

# Vanguard Target Retirement 2025 Fund VTTVX

## Benchmark

Morningstar Lifetime Mod 2025 TR USD

## Overall Morningstar Rating™

★★★★

Out of 194 Target-Date 2025 funds. An investment's overall Morningstar Rating, based on its risk-adjusted return, is a weighted average of its applicable 3-, 5-, and 10-year Ratings. See disclosure page for details.

## Morningstar Return

High

## Morningstar Risk

Average

## Investment Objective & Strategy

From investment's prospectus

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation.

The fund invests in a mix of Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2025 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

### Fees and Expenses as of 01-31-23

Prospectus Net Expense Ratio	0.08%
Total Annual Operating Expense	0.08%
Maximum Sales Charge	—
12b-1 Fee	—
Redemption Fee/Term	—

Waiver Data	Type	Exp. Date	%
—	—	—	—

### Operations and Management

Fund Inception Date	10-27-03
Portfolio Manager(s)	Walter Nejman Michael R. Roach, CFA
Name of Issuer	Vanguard
Telephone	800-662-7447
Web Site	www.vanguard.com

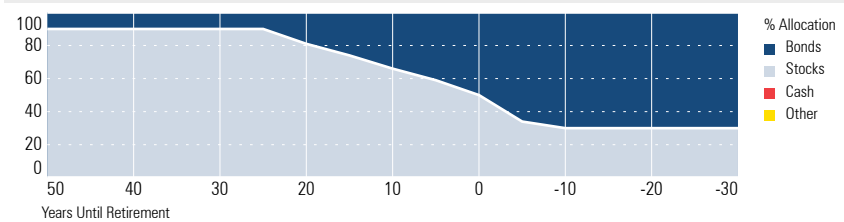
### Benchmark Description: Morningstar Lifetime Mod 2025 TR USD

The index measures the performance of a portfolio of global equities, bonds and traditional inflation hedges such as commodities and TIPS. This portfolio is held in proportions appropriate for a US investor who has a target maturity date of 2025. The Moderate risk profile is for investors who are comfortable with average exposure to equity market volatility. This Index does not incorporate Environmental, Social, or Governance (ESG) criteria.

### Category Description: Target-Date 2025

Target-date portfolios provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind (in this case, the years 2021-2025) for retirement. These portfolios aim to provide investors with an optimal level of return and risk, based solely on the target date. Management adjusts the allocation among asset classes to more-conservative mixes as the target date approaches, following a preset glide path. A target-date portfolio is part of a series of funds offering multiple retirement dates to investors.

## Allocation of Assets



## Performance

Trailing Returns	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Investment Return %	14.55	14.55	2.03	7.56	6.10	6.53
Benchmark Return %	12.15	12.15	0.59	6.67	5.41	—
Category Average %	12.76	12.76	1.64	6.93	5.40	5.76
Morningstar Rating™	—	—	★★★	★★★★	★★★★	—
# of Funds in Category	—	—	194	177	104	—

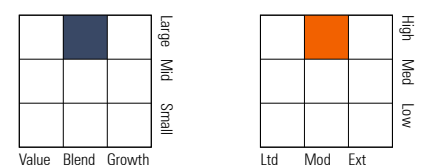
Quarter End Returns as of 12-31-23	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fund Return %	14.55	14.55	2.03	7.56	6.10	6.53
Standardized Return %	14.55	14.55	2.03	7.56	6.10	6.53

**Performance Disclosure: The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end please visit the website listed under Operations and Management on this page.**

## Portfolio Analysis as of 11-30-23

Composition as of 11-30-23	% Net
U.S. Stocks	31.7
Non-U.S. Stocks	21.0
Bonds	45.1
Cash	2.2
Other	0.1
Total	100.0

### Morningstar Style Box™ as of 11-30-23(E0) ; 11-30-23(F-I)



Top 10 Holdings as of 11-30-23	% Assets
Vanguard Total Stock Mkt Idx Instl Pls	31.82
Vanguard Total Bond Market II Idx Inv	28.31
Vanguard Total Intl Stock Index Inv	21.48
Vanguard Total Intl Bd II Idx Instl	12.48
Vanguard Shrt-Term Infl-Prot Sec Idx Adm	4.98
Total Number of Holdings	6
Annual Turnover Ratio %	6.00
Total Fund Assets (\$mil)	73,950.95

