeds from issue of redeemable participating shares | 10,319,778 | 7,952,633 |
| Payments on redemption of redeemable participating shares | (5,508,916) | (4,089,764) |
| Transfer due to mergers into the Company** | - | 40,520 |
| Increase in net assets resulting from share transactions | 4,810,862 | 3,903,389 |
| Net assets attributable to redeemable participating shareholders at the end of the financial period | 40,478,529 | 30,483,285 |

* The notional foreign exchange adjustment arises from the retranslation of the net assets at the beginning of the year using the exchange rate as at 31 December 2016. The average rate for the year is applied to the income statement items and share transactions (See note 5).

** Please see details of Fund mergers in the income statements of iShares MSCI Australia UCITS ETF and iShares MSCI South Africa UCITS ETF.

The accompanying notes form an integral part of these financial statements.

CONDENSED BALANCE SHEET (unaudited)

As at 31 December 2016

| | Note | 31 December 2016 €'000 | 30 June 2016 €'000 |
|--|------|------------------------------|--------------------------|
| CURRENT ASSETS | | | |
| Cash | | 115,019 | 191,933 |
| Cash equivalents | | 93,674 | 123,165 |
| Margin cash account | | 2,894 | 9,551 |
| Cash collateral | | 2,836 | - |
| Receivables | | 409,663 | 450,218 |
| Financial assets at fair value through profit or loss | 9 | 39,947,049 | 34,171,466 |
| Total current assets | | 40,571,135 | 34,946,333 |
| CURRENT LIABILITIES | | | |
| Bank overdraft | | (249) | (251) |
| Margin cash account | | (10) | - |
| Cash collateral payable | | (2,846) | (10) |
| Payables | | (106,806) | (322,922) |
| Financial liabilities at fair value through profit or loss | 9 | (373) | (1,599) |
| Total current liabilities excluding net assets attributable to redeemable participating shareholders | | (110,284) | (324,782) |
| Net assets attributable to redeemable participating shareholders | | 40,460,851 | 34,621,551 |
| Adjustment to align to the valuation methodology as set out in the prospectus | | 17,678 | 4,707 |
| Net asset value attributable to redeemable participating shareholders at the end of the financial period/year | | 40,478,529 | 34,626,258 |

The accompanying notes form an integral part of these financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY

For the financial period ended 31 December 2016

1. COMPANY DETAILS

iShares III public limited company is organised as an open-ended investment Company with variable capital. The Company was incorporated in Ireland on 22 January 2008 with limited liability and segregated liability between its Funds and is organised under the laws of Ireland as a Public Limited Company ("plc") pursuant to the Companies Act 2014 and the UCITS Regulation and is regulated by the CBI.

The registered office of the Company is J.P. Morgan House, International Financial Services Centre, Dublin 1, Ireland.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements of the Company are prepared in accordance with Financial Reporting Standard 104 Interim Financial Reporting ("FRS 104") and Irish statute pursuant to the Companies Act 2014 and the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) (the "UCITS Regulations"). Accounting standards generally accepted in Ireland in preparing financial statements which present a true and fair view are those published by the Institute of Chartered Accountants in Ireland (the "Institute") and issued by the Financial Reporting Council ("FRC").

Due to the special nature of the Company's business, the directors have adapted the arrangement and headings and sub-headings of the financial statements otherwise required by Schedule 3 to the Companies Act 2014.

The principal accounting policies and estimation techniques are consistent with those applied to the previous annual financial statements with the exception of the following:

Taxation

Current tax

Current tax is recognised for the amount of income tax payable in respect of the overseas taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

A provision for deferred tax payable is recognised in respect of material timing differences that have originated but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Timing differences are differences between the Company's overseas taxable profits and its results as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in financial periods different from those in which they are recognised in financial statements.

Unclaimed dividends

In accordance with the prospectus, any dividend which has remained unclaimed for twelve years from the date of its declaration shall be forfeited and cease to remain owing by the Company to investors and become the property of the relevant Fund.

3. SOFT COMMISSIONS

There were no soft commissions arrangements entered into by the Investment Manager on behalf of the Company during the financial period ended 31 December 2016 (31 December 2015: Nil).

4. COMMITMENTS AND CONTINGENT LIABILITIES

There were no significant commitments or contingent liabilities at the financial period ended 31 December 2016 or 30 June 2016 other than those disclosed in the financial statements of the Funds.

5. EXCHANGE RATES

The rates of exchange ruling at 31 December 2016 and 30 June 2016 were:

| | | 31 December 2016 | 30 June 2016 |
|--------|-------------|---------------------|-----------------|
| EUR1 = | CHF | 1.0720 | 1.0823 |
| | DKK | 7.4355 | 7.4398 |
| | GBP | 0.8536 | 0.8311 |
| | NOK | 9.0790 | 9.2964 |
| | PLN | 4.4028 | 4.4009 |
| | SEK | 9.5820 | 9.4127 |
| | USD | 1.0547 | 1.1109 |
| GBP1 = | EUR | 1.1715 | 1.2033 |
| | USD | 1.2356 | 1.3368 |
| USD1 = | AED | 3.6729 | 3.6731 |
| | AUD | 1.3810 | 1.3430 |
| | BHD | 0.3771 | 0.3774 |
| | BRL | 3.2547 | 3.2038 |
| | CAD | 1.3411 | 1.2987 |
| | CHF | 1.0164 | 0.9742 |
| | CLP | 669.7850 | 662.0650 |
| | CNH | 6.9666 | 6.6659 |
| | CNY | 6.9495 | 6.6436 |
| | COP | 3,002.0000 | 2,909.0000 |
| | CZK | 25.6180 | 24.3778 |
| | DKK | 7.0496 | 6.6968 |
| | EGP | 18.1300 | 8.8800 |
| | EUR | 0.9481 | 0.9001 |
| GBP | 0.8093 | 0.7481 | |
| HKD | 7.7532 | 7.7580 | |
| HUF | 292.8325 | 284.1487 | |
| IDR | 13,472.5000 | 13,212.5000 | |

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY (continued)

For the financial period ended 31 December 2016

5. EXCHANGE RATES (continued)

| | 31 December 2016 | 30 June 2016 |
|-----|---------------------|-----------------|
| ILS | 3.8487 | 3.8511 |
| INR | 67.8700 | 67.4950 |
| JPY | 116.6350 | 102.5900 |
| KRW | 1,207.8000 | 1,151.8500 |
| KWD | 0.3056 | 0.3018 |
| MXN | 20.6015 | 18.4493 |
| MYR | 4.4860 | 4.0315 |
| NOK | 8.6077 | 8.3680 |
| NZD | 1.4341 | 1.4041 |
| OMR | 0.3851 | 0.3850 |
| PEN | 3.3529 | 3.2886 |
| PHP | 49.7125 | 47.0475 |
| PLN | 4.1743 | 3.9614 |
| QAR | 3.6414 | 3.6413 |
| RON | 4.3067 | 4.0708 |
| RUB | 61.0438 | 63.8775 |
| SEK | 9.0846 | 8.4727 |
| SGD | 1.4447 | 1.3459 |
| THB | 35.8105 | 35.1400 |
| TRY | 3.5176 | 2.8757 |
| TWD | 32.2290 | 32.2590 |
| ZAR | 13.6750 | 14.6450 |

The average daily rates of exchange for each financial period/year end were:

| | | 31 December 2016 | 31 December 2015 |
|-------|-----|---------------------|---------------------|
| EUR1= | GBP | 0.8593 | 0.7200 |
| | USD | 1.0972 | 1.1034 |

6. DISTRIBUTION TO REDEEMABLE PARTICIPATING SHAREHOLDERS*

The Company may declare and pay dividends on any distributing class of shares in the Company.