Morningstar Sectors as of 11-30-23	% Fund	S&P 500 %
Cyclical	34.13	28.24
Basic Materials	4.59	2.19
Consumer Cyclical	11.03	11.01
Financial Services	15.43	12.52
Real Estate	3.08	2.52
Sensitive	45.46	50.65
Communication Services	6.93	8.58
Energy	4.76	3.89
Industrials	11.43	8.37
Technology	22.34	29.81
Defensive	20.41	21.12
Consumer Defensive	6.52	6.11
Healthcare	11.25	12.67
Utilities	2.64	2.34

## Principal Risks as of 11-30-23

Hedging Strategies, Credit and Counterparty, Prepayment (Call), Currency, Foreign Securities, Loss of Money, Not FDIC Insured, Country or Region, Income, Market/Market Volatility, Equity Securities, Underlying Fund/Fund of Funds, Fixed-Income Securities, Management, Target Date

# Principal Risk Definitions

## Active Management

The investment is actively managed and subject to the risk that the advisor's usage of investment techniques and risk analyses to make investment decisions fails to perform as expected, which may cause the portfolio to lose value or underperform investments with similar objectives and strategies or the market in general.

## Amortized Cost

If the deviation between the portfolio's amortized value per share and its market-based net asset value per share results in material dilution or other unfair results to shareholders, the portfolio's board will take action to counteract these results, including potentially suspending redemption of shares or liquidating the portfolio.

## Asset Transfer Program

The portfolio is subject to unique risks because of its use in connection with certain guaranteed benefit programs, frequently associated with insurance contracts. To fulfill these guarantees, the advisor may make large transfers of assets between the portfolio and other affiliated portfolios. These transfers may subject the shareholder to increased costs if the asset base is substantially reduced and may cause the portfolio to have to purchase or sell securities at inopportune times.

## Bank Loans

Investments in bank loans, also known as senior loans or floating-rate loans, are rated below-investment grade and may be subject to a greater risk of default than are investment-grade loans, reducing the potential for income and potentially leading to impairment of the collateral provided by the borrower. Bank loans pay interest at rates that are periodically reset based on changes in interest rates and may be subject to increased prepayment and liquidity risks.

## Capitalization

Concentrating assets in stocks of one or more capitalizations (small, mid, or large) may be subject to both the specific risks of those capitalizations as well as increased volatility because stocks of specific capitalizations tend to go through cycles of beating or lagging the market as a whole.

## Cash Drag

The portfolio may fail to meet its investment objective because of positions in cash and equivalents.

## Cash Transaction

Redemptions of exchange-traded fund shares for cash, rather than in-kind securities, may require the portfolio to sell securities. This may increase shareholder tax liability, potentially through capital gain distributions.

## China Region

Investing in the China region, including Hong Kong, the People's Republic of China, and Taiwan, may be subject to greater volatility because of the social, regulatory, and political risks of that region, as well as the Chinese government's significant level of control over China's economy and currency. A disruption of relations between China and its neighbors or trading partners could severely

impact China's export-based economy.

## Closed-End Fund

Investments in closed-end funds ("CEF") generally reflect the risks of owning the underlying securities, although they may be subject to greater liquidity risk and higher costs than owning the underlying securities directly because of their management fees. Shares of CEFs are subject to market trading risk, potentially trading at a premium or discount to net asset value.

## Commodity

Investments in commodity-related instruments are subject to the risk that the performance of the overall commodities market declines and that weather, disease, political, tax, and other regulatory developments adversely impact the value of commodities, which may result in a loss of principal and interest. Commodity-linked investments face increased price volatility and liquidity, credit, and issuer risks compared with their underlying measures.

## Compounding

Because the investment is managed to replicate a multiple or inverse multiple of an index over a single day (or similar short-term period), returns for periods longer than one day will generally reflect performance that is greater or less than the target in the objective because of compounding. The effect of compounding increases during times of higher index volatility, causing long-term results to further deviate from the target objective.