Distributions declared during the financial period were as follows:

| | Financial period ended 31 December 2016 €'000 | Financial period ended 31 December 2015 €'000 |
|----------------------|---|---|
| July | 225,116 | - |
| October | 2,759 | 3,340 |
| | 227,875 | 3,340 |
| Equalisation income | (46,872) | (23,162) |
| Equalisation expense | 37,726 | 13,658 |
| | 218,729 | (6,164) |

* Effective for distributions being paid from October 2015 onwards, the ex-dates of the distributing funds were moved to the same calendar month as the pay date. See the Subsequent Events note to the financial statements of the Company for details of the January 2017 distributions.

7. TAXATION

Below is an analysis of the tax charge for the financial period:

| | Financial period ended 31 December 2016 €'000 | Financial period ended 31 December 2015 €'000 |
|--|---|---|
| Current tax | | |
| Non-reclaimable overseas income withholding tax | 17,491 | 11,007 |
| Non-reclaimable overseas capital gains tax | 1,404 | - |
| Deferred tax | | |
| Provision for overseas capital gains tax payable | - | - |
| Total tax | 18,895 | 11,007 |

Irish tax

Under current law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a "chargeable event". A chargeable event includes any distribution payments to shareholders or any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- A shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Company; or the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- Certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed annual declarations; and
- Any transaction (which might otherwise be a chargeable event) in relation to shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners (such as CREST) will not constitute a chargeable event. It is the current intention of the Directors that all the shares in the Company will be held in Crest or another recognised clearing system.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE COMPANY (continued)

For the financial period ended 31 December 2016

7. TAXATION (continued)

Overseas tax

In September 2016, the Brazilian Tax Authorities issued Normative Instruction 1658/16 amending the list of countries considered to be 'low tax jurisdictions' to include Curacao, Saint Martin and Ireland and exclude the Netherlands Antilles and Saint Kitts and Nevis. The changes were effective from 1 October 2016 onwards. As a consequence, Brazilian Capital Gains Tax (CGT) and increased income withholding tax rates on interest on capital distributions apply to the Company.

8. SHARE CAPITAL

The issued and fully paid redeemable participating share capital is at all times equal to the net asset value of the Company. Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

Redeemable Participating Shares - issued and fully paid

| | No. of Shares |
|------------------------|---------------|
| As at 31 December 2016 | 702,277,960 |
| As at 30 June 2016 | 603,805,205 |
| As at 31 December 2015 | 499,537,185 |

Authorised

The authorised share capital of the Company is £2 divided into 2 Subscriber Shares of a par value of £1 each and 500 billion participating shares of No Par Value ("NPV").

Subscriber shares

The subscriber shares have been issued to the Manager and nominees of the Manager. They do not form part of the net asset value of the Company. They are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors this disclosure reflects the nature of the Company's investment business.

9. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 31 December 2016 €'000 | 30 June 2016 €'000 |
|--|------------------------------|--------------------------|
| Financial assets: | | |
| Investment in equities | 13,577,337 | 9,569,127 |
| Investment in bonds | 26,369,271 | 24,601,715 |
| Investment in rights | 145 | 255 |
| Investment in warrants | 15 | 14 |
| Unrealised gains on futures contracts | 281 | 355 |
| | 39,947,049 | 34,171,466 |

Financial liabilities:

| | | |
|---|--------------|----------------|
| Unrealised losses on futures contracts | (373) | (1,598) |
| Unrealised losses on CFDs | - | (1) |
| | (373) | (1,599) |

10. SUBSEQUENT EVENTS

The ex-date and pay date for distributions of the below Funds occurred during January 2017:

| Fund | Distribution Amount ('000) |
|--------------------------------------|----------------------------------|
| iShares EM Local Govt Bond UCITS ETF | \$105,922 |

Other than the above there have been no events subsequent to the financial period end which in the opinion of the Directors of the Company may have had an impact on the financial statements for the financial period ended 31 December 2016.

11. APPROVAL DATE

The financial statements were approved by the Directors on 27 February 2017.

iShares EM Local Govt Bond UCITS ETF

CONDENSED INCOME STATEMENT (unaudited)

For the financial period ended 31 December 2016

| | Financial period ended 31 December 2016 \$'000 | Financial period ended 31 December 2015 \$'000 |
|---|--|--|
| Operating income | 121,691 | 57,388 |
| Net losses on financial assets/liabilities at fair value through profit or loss | (350,767) | (254,668) |
| Total losses | (229,076) | (197,280) |
| Operating expenses | (9,842) | (4,398) |
| Net operating loss | (238,918) | (201,678) |
| Finance costs: | | |
| Distributions to redeemable participating shareholders | (79,589) | 3,825 |
| Interest expense | (17) | (10) |
| Total finance costs | (79,606) | 3,815 |
| Net loss for the financial period before tax | (318,524) | (197,863) |
| Taxation | (5,030) | (1,749) |
| Net loss for the financial period after tax | (323,554) | (199,612) |
| Decrease in net assets attributable to redeemable participating shareholders from operations | (323,554) | (199,612) |

There are no recognised gains or losses arising in the financial period other than those dealt with in the condensed income statement. In arriving at the results of the financial period, all amounts relate to continuing operations.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS (unaudited)

For the financial period ended 31 December 2016

| | Financial period ended 31 December 2016 \$'000 | Financial period ended 31 December 2015 \$'000 |
|--|--|--|
| Net assets attributable to redeemable participating shareholders at the beginning of the financial period | 2,886,548 | 1,752,109 |
| Decrease in net assets attributable to redeemable participating shareholders from operations | (323,554) | (199,612) |
| Share transactions: | | |
| Proceeds from issue of redeemable participating shares | 2,094,413 | 769,673 |
| Payments on redemption of redeemable participating shares | (1,204,960) | (441,897) |
| Increase in net assets resulting from share transactions | 889,453 | 327,776 |
| Net assets attributable to redeemable participating shareholders at the end of the financial period | 3,452,447 | 1,880,273 |

The accompanying notes form an integral part of these financial statements.

iShares EM Local Govt Bond UCITS ETF

CONDENSED BALANCE SHEET (unaudited)

As at 31 December 2016

| | Note | 31 December 2016 \$'000 | 30 June 2016 \$'000 |
|--|------|-------------------------------|---------------------------|
| CURRENT ASSETS | | | |
| Cash | | 46,377 | 37,882 |
| Receivables | | 88,744 | 66,399 |
| Financial assets at fair value through profit or loss | 3 | 3,333,700 | 2,788,370 |
| Total current assets | | 3,468,821 | 2,892,651 |
| CURRENT LIABILITIES | | | |
| Payables | | (16,374) | (6,103) |
| Total current liabilities excluding net assets attributable to redeemable participating shareholders | | (16,374) | (6,103) |
| Net asset value attributable to redeemable participating shareholders at the end of the financial period/year | 2 | 3,452,447 | 2,886,548 |

The accompanying notes form an integral part of these financial statements.

iShares EM Local Govt Bond UCITS ETF

SCHEDULE OF INVESTMENTS (unaudited)