## Conflict of Interest

A conflict of interest may arise if the advisor makes an investment in certain underlying funds based on the fact that those funds are also managed by the advisor or an affiliate or because certain underlying funds may pay higher fees to the advisor than others. In addition, an advisor's participation in the primary or secondary market for loans may be deemed a conflict of interest and limit the ability of the investment to acquire those assets.

## Convertible Securities

Investments in convertible securities may be subject to increased interest-rate risks, rising in value as interest rates decline and falling in value when interest rates rise, in addition to their market value depending on the performance of the common stock of the issuer. Convertible securities, which are typically unrated or rated lower than other debt obligations, are secondary to debt obligations in order of priority during a liquidation in the event the issuer defaults.

## Country or Region

Investments in securities from a particular country or region may be subject to the risk of adverse social, political, regulatory, or economic events occurring in that country or region. Country- or region-specific risks also include the risk that adverse securities markets or exchange rates may impact the value of securities from those areas.

## Credit and Counterparty

The issuer or guarantor of a fixed-income security, counterparty to an over-the-counter derivatives contract, or other borrower may not be able to make timely principal,

interest, or settlement payments on an obligation. In this event, the issuer of a fixed-income security may have its credit Rating downgraded or defaulted, which may reduce the potential for income and value of the portfolio.

## Credit Default Swaps

Credit default swaps insure the buyer in the event of a default of a fixed-income security. The seller of a credit default swap receives premiums and is obligated to repay the buyer in the event of a default of the underlying creditor. Investments in credit default swaps may be subject to increased counterparty, credit, and liquidity risks.

## Currency

Investments in securities traded in foreign currencies or more directly in foreign currencies are subject to the risk that the foreign currency will decline in value relative to the U.S. dollar, which may reduce the value of the portfolio. Investments in currency hedging positions are subject to the risk that the value of the U.S. dollar will decline relative to the currency being hedged, which may result in a loss of money on the investment as well as the position designed to act as a hedge. Cross-currency hedging strategies and active currency positions may increase currency risk because actual currency exposure may be substantially different from that suggested by the portfolio's holdings.

## Custody

Foreign custodial and other foreign financial services are generally more expensive than they are in the United States and may have limited regulatory oversight. The investment may have trouble clearing and settling trades in less-developed markets, and the laws of some countries may limit the investment's ability to recover its assets in the event the bank, depository, or agent holding those assets goes into bankruptcy.

## Depository Receipts

Investments in depository receipts generally reflect the risks of the securities they represent, although they may be subject to increased liquidity risk and higher expenses and may not pass through voting and other shareholder rights. Depository receipts cannot be directly exchanged for the securities they represent and may trade at either a discount or premium to those securities.

## Derivatives

Investments in derivatives may be subject to the risk that the advisor does not correctly predict the movement of the underlying security, interest rate, market index, or other financial asset, or that the value of the derivative does not correlate perfectly with either the overall market or the underlying asset from which the derivative's value is derived. Because derivatives usually involve a small investment relative to the magnitude of liquidity and other risks assumed, the resulting gain or loss from the transaction will be disproportionately magnified. These investments may result in a loss if the counterparty to the transaction does not perform as promised.

## Distressed Investments

Investments in distressed or defaulted investments, which may include loans, loan participations, bonds, notes, and

# Principal Risk Definitions

issuers undergoing bankruptcy organization, are often not publicly traded and face increased price volatility and liquidity risk. These securities are subject to the risk that the advisor does not correctly estimate their future value, which may result in a loss of part or all of the investment.

## Dollar Rolls

Dollar rolls transactions may be subject to the risk that the market value of securities sold to the counterparty declines below the repurchase price, the counterparty defaults on its obligations, or the portfolio turnover rate increases because of these transactions. In addition, any investments purchased with the proceeds of a security sold in a dollar rolls transaction may lose value.

## Early Close/Late Close/Trading Halt

The investment may be unable to rebalance its portfolio or accurately price its holdings if an exchange or market closes early, closes late, or issues trading halts on specific securities or restricts the ability to buy or sell certain securities or financial instruments. Any of these scenarios may cause the investment to incur substantial trading losses.