As at 31 December 2016

| Holding | Investment | Fair value \$'000 | % of net asset value |
|--|---|----------------------|----------------------------|
| Transferable Securities Admitted to an Official Stock Exchange Listing or traded on a Regulated Market (30 June 2016: 96.60%) | | | |
| Bonds (30 June 2016: 96.60%) | | | |
| Brazil (30 June 2016: 10.48%) | | | |
| Government bonds: BB rating | | | |
| 43,900,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2019 | 13,284 | 0.38 |
| 350,570,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2021 | 103,711 | 3.00 |
| 345,400,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2023 | 99,951 | 2.90 |
| 236,000,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025 | 67,444 | 1.95 |
| 104,500,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2027 | 29,643 | 0.86 |
| 15,000,000 | Brazilian Government International Bond 8.5% 05/01/2024 | 4,010 | 0.12 |
| 53,080,000 | Brazilian Government International Bond 10.25% 10/01/2028 | 15,085 | 0.44 |
| 12,380,000 | Brazilian Government International Bond 12.5% 05/01/2022 | 3,889 | 0.11 |
| | Total Brazil | 337,017 | 9.76 |
| Chile (30 June 2016: 0.09%) | | | |
| Government bonds: AA- rating | | | |
| 1,835,000,000 | Chile Government International Bond 5.5% 05/08/2020 | 2,868 | 0.08 |
| 50,000,000 | Chile Government International Bond 5.5% 05/08/2020 | 78 | 0.00 |
| | Total Chile | 2,946 | 0.08 |
| Colombia (30 June 2016: 6.64%) | | | |
| Government bonds: BBB rating | | | |
| 2,950,000,000 | Colombia Government International Bond 4.375% 21/03/2023 | 845 | 0.03 |
| 9,049,000,000 | Colombia Government International Bond 7.75% 14/04/2021 | 3,197 | 0.09 |
| 5,420,000,000 | Colombia Government International Bond 9.85% 28/06/2027 | 2,105 | 0.06 |
| 48,700,000,000 | Colombian TES 5% 21/11/2018 | 15,889 | 0.46 |
| 63,000,000,000 | Colombian TES 6% 28/04/2028 | 18,833 | 0.55 |
| 61,900,000,000 | Colombian TES 7% 11/09/2019 | 20,897 | 0.61 |
| 92,400,000,000 | Colombian TES 7% 04/05/2022 | 31,190 | 0.90 |
| 91,800,000,000 | Colombian TES 7.5% 26/08/2026 | 31,375 | 0.91 |
| 72,300,000,000 | Colombian TES 7.75% 18/09/2030 | 24,968 | 0.72 |
| 109,300,000,000 | Colombian TES 10% 24/07/2024 | 42,933 | 1.24 |
| 85,001,700,000 | Colombian TES 11% 24/07/2020 | 32,213 | 0.93 |
| 42,000,000,000 | Colombian TES 11.25% 24/10/2018 | 15,122 | 0.44 |
| | Total Colombia | 239,567 | 6.94 |

| Holding | Investment | Fair value \$'000 | % of net asset value |
|--|---|----------------------|----------------------------|
| Hungary (30 June 2016: 4.60%) | | | |
| Government bonds: BBB- rating | | | |
| 2,950,000,000 | Hungary Government Bond 2% 30/10/2019 | 10,399 | 0.30 |
| 2,086,900,000 | Hungary Government Bond 2.5% 22/06/2018 | 7,358 | 0.21 |
| 2,450,000,000 | Hungary Government Bond 2.5% 27/10/2021 | 8,678 | 0.25 |
| 3,000,000,000 | Hungary Government Bond 3% 26/06/2024 | 10,464 | 0.30 |
| 800,000,000 | Hungary Government Bond 3% 27/10/2027 | 2,685 | 0.08 |
| 3,280,000,000 | Hungary Government Bond 3.5% 24/06/2020 | 12,082 | 0.35 |
| 2,038,900,000 | Hungary Government Bond 4% 25/04/2018 | 7,305 | 0.21 |
| 1,930,370,000 | Hungary Government Bond 5.5% 20/12/2018 | 7,256 | 0.21 |
| 4,975,000,000 | Hungary Government Bond 5.5% 24/06/2025 | 20,306 | 0.59 |
| 4,386,800,000 | Hungary Government Bond 6% 24/11/2023 | 18,481 | 0.54 |
| 5,313,370,000 | Hungary Government Bond 6.5% 24/06/2019 | 20,672 | 0.60 |
| 4,135,750,000 | Hungary Government Bond 7% 24/06/2022 | 17,870 | 0.52 |
| 3,762,200,000 | Hungary Government Bond 7.5% 12/11/2020 | 15,843 | 0.46 |
| | Total Hungary | 159,399 | 4.62 |
| Indonesia (30 June 2016: 9.71%) | | | |
| Government bonds: BB+ rating | | | |
| 162,850,000,000 | Indonesia Treasury Bond 5.25% 15/05/2018 | 11,774 | 0.34 |
| 134,900,000,000 | Indonesia Treasury Bond 5.625% 15/05/2023 | 8,919 | 0.26 |
| 92,500,000,000 | Indonesia Treasury Bond 6.125% 15/05/2028 | 5,789 | 0.17 |
| 40,150,000,000 | Indonesia Treasury Bond 6.375% 15/04/2042 | 2,294 | 0.07 |
| 152,000,000,000 | Indonesia Treasury Bond 6.625% 15/05/2033 | 9,564 | 0.28 |
| 145,110,000,000 | Indonesia Treasury Bond 7% 15/05/2022 | 10,516 | 0.30 |
| 143,050,000,000 | Indonesia Treasury Bond 7% 15/05/2027 | 10,007 | 0.29 |
| 367,409,000,000 | Indonesia Treasury Bond 7.875% 15/04/2019 | 27,469 | 0.80 |
| 350,688,000,000 | Indonesia Treasury Bond 8.25% 15/07/2021 | 26,691 | 0.77 |
| 159,360,000,000 | Indonesia Treasury Bond 8.25% 15/06/2032 | 11,769 | 0.34 |
| 153,500,000,000 | Indonesia Treasury Bond 8.25% 15/05/2036 | 11,478 | 0.33 |
| 391,539,000,000 | Indonesia Treasury Bond 8.375% 15/03/2024 | 29,642 | 0.86 |

iShares EM Local Govt Bond UCITS ETF

SCHEDULE OF INVESTMENTS (unaudited) (continued)

As at 31 December 2016

| Holding | Investment | Fair value \$'000 | % of net asset value | Holding | Investment | Fair value \$'000 | % of net asset value |
|---|---|----------------------|----------------------------|--|---|----------------------|----------------------------|
| Bonds (30 June 2016: 96.60%) (cont) | | | | Malaysia (30 June 2016: 9.65%) (cont) | | | |
| Indonesia (30 June 2016: 9.71%) (cont) | | | | Government bonds: A- rating (cont) | | | |
| Government bonds: BB+ rating (cont) | | | | 100,530,000 | Malaysia Government Bond 3.654% 31/10/2019 | 22,414 | 0.65 |
| 385,520,000,000 | Indonesia Treasury Bond 8.375% 15/09/2026 | 29,389 | 0.85 | 35,000,000 | Malaysia Government Bond 3.659% 15/10/2020 | 7,771 | 0.23 |
| 305,799,000,000 | Indonesia Treasury Bond 8.375% 15/03/2034 | 22,837 | 0.66 | 41,650,000 | Malaysia Government Bond 3.733% 15/06/2028 | 8,525 | 0.25 |
| 231,100,000,000 | Indonesia Treasury Bond 8.75% 15/05/2031 | 18,013 | 0.52 | 79,400,000 | Malaysia Government Bond 3.759% 15/03/2019 | 17,797 | 0.52 |
| 50,000,000,000 | Indonesia Treasury Bond 8.75% 15/02/2044 | 3,781 | 0.11 | 22,000,000 | Malaysia Government Bond 3.795% 30/09/2022 | 4,822 | 0.14 |
| 278,250,000,000 | Indonesia Treasury Bond 9% 15/03/2029 | 21,845 | 0.63 | 20,000,000 | Malaysia Government Bond 3.8% 17/08/2023 | 4,382 | 0.13 |
| 37,560,000,000 | Indonesia Treasury Bond 9.5% 15/07/2023 | 3,002 | 0.09 | 14,500,000 | Malaysia Government Bond 3.844% 15/04/2033 | 2,872 | 0.08 |
| 120,870,000,000 | Indonesia Treasury Bond 9.5% 15/07/2031 | 9,848 | 0.28 | 5,013,000 | Malaysia Government Bond 3.889% 31/07/2020 | 1,123 | 0.03 |
| 60,170,000,000 | Indonesia Treasury Bond 9.5% 15/05/2041 | 4,908 | 0.14 | 10,554,000 | Malaysia Government Bond 3.892% 15/03/2027 | 2,240 | 0.06 |
| 53,000,000,000 | Indonesia Treasury Bond 10% 15/09/2024 | 4,359 | 0.13 | 32,500,000 | Malaysia Government Bond 3.9% 30/11/2026 | 7,061 | 0.20 |
| 82,310,000,000 | Indonesia Treasury Bond 10% 15/02/2028 | 6,896 | 0.20 | 39,450,000 | Malaysia Government Bond 3.955% 15/09/2025 | 8,544 | 0.25 |
| 48,430,000,000 | Indonesia Treasury Bond 10.25% 15/07/2022 | 3,981 | 0.12 | 35,959,000 | Malaysia Government Bond 4.048% 30/09/2021 | 8,071 | 0.23 |
| 38,595,000,000 | Indonesia Treasury Bond 10.25% 15/07/2027 | 3,281 | 0.09 | 10,696,000 | Malaysia Government Bond 4.127% 15/04/2032 | 2,210 | 0.06 |
| 78,580,000,000 | Indonesia Treasury Bond 10.5% 15/08/2030 | 6,863 | 0.20 | 19,860,000 | Malaysia Government Bond 4.16% 15/07/2021 | 4,492 | 0.13 |
| 46,580,000,000 | Indonesia Treasury Bond 10.5% 15/07/2038 | 4,117 | 0.12 | 31,232,000 | Malaysia Government Bond 4.181% 15/07/2024 | 6,904 | 0.20 |
| 137,885,000,000 | Indonesia Treasury Bond 11% 15/11/2020 | 11,338 | 0.33 | 29,500,000 | Malaysia Government Bond 4.232% 30/06/2031 | 6,276 | 0.18 |
| 86,252,000,000 | Indonesia Treasury Bond 11% 15/09/2025 | 7,565 | 0.22 | 24,500,000 | Malaysia Government Bond 4.254% 31/05/2035 | 5,176 | 0.15 |
| 58,455,000,000 | Indonesia Treasury Bond 12.8% 15/06/2021 | 5,155 | 0.15 | 45,680,000 | Malaysia Government Bond 4.378% 29/11/2019 | 10,394 | 0.30 |
| 29,990,000,000 | Indonesia Treasury Bond 12.9% 15/06/2022 | 2,729 | 0.08 | 20,255,000 | Malaysia Government Bond 4.392% 15/04/2026 | 4,528 | 0.13 |
| | Total Indonesia | 335,819 | 9.73 | 42,225,000 | Malaysia Government Bond 4.498% 15/04/2030 | 9,185 | 0.27 |
| | Malaysia (30 June 2016: 9.65%) | | | 19,000,000 | Malaysia Government Bond 4.736% 15/03/2046 | 4,259 | 0.12 |
| | Government bonds: A- rating | | | 22,500,000 | Malaysia Government Bond 4.935% 30/09/2043 | 5,023 | 0.15 |
| 15,100,000 | Malaysia Government Bond 3.26% 01/03/2018 | 3,359 | 0.10 | 4,706,000 | Malaysia Government Bond 5.248% 15/09/2028 | 1,094 | 0.03 |
| 27,000,000 | Malaysia Government Bond 3.418% 15/08/2022 | 5,809 | 0.17 | 18,422,000 | Malaysia Government Bond 5.734% 30/07/2019 | 4,314 | 0.12 |
| 46,640,000 | Malaysia Government Bond 3.48% 15/03/2023 | 9,962 | 0.29 | 1,000,000 | Malaysia Government Investment Issue 3.399% 30/11/2018 | 221 | 0.01 |
| 23,876,000 | Malaysia Government Bond 3.492% 31/03/2020 | 5,284 | 0.15 | 95,420,000 | Malaysia Government Investment Issue 3.508% 15/05/2018 | 21,235 | 0.61 |
| 5,850,000 | Malaysia Government Bond 3.502% 31/05/2027 | 1,184 | 0.03 | 23,900,000 | Malaysia Government Investment Issue 3.558% 30/04/2019 | 5,296 | 0.15 |
| 36,460,000 | Malaysia Government Bond 3.58% 28/09/2018 | 8,140 | 0.24 | 7,500,000 | Malaysia Government Investment Issue 3.699% 15/11/2022 | 1,626 | 0.05 |
| 30,300,000 | Malaysia Government Bond 3.62% 30/11/2021 | 6,739 | 0.20 | | | | |

iShares EM Local Govt Bond UCITS ETF

SCHEDULE OF INVESTMENTS (unaudited) (continued)