## Emerging Markets

Investments in emerging- and frontier-markets securities may be subject to greater market, credit, currency, liquidity, legal, political, and other risks compared with assets invested in developed foreign countries.

## Equity Securities

The value of equity securities, which include common, preferred, and convertible preferred stocks, will fluctuate based on changes in their issuers' financial conditions, as well as overall market and economic conditions, and can decline in the event of deteriorating issuer, market, or economic conditions.

## ETF

Investments in exchange-traded funds ("ETF") generally reflect the risks of owning the underlying securities they are designed to track, although they may be subject to greater liquidity risk and higher costs than owning the underlying securities directly because of their management fees. Shares of ETFs are subject to market trading risk, potentially trading at a premium or discount to net asset value.

## ETN

Investments in exchange-traded notes ("ETN") may be subject to the risk that their value is reduced because of poor performance of the underlying index or a downgrade in the issuer's credit rating, potentially resulting in default. The value of these securities may also be impacted by time to maturity, level of supply and demand, and volatility and lack of liquidity in underlying markets, among other factors. The portfolio bears its proportionate share of fees and expenses associated with investment in ETNs, and its decision to sell these holdings may be limited by the availability of a secondary market.

## Event-Driven Investment/Arbitrage Strategies

Arbitrage strategies involve investment in multiple securities with the expectation that their prices will converge at an

expected value. These strategies face the risk that the advisor's price predictions will not perform as expected. Investing in event-driven or merger arbitrage strategies may not be successful if the merger, restructuring, tender offer, or other major corporate event proposed or pending at the time of investment is not completed on the terms contemplated.

## Extension

The issuer of a security may repay principal more slowly than expected because of rising interest rates. In this event, short- and medium-duration securities are effectively converted into longer-duration securities, increasing their sensitivity to interest-rate changes and causing their prices to decline.

## Financials Sector

Concentrating assets in the financials sector may disproportionately subject the portfolio to the risks of that industry, including loss of value because of economic recession, availability of credit, volatile interest rates, government regulation, and other factors.

## Fixed-Income Securities

The value of fixed-income or debt securities may be susceptible to general movements in the bond market and are subject to interest-rate and credit risk.

## Foreign Securities

Investments in foreign securities may be subject to increased volatility as the value of these securities can change more rapidly and extremely than can the value of U.S. securities. Foreign securities are subject to increased issuer risk because foreign issuers may not experience the same degree of regulation as U.S. issuers do and are held to different reporting, accounting, and auditing standards. In addition, foreign securities are subject to increased costs because there are generally higher commission rates on transactions, transfer taxes, higher custodial costs, and the potential for foreign tax charges on dividend and interest payments. Many foreign markets are relatively small, and securities issued in less-developed countries face the risks of nationalization, expropriation or confiscatory taxation, and adverse changes in investment or exchange control regulations, including suspension of the ability to transfer currency from a country. Economic, political, social, or diplomatic developments can also negatively impact performance.

## Forwards

Investments in forwards may increase volatility and be subject to additional market, active management, currency, and counterparty risks as well as liquidity risk if the contract cannot be closed when desired. Forwards purchased on a when-issued or delayed-delivery basis may be subject to risk of loss if they decline in value prior to delivery, or if the counterparty defaults on its obligation.

## Futures

Investments in futures contracts and options on futures contracts may increase volatility and be subject to additional market, active management, interest, currency, and other risks if the contract cannot be closed when desired.

## Growth Investing

Growth securities may be subject to increased volatility as the value of these securities is highly sensitive to market fluctuations and future earnings expectations. These securities typically trade at higher multiples of current earnings than do other securities and may lose value if it appears their earnings expectations may not be met.

## Hedging Strategies

The advisor's use of hedging strategies to reduce risk may limit the opportunity for gains compared with unhedged investments, and there is no guarantee that hedges will actually reduce risk.

## High Portfolio Turnover

Active trading may create high portfolio turnover, or a turnover of 100% or more, resulting in increased transaction costs. These higher costs may have an adverse impact on performance and generate short-term capital gains, creating potential tax liability even if an investor does not sell any shares during the year.

## High-Yield Securities

Investments in below-investment-grade debt securities and unrated securities of similar credit quality, commonly known as "junk bonds" or "high-yield securities," may be subject to increased interest, credit, and liquidity risks.