As at 31 December 2016

| Holding | Investment | Fair value \$'000 | % of net asset value | Holding | Investment | Fair value \$'000 | % of net asset value |
|--|---|----------------------|----------------------------|---|--|----------------------|----------------------------|
| Bonds (30 June 2016: 96.60%) (cont) | | | | Peru (30 June 2016: 1.89%) (cont) | | | |
| Malaysia (30 June 2016: 9.65%) (cont) | | | | Government bonds: BBB+ rating (cont) | | | |
| Government bonds: A- rating (cont) | | | | 39,580,000 | Peru Government Bond 5.7% 12/08/2024 | 11,682 | 0.34 |
| 35,982,000 | Malaysia Government Investment Issue 3.743% 26/08/2021 | 7,994 | 0.23 | 48,000,000 | Peru Government Bond 6.35% 12/08/2028 | 14,091 | 0.41 |
| 127,500,000 | Malaysia Government Investment Issue 3.799% 27/08/2020 | 28,373 | 0.82 | 19,500,000 | Peru Government Bond 6.85% 12/02/2042 | 5,650 | 0.16 |
| 3,500,000 | Malaysia Government Investment Issue 3.872% 30/08/2018 | 783 | 0.02 | 28,000,000 | Peru Government Bond 6.9% 12/08/2037 | 8,334 | 0.24 |
| 20,000,000 | Malaysia Government Investment Issue 3.872% 30/08/2018 | 4,473 | 0.13 | 42,500,000 | Peru Government Bond 6.95% 12/08/2031 | 12,943 | 0.38 |
| 34,800,000 | Malaysia Government Investment Issue 3.99% 15/10/2025 | 7,509 | 0.22 | 16,900,000 | Peru Government Bond 7.84% 12/08/2020 | 5,483 | 0.16 |
| 58,000,000 | Malaysia Government Investment Issue 4.07% 30/09/2026 | 12,608 | 0.37 | 31,700,000 | Peru Government Bond 8.2% 12/08/2026 | 10,666 | 0.31 |
| 77,000,000 | Malaysia Government Investment Issue 4.194% 15/07/2022 | 17,186 | 0.50 | Total Peru | | 71,068 | 2.06 |
| 24,500,000 | Malaysia Government Investment Issue 4.245% 30/09/2030 | 5,168 | 0.15 | Philippines (30 June 2016: 0.39%) | | | |
| 55,000,000 | Malaysia Government Investment Issue 4.39% 07/07/2023 | 12,460 | 0.36 | Government bonds: BBB rating | | | |
| 26,200,000 | Malaysia Government Investment Issue 4.444% 22/05/2024 | 5,856 | 0.17 | 152,000,000 | Philippine Government International Bond 3.9% 26/11/2022 | 2,881 | 0.08 |
| 11,150,000 | Malaysia Government Investment Issue 4.582% 30/08/2033 | 2,418 | 0.07 | 193,000,000 | Philippine Government International Bond 4.95% 15/01/2021 | 3,870 | 0.11 |
| 17,360,000 | Malaysia Government Investment Issue 4.786% 31/10/2035 | 3,908 | 0.11 | 236,000,000 | Philippine Government International Bond 6.25% 14/01/2036 | 5,049 | 0.15 |
| Total Malaysia | | 337,068 | 9.76 | Total Philippines | | 11,800 | 0.34 |
| Mexico (30 June 2016: 9.19%) | | | | Poland (30 June 2016: 9.20%) | | | |
| Government bonds: BBB+ rating | | | | Government bonds: BBB+ rating | | | |
| 430,800,000 | Mexican Bonos 4.75% 14/06/2018 | 20,319 | 0.59 | 125,620,000 | Republic of Poland Government Bond 1.5% 25/04/2020 | 29,124 | 0.84 |
| 653,000,000 | Mexican Bonos 5% 11/12/2019 | 30,052 | 0.87 | 136,000,000 | Republic of Poland Government Bond 1.75% 25/07/2021 | 31,123 | 0.90 |
| 269,910,000 | Mexican Bonos 5.75% 05/03/2026 | 11,631 | 0.34 | 123,030,000 | Republic of Poland Government Bond 2% 25/04/2021 | 28,525 | 0.83 |
| 828,480,000 | Mexican Bonos 6.5% 10/06/2021 | 39,198 | 1.13 | 109,241,000 | Republic of Poland Government Bond 2.5% 25/07/2018 | 26,394 | 0.76 |
| 304,895,000 | Mexican Bonos 6.5% 09/06/2022 | 14,301 | 0.41 | 161,900,000 | Republic of Poland Government Bond 2.5% 25/07/2026 | 35,420 | 1.03 |
| 159,169,500 | Mexican Bonos 7.5% 03/06/2027 | 7,689 | 0.22 | 88,407,000 | Republic of Poland Government Bond 3.25% 25/07/2019 | 21,675 | 0.63 |
| 382,340,000 | Mexican Bonos 7.75% 29/05/2031 | 18,574 | 0.54 | 122,004,000 | Republic of Poland Government Bond 3.25% 25/07/2025 | 28,598 | 0.83 |
| 251,000,000 | Mexican Bonos 7.75% 23/11/2034 | 12,086 | 0.35 | 82,677,000 | Republic of Poland Government Bond 3.75% 25/04/2018 | 20,296 | 0.59 |
| 500,229,000 | Mexican Bonos 7.75% 13/11/2042 | 24,100 | 0.70 | 118,676,000 | Republic of Poland Government Bond 4% 25/10/2023 | 29,640 | 0.86 |
| 413,066,000 | Mexican Bonos 8% 11/06/2020 | 20,625 | 0.60 | 80,209,000 | Republic of Poland Government Bond 5.25% 25/10/2020 | 21,037 | 0.61 |
| 273,176,500 | Mexican Bonos 8% 07/12/2023 | 13,758 | 0.40 | 84,079,000 | Republic of Poland Government Bond 5.5% 25/10/2019 | 21,871 | 0.63 |
| 654,651,200 | Mexican Bonos 8.5% 13/12/2018 | 32,731 | 0.95 | 65,680,000 | Republic of Poland Government Bond 5.75% 25/10/2021 | 17,757 | 0.51 |
| 270,500,000 | Mexican Bonos 8.5% 31/05/2029 | 13,995 | 0.40 | | | | |
| 268,520,000 | Mexican Bonos 8.5% 18/11/2038 | 13,832 | 0.40 | | | | |
| 679,003,000 | Mexican Bonos 10% 05/12/2024 | 38,113 | 1.10 | | | | |
| 167,885,000 | Mexican Bonos 10% 20/11/2036 | 9,896 | 0.29 | | | | |
| Total Mexico | | 320,900 | 9.29 | | | | |
| Peru (30 June 2016: 1.89%) | | | | | | | |
| Government bonds: BBB+ rating | | | | | | | |
| 7,650,000 | Peru Government Bond 5.2% 12/09/2023 | 2,219 | 0.06 | | | | |

iShares EM Local Govt Bond UCITS ETF

SCHEDULE OF INVESTMENTS (unaudited) (continued)

As at 31 December 2016

| Holding | Investment | Fair value \$'000 | % of net asset value |
|---|---|----------------------|----------------------------|
| Bonds (30 June 2016: 96.60%) (cont) | | | |
| Poland (30 June 2016: 9.20%) (cont) | | | |
| Government bonds: BBB+ rating (cont) | | | |
| 91,485,000 | Republic of Poland Government Bond 5.75% 23/09/2022 | 24,892 | 0.72 |
| | Total Poland | 336,352 | 9.74 |
| Romania (30 June 2016: 2.23%) | | | |
| Government bonds: BBB- rating | | | |
| 38,000,000 | Romania Government Bond 2.5% 29/04/2019 | 9,004 | 0.26 |
| 35,000,000 | Romania Government Bond 3.25% 17/01/2018 | 8,306 | 0.24 |
| 30,000,000 | Romania Government Bond 3.25% 22/03/2021 | 7,187 | 0.21 |
| 35,500,000 | Romania Government Bond 4.75% 24/06/2019 | 8,865 | 0.26 |
| 35,865,000 | Romania Government Bond 4.75% 24/02/2025 | 9,061 | 0.26 |
| 36,890,000 | Romania Government Bond 5.6% 28/11/2018 | 9,245 | 0.27 |
| 29,600,000 | Romania Government Bond 5.75% 29/04/2020 | 7,687 | 0.22 |
| 35,000,000 | Romania Government Bond 5.85% 26/04/2023 | 9,376 | 0.27 |
| 35,880,000 | Romania Government Bond 5.95% 11/06/2021 | 9,531 | 0.28 |
| | Total Romania | 78,262 | 2.27 |
| Russian Federation (30 June 2016: 4.69%) | | | |
| Government bonds: BB+ rating | | | |
| 544,272,000 | Russian Federal Bond - OFZ 6.2% 31/01/2018 | 8,716 | 0.25 |
| 750,000,000 | Russian Federal Bond - OFZ 6.4% 27/05/2020 | 11,647 | 0.34 |
| 871,200,000 | Russian Federal Bond - OFZ 6.7% 15/05/2019 | 13,822 | 0.40 |
| 729,130,000 | Russian Federal Bond - OFZ 6.8% 11/12/2019 | 11,530 | 0.33 |
| 760,120,000 | Russian Federal Bond - OFZ 7% 25/01/2023 | 11,758 | 0.34 |
| 1,239,136,000 | Russian Federal Bond - OFZ 7% 16/08/2023 | 19,122 | 0.55 |
| 917,013,000 | Russian Federal Bond - OFZ 7.05% 19/01/2028 | 13,712 | 0.40 |
| 680,835,000 | Russian Federal Bond - OFZ 7.5% 15/03/2018 | 11,071 | 0.32 |
| 691,680,000 | Russian Federal Bond - OFZ 7.5% 27/02/2019 | 11,202 | 0.33 |
| 1,080,000,000 | Russian Federal Bond - OFZ 7.5% 18/08/2021 | 17,261 | 0.50 |
| 557,400,000 | Russian Federal Bond - OFZ 7.6% 14/04/2021 | 8,946 | 0.26 |
| 281,268,000 | Russian Federal Bond - OFZ 7.6% 20/07/2022 | 4,504 | 0.13 |

| Holding | Investment | Fair value \$'000 | % of net asset value |
|--|--|----------------------|----------------------------|
| Russian Federation (30 June 2016: 4.69%) (cont) | | | |
| Government bonds: BB+ rating (cont) | | | |
| 415,000,000 | Russian Federal Bond - OFZ 7.75% 16/09/2026 | 6,567 | 0.19 |
| 1,161,232,000 | Russian Federal Bond - OFZ 8.15% 03/02/2027 | 18,945 | 0.55 |
| 870,600,000 | Russian Federal Bond - OFZ 8.5% 17/09/2031 | 14,325 | 0.42 |
| 450,000,000 | Russian Foreign Bond - Eurobond 7.85% 10/03/2018 | 7,304 | 0.21 |
| | Total Russian Federation | 190,432 | 5.52 |
| South Africa (30 June 2016: 8.62%) | | | |
| Government bonds: BBB- rating | | | |
| 378,038,664 | Republic of South Africa Government Bond 6.25% 31/03/2036 | 19,716 | 0.57 |
| 356,416,072 | Republic of South Africa Government Bond 6.5% 28/02/2041 | 18,556 | 0.54 |
| 251,260,071 | Republic of South Africa Government Bond 6.75% 31/03/2021 | 17,378 | 0.50 |
| 374,650,072 | Republic of South Africa Government Bond 7% 28/02/2031 | 22,396 | 0.65 |
| 250,374,071 | Republic of South Africa Government Bond 7.25% 15/01/2020 | 17,886 | 0.52 |
| 269,345,071 | Republic of South Africa Government Bond 7.75% 28/02/2023 | 18,889 | 0.55 |
| 208,827,071 | Republic of South Africa Government Bond 8% 21/12/2018 | 15,287 | 0.44 |
| 397,761,072 | Republic of South Africa Government Bond 8% 31/01/2030 | 26,168 | 0.76 |
| 323,000,071 | Republic of South Africa Government Bond 8.25% 31/03/2032 | 21,286 | 0.61 |
| 408,710,072 | Republic of South Africa Government Bond 8.5% 31/01/2037 | 26,855 | 0.78 |
| 331,000,071 | Republic of South Africa Government Bond 8.75% 31/01/2044 | 22,112 | 0.64 |
| 193,100,071 | Republic of South Africa Government Bond 8.875% 28/02/2035 | 13,259 | 0.38 |
| 140,000,071 | Republic of South Africa Government Bond 9% 31/01/2040 | 9,622 | 0.28 |
| 790,721,972 | Republic of South Africa Government Bond 10.5% 21/12/2026 | 63,775 | 1.85 |
| | Total South Africa | 313,185 | 9.07 |
| Thailand (30 June 2016: 9.63%) | | | |
| Government bonds: BBB+ rating | | | |
| 340,000,000 | Thailand Government Bond 3.4% 17/06/2036 | 9,535 | 0.28 |
| 865,000,000 | Thailand Government Bond 2.55% 26/06/2020 | 24,650 | 0.71 |
| 489,290,000 | Thailand Government Bond 3.45% 08/03/2019 | 14,145 | 0.41 |
| 351,036,000 | Thailand Government Bond 3.58% 17/12/2027 | 10,337 | 0.30 |
| 1,015,208,000 | Thailand Government Bond 3.625% 16/06/2023 | 30,261 | 0.88 |

iShares EM Local Govt Bond UCITS ETF

SCHEDULE OF INVESTMENTS (unaudited) (continued)

As at 31 December 2016

| Holding | Investment | Fair value \$'000 | % of net asset value |
|--|---|----------------------|----------------------------|
| Bonds (30 June 2016: 96.60%) (cont) | | | |
| Thailand (30 June 2016: 9.63%) (cont) | | | |
| Government bonds: BBB+ rating (cont) | | | |
| 1,605,614,000 | Thailand Government Bond 3.65% 17/12/2021 | 47,953 | 1.39 |
| 45,000,000 | Thailand Government Bond 3.65% 20/06/2031 | 1,305 | 0.04 |
| 215,636,000 | Thailand Government Bond 3.775% 25/06/2032 | 6,309 | 0.18 |
| 135,610,000 | Thailand Government Bond 3.8% 14/06/2041 | 3,982 | 0.12 |
| 861,404,000 | Thailand Government Bond 3.85% 12/12/2025 | 26,298 | 0.76 |
| 1,733,902,000 | Thailand Government Bond 3.875% 13/06/2019 | 50,858 | 1.47 |
| 1,403,800,000 | Thailand Government Bond 4.26% 12/12/2037 | 44,515 | 1.29 |
| 249,782,000 | Thailand Government Bond 4.675% 29/06/2044 | 8,375 | 0.24 |
| 150,794,000 | Thailand Government Bond 4.75% 20/12/2024 | 4,802 | 0.14 |
| 1,123,164,000 | Thailand Government Bond 4.875% 22/06/2029 | 37,074 | 1.07 |
| 101,170,000 | Thailand Government Bond 5.625% 12/01/2019 | 3,040 | 0.09 |
| 148,500,000 | Thailand Government Bond 5.67% 13/03/2028 | 5,139 | 0.15 |
| | Total Thailand | 328,578 | 9.52 |

| | | | |
|-------------------------------------|---|--------|------|
| Turkey (30 June 2016: 9.59%) | | | |
| Government bonds: BB rating | | | |
| 45,751,000 | Turkey Government Bond 6.3% 14/02/2018 | 12,532 | 0.36 |
| 80,111,000 | Turkey Government Bond 7.1% 08/03/2023 | 18,766 | 0.54 |
| 70,122,000 | Turkey Government Bond 7.4% 05/02/2020 | 18,183 | 0.53 |
| 71,600,000 | Turkey Government Bond 8% 12/03/2025 | 16,998 | 0.49 |
| 60,854,000 | Turkey Government Bond 8.3% 20/06/2018 | 16,844 | 0.49 |
| 75,482,000 | Turkey Government Bond 8.5% 10/07/2019 | 20,533 | 0.60 |
| 53,807,000 | Turkey Government Bond 8.5% 14/09/2022 | 13,650 | 0.40 |
| 62,568,000 | Turkey Government Bond 8.8% 14/11/2018 | 17,286 | 0.50 |
| 57,091,000 | Turkey Government Bond 8.8% 27/09/2023 | 14,472 | 0.42 |
| 54,550,000 | Turkey Government Bond 9% 24/07/2024 | 13,879 | 0.40 |
| 11,000,000 | Turkey Government Bond 9.2% 22/09/2021 | 2,930 | 0.09 |
| 69,890,000 | Turkey Government Bond 9.4% 08/07/2020 | 19,055 | 0.55 |
| 50,851,000 | Turkey Government Bond 9.5% 12/01/2022 | 13,608 | 0.39 |

| Holding | Investment | Fair value \$'000 | % of net asset value |
|---|--|----------------------|----------------------------|
| Turkey (30 June 2016: 9.59%) (cont) | | | |
| Government bonds: BB rating (cont) | | | |
| 39,156,000 | Turkey Government Bond 10.4% 27/03/2019 | 11,121 | 0.32 |
| 34,500,000 | Turkey Government Bond 10.4% 20/03/2024 | 9,463 | 0.27 |
| 43,329,000 | Turkey Government Bond 10.5% 15/01/2020 | 12,341 | 0.36 |
| 73,000,000 | Turkey Government Bond 10.6% 11/02/2026 | 20,149 | 0.58 |
| 68,950,000 | Turkey Government Bond 10.7% 17/02/2021 | 19,497 | 0.57 |
| | Total Turkey | 271,307 | 7.86 |
| | Total bonds | 3,333,700 | 96.56 |
| Total value of investments | | | |
| | | 3,333,700 | 96.56 |
| Cash[†] | | | |
| | | 46,377 | 1.34 |
| Other net assets | | | |
| | | 72,370 | 2.10 |
| Net asset value attributable to redeemable participating shareholders at the end of the financial period | | | |
| | | 3,452,447 | 100.00 |

[†] Substantially all cash positions are held with State Street Bank and Trust Company.

All credit ratings are shown as at 31 December 2016.

Fixed income securities are primarily classified by country of issuer for government type fixed income securities.

| Analysis of total current assets gross of all liabilities (unaudited) | Fair value \$'000 | % of total current assets |
|---|----------------------|---------------------------------|
| Transferable securities admitted to an official stock exchange listing | 2,591,369 | 74.70 |
| Transferable securities dealt in an another regulated market | 737,858 | 21.27 |
| Other transferable securities of the type referred to in Regulation 68(1)(a), (b) and (c) | 4,473 | 0.13 |
| Other assets | 135,121 | 3.90 |
| Total current assets | 3,468,821 | 100.00 |

iShares EM Local Govt Bond UCITS ETF

SCHEDULE OF MATERIAL PURCHASES AND SALES (unaudited)

For the financial period ended 31 December 2016

| Holding | Investments | Proceeds \$'000 | Holding | Investments | Cost \$'000 |
|-----------------|--|--------------------|------------------|--|----------------|
| Sales | | | Purchases | | |
| 2,070,000,000 | Thailand Government Bond 4.875% 22/06/2029 | 71,010 | 178,300,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2023 | 50,643 |
| 148,500,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2021 | 41,399 | 1,195,000,000 | Thailand Government Bond 4.26% 12/12/2037 | 43,316 |
| 135,000,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025 | 36,678 | 136,500,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2021 | 39,544 |
| 94,000,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2023 | 25,414 | 1,051,815,000 | Thailand Government Bond 4.875% 22/06/2029 | 38,800 |
| 717,000,000 | Thailand Government Bond 3.65% 17/12/2021 | 21,748 | 152,000,000 | Poland Government Bond 1.75% 25/07/2021 | 38,501 |
| 270,000,000,000 | Indonesia Treasury Bond 8.375% 15/03/2024 | 21,238 | 131,000,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025 | 36,656 |
| 279,000,000,000 | Indonesia Treasury Bond 8.25% 15/05/2036 | 21,159 | 1,077,630,000 | Thailand Government Bond 3.65% 17/12/2021 | 33,710 |
| 255,000,000 | South Africa Government Bond 10.5% 21/12/2026 | 19,841 | 126,300,000 | Poland Government Bond 2.5% 25/07/2026 | 31,438 |
| 70,430,000 | Poland Government Bond 5.25% 25/10/2017 | 19,105 | 460,000,000 | Mexican Bonos 10% 05/12/2024 | 30,485 |
| 395,000,000 | Mexican Bonos 4.75% 14/06/2018 | 18,725 | 387,800,000 | South Africa Government Bond 10.5% 21/12/2026 | 30,467 |
| 77,000,000 | Poland Government Bond 1.5% 25/04/2020 | 18,574 | 556,000,000 | Mexican Bonos 6.5% 10/06/2021 | 29,855 |
| 48,500,000,000 | Colombian TES 10% 24/07/2024 | 18,324 | 349,000,000,000 | Indonesia Treasury Bond 8.75% 15/05/2031 | 29,223 |
| 81,000,000 | Malaysia Government Bond 3.8% 17/08/2023 | 18,187 | 950,000,000 | Thailand Government Bond 3.875% 13/06/2019 | 28,956 |
| 232,000,000,000 | Indonesia Treasury Bond 5.25% 15/05/2018 | 17,107 | 550,000,000 | Mexican Bonos 5% 11/12/2019 | 28,541 |
| 62,000,000 | Poland Government Bond 5.75% 23/09/2022 | 16,938 | 105,000,000 | Poland Government Bond 1.5% 25/04/2020 | 26,448 |
| 55,300,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2018 | 16,767 | 95,500,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2027 | 26,258 |
| 207,900,000,000 | Indonesia Treasury Bond 8.75% 15/05/2031 | 16,492 | 312,000,000,000 | Indonesia Treasury Bond 8.25% 15/05/2036 | 26,018 |
| 72,000,000 | Malaysia Government Investment Issue 3.743% 26/08/2021 | 16,080 | 97,500,000 | Poland Government Bond 3.25% 25/07/2025 | 25,711 |
| 260,000,000 | Mexican Bonos 10% 05/12/2024 | 15,673 | 480,000,000 | Mexican Bonos 4.75% 14/06/2018 | 24,889 |
| 64,000,000 | Poland Government Bond 3.25% 25/07/2025 | 15,616 | 83,500,000 | Poland Government Bond 5.75% 23/09/2022 | 24,653 |
| 240,000,000 | South Africa Government Bond 8% 31/01/2030 | 15,584 | 71,500,000,000 | Colombian TES 7.5% 26/08/2026 | 24,619 |
| 63,000,000 | Poland Government Bond 1.75% 25/07/2021 | 14,671 | 98,500,000 | Malaysia Government Investment Issue 3.508% 15/05/2018 | 24,436 |
| 55,000,000 | Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2027 | 14,568 | 65,450,000 | Turkey Government Bond 10.7% 17/02/2021 | 23,274 |
| 291,541,000 | Mexican Bonos 7.75% 14/12/2017 | 13,970 | | | |

The CBI requires a Schedule of material changes in the composition of the portfolio during the financial period. These are defined as aggregate purchases of a security exceeding one per cent of the total value of purchases for the financial period and aggregate disposals greater than one per cent of the total value of sales. At a minimum the largest 20 purchases and 20 sales must be given or all purchases and sales if less than 20. A full listing of the portfolio changes for the financial period is available, upon request, at no cost from the Administrator.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS OF THE FUNDS

For the financial period ended 31 December 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Please see Significant accounting policies section in the notes to the financials of the Company on page 42.

2. NET ASSETS ATTRIBUTABLE TO REDEEMABLE PARTICIPATING SHAREHOLDERS

| | As at 31 December 2016 | As at 30 June 2016 |
|---|------------------------------|--------------------------|
| iShares EM Local Govt Bond UCITS ETF | | |
| Shares in issue | 55,865,201 | 43,586,554 |
| NAV (\$'000) | 3,452,447 | 2,886,548 |
| NAV per share | \$61.80 | \$66.23 |

3. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December 2016 | As at 30 June 2016 |
|---|------------------------------|--------------------------|
| iShares EM Local Govt Bond UCITS ETF | | |
| | \$'000 | \$'000 |
| Financial assets: | | |
| Investment in bonds | 3,333,700 | 2,788,370 |
| | 3,333,700 | 2,788,370 |

SUPPLEMENTARY INFORMATION

Efficient portfolio management

The Company may, on behalf of each Fund and subject to the conditions and within the limits laid down by the Central Bank of Ireland, employ techniques and instruments relating to transferable securities for efficient portfolio management purposes. Transactions for the purposes of efficient portfolio management may be undertaken with a view to achieving a reduction in risk, a reduction in costs or the generation of additional capital or income for the Fund with an appropriate level of risk, taking into account the risk profile of the relevant Fund and the general provisions of the Directive. These techniques and instruments may include investments in FDI such as interest rate and bond futures (which may be used to manage interest rate risk), index futures (which may be used to manage cash flows on a short term basis), options (which may be used to achieve cost efficiencies, for example where the acquisition of the option is more cost effective than purchasing of the underlying asset), swaps (which may be used to manage currency risk) and investments in money market instruments and/or money market collective investment schemes. New techniques and instruments may be developed which may be suitable for use by the Company and the Company (subject to the Central Bank's requirements) may employ such techniques and instruments.

A Fund may enter into securities lending, repurchase and/or reverse repurchase agreements for the purposes of efficient portfolio management subject to the conditions and limits set out in the Central Bank UCITS Regulations and in accordance with the requirements of the Central Bank.

Securities Lending and CFDs

The below table details the value of securities on loan as a proportion of the Funds' total lendable assets and NAV and the value of CFDs as a proportion of the Fund's NAV, as at 31 December 2016 and the returns earned for the period ended 31 December 2016. Total lendable assets represents the aggregate value of assets forming part of the Funds' securities lending programme. This excludes any assets held by the Funds' that are not considered lendable due to any market, regulatory, investment or other restriction. The value of the CFDs is based on the underlying exposure value on a gross absolute basis as disclosed in the Fund's schedule of investments.

| Fund | Currency | Securities on loan | | CFDs | |
|--------------------------------------|----------|----------------------|----------|----------|---------------------------|
| | | % of lendable assets | % of NAV | % of NAV | Total returns earned '000 |
| iShares EM Local Govt Bond UCITS ETF | \$ | 8.51 | 4.26 | - | - |

The total income earned from securities lending transactions is split between the relevant Fund and the Securities Lending Agent. The Funds receive 62.5%, while the Securities Lending Agent receives 37.5% of such income, with all operational costs borne out of the Securities Lending Agent's share. Income earned during the financial period by the Funds from securities lending transactions is disclosed in the Funds' related parties section to the financial statements.

All returns from CFDs will accrue to the Funds and are not subject to any returns sharing arrangements with the Fund's Manager or any other third parties.

The following tables detail the value of securities on loan and associated collateral received, analysed by borrowing counterparty as at 31 December 2016.

| Counterparty* | Amount on loan | Collateral received |
|--|----------------|---------------------|
| iShares EM Local Govt Bond UCITS ETF | \$'000 | \$'000 |
| Barclays Bank Plc | 1,966 | 2,078 |
| Citigroup Global Markets Ltd | 44,166 | 46,326 |
| J.P. Morgan Securities Plc | 35,763 | 37,686 |
| Morgan Stanley & Co. International Plc | 9,020 | 9,529 |
| Nomura International Plc | 56,291 | 62,306 |
| Total | 147,206 | 157,925 |

All securities on loan have an open maturity tenor as they are callable or terminable on a daily basis. There were no open CFDs as at 31 December 2016.

SUPPLEMENTARY INFORMATION (continued)**Collateral**

The Funds engage in activities which may require collateral to be provided to a counterparty (“collateral posted”) or may hold collateral received (“collateral received”) from a counterparty.

The following table provides an analysis by currency of the underlying cash and non-cash collateral received by way of title transfer collateral arrangement by the Funds, in respect of securities lending transactions, as at 31 December 2016.

| Currency | Non-cash Collateral received |
|--------------------------------------|------------------------------------|
| iShares EM Local Govt Bond UCITS ETF | \$'000 |
| AUD | 521 |
| CAD | 47 |
| CHF | 104 |
| DKK | 5,620 |
| EUR | 78,400 |
| GBP | 15,119 |
| JPY | 13,670 |
| NOK | 7,643 |
| SEK | 6,658 |
| USD | 30,143 |
| Total | 157,925 |

The following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received and posted by the Funds by way of title transfer collateral arrangement in respect of securities lending transactions as at 31 December 2016.

| Collateral type and quality | Maturity tenor | | | | | Open | Total |
|--------------------------------------|----------------|--------------|---------------|----------------|-----------------------|---------------|----------------|
| | 2 to 7 days | 8-30 days | 31-90 days | 91-365 days | More than 365 days | | |
| iShares EM Local Govt Bond UCITS ETF | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed income | | | | | | | |
| Investment grade | - | 3,243 | 10,867 | 12,069 | 86,830 | - | 113,009 |
| Equities | | | | | | | |
| Recognised equity index | - | - | - | - | - | 44,916 | 44,916 |
| Total | - | 3,243 | 10,867 | 12,069 | 86,830 | 44,916 | 157,925 |

No collateral had a maturity tenor of less than 1 day.

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received or posted as collateral is based on the respective contractual maturity date, while for equity securities, ETFs and money market funds received or posted as collateral are presented as open transactions as they are not subject to a contractual maturity date.

SUPPLEMENTARY INFORMATION (continued)**Collateral (continued)**

Cash collateral received relating to securities lending is not subject to a contractual maturity date and is included on the relevant Funds balance sheet.

Cash collateral pledged relating to CFDs is not subject to a contractual maturity date and is included on the relevant Funds balance sheet.

As at 31 December 2016, all non-cash collateral received by the Funds in respect of securities lending transactions is held by the Funds' Depository (or through its delegates), with the exception of the amounts disclosed in the following table which are held through a securities settlement system.

| Custodian | Non-cash collateral received Securities lending |
|--------------------------------------|---|
| iShares EM Local Govt Bond UCITS ETF | \$'000 |
| Euroclear SA/NV | 86,090 |
| Total | 86,090 |

The following table lists the ten largest issuers by value of non-cash collateral received by the Funds by way of title transfer collateral arrangement across securities lending transactions as at 31 December 2016.

| Issuer | Value | % of NAV |
|--------------------------------------|----------------|-------------|
| iShares EM Local Govt Bond UCITS ETF | \$'000 | |
| French Republic | 21,849 | 0.63 |
| Republic of Finland | 13,809 | 0.40 |
| United Kingdom | 10,914 | 0.32 |
| Kingdom of the Netherlands | 10,682 | 0.31 |
| Republic of Germany | 9,881 | 0.29 |
| United States Treasury | 9,319 | 0.27 |
| Kingdom of Belgium | 7,335 | 0.21 |
| Kingdom of Norway | 7,293 | 0.21 |
| Kreditanstalt fuer Wiederaufbau | 7,160 | 0.21 |
| Republic of Austria | 6,968 | 0.20 |
| Other issuers | 52,715 | 1.52 |
| Total | 157,925 | 4.57 |

No securities collateral received from a single issuer, in relation to efficient portfolio management and OTC financial derivative instruments, has exceeded 20% of any of the respective Funds' NAV at the period end date.

None of the Funds have been fully collateralised in securities issued or guaranteed by an EU member state at the period end date.

GLOSSARY***Counterparties to securities lending transactions and CFD's.**

| Counterparty name | Country of establishment |
|---|---------------------------------|
| Abbey National Treasury Services Plc | United Kingdom |
| Barclays Bank Plc | United Kingdom |
| Barclays Capital Securities Ltd | United Kingdom |
| BNP Paribas Arbitrage SNC | France |
| BNP Paribas SA | France |
| Citigroup Global Markets Ltd | United Kingdom |
| Citibank NA | United States |
| Credit Suisse International | United Kingdom |
| Credit Suisse Securities (Europe) Limited | United Kingdom |
| Deutsche Bank AG | Germany |
| Goldman Sachs International | United States |
| HSBC Bank Plc | United Kingdom |
| J.P. Morgan Securities Plc | United Kingdom |
| Macquarie Bank Limited | Australia |
| Merrill Lynch International | United Kingdom |
| Morgan Stanley & Co. International Plc | United Kingdom |
| Nomura International Plc | United Kingdom |
| Skandinaviska Enskilda Banken AB | Sweden |
| Societe Generale SA | France |
| The Bank of Nova Scotia | Canada |
| UBS AG | Switzerland |
| UBS Securities LLC | United States |