## Income

The investment's income payments may decline depending on fluctuations in interest rates and the dividend payments of its underlying securities. In this event, some investments may attempt to pay the same dividend amount by returning capital.

## Increase in Expenses

The actual cost of investing may be higher than the expenses listed in the expense table for a variety of reasons, including termination of a voluntary fee waiver or losing portfolio fee breakpoints if average net assets decrease. The risk of expenses increasing because of a decrease in average net assets is heightened when markets are volatile.

## Index Correlation/Tracking Error

A portfolio that tracks an index is subject to the risk that certain factors may cause the portfolio to track its target index less closely, including if the advisor selects securities that are not fully representative of the index. The portfolio will generally reflect the performance of its target index even if the index does not perform well, and it may underperform the index after factoring in fees, expenses, transaction costs, and the size and timing of shareholder purchases and redemptions.

## Industry and Sector Investing

Concentrating assets in a particular industry, sector of the economy, or markets may increase volatility because the investment will be more susceptible to the impact of market, economic, regulatory, and other factors affecting that industry or sector compared with a more broadly diversified asset allocation.

# Principal Risk Definitions

## Inflation/Deflation

A change of asset value may occur because of inflation or deflation, causing the portfolio to underperform. Inflation may cause the present value of future payments to decrease, causing a decline in the future value of assets or income. Deflation causes prices to decline throughout the economy over time, impacting issuers' creditworthiness and increasing their risk for default, which may reduce the value of the portfolio.

## Inflation-Protected Securities

Unlike other fixed-income securities, the values of inflation-protected securities are not significantly impacted by inflation expectations because their interest rates are adjusted for inflation. Generally, the value of inflation-protected securities will fall when real interest rates rise and rise when real interest rates fall.

## Interest Rate

Most securities are subject to the risk that changes in interest rates will reduce their market value.

## Intraday Price Performance

The investment is rebalanced according to the investment objective at the end of the trading day, and its reported performance will reflect the closing net asset value. A purchase at the intraday price may generate performance that is greater or less than reported performance.

## Inverse Floaters

Investments in inverse floaters may be subject to increased price volatility compared with fixed-rate bonds that have similar credit quality, redemption provisions, and maturity. The performance of inverse floaters tends to lag fixed-rate bonds in rising long-term interest-rate environments and exceed them in falling or stable long-term interest-rate environments.

## Investment-Grade Securities

Investments in investment-grade debt securities that are not rated in the highest rating categories may lack the capacity to pay principal and interest compared with higher-rated securities and may be subject to increased credit risk.

## IPO

Investing in initial public offerings ("IPO") may increase volatility and have a magnified impact on performance. IPO shares may be sold shortly after purchase, which can increase portfolio turnover and expenses, including commissions and transaction costs. Additionally, IPO shares are subject to increased market, liquidity, and issuer risks.

## Issuer

A stake in any individual security is subject to the risk that the issuer of that security performs poorly, resulting in a decline in the security's value. Issuer-related declines may be caused by poor management decisions, competitive pressures, technological breakthroughs, reliance on suppliers, labor problems or shortages, corporate restructurings, fraudulent disclosures, or other factors. Additionally, certain issuers may be more sensitive to adverse issuer, political, regulatory, market, or economic developments.

## Large Cap

Concentrating assets in large-capitalization stocks may subject the portfolio to the risk that those stocks underperform other capitalizations or the market as a whole. Large-cap companies may be unable to respond as quickly as small- and mid-cap companies can to new competitive pressures and may lack the growth potential of those securities. Historically, large-cap companies do not recover as quickly as smaller companies do from market declines.

## Lending

Investing in loans creates risk for the borrower, lender, and any other participants. A borrower may fail to make payments of principal, interest, and other amounts in connection with loans of cash or securities or fail to return a borrowed security in a timely manner, which may lead to impairment of the collateral provided by the borrower. Investments in loan participations may be subject to increased credit, pricing, and liquidity risks, with these risks intensified for below investment-grade loans.

## Leverage

Leverage transactions may increase volatility and result in a significant loss of value if a transaction fails. Because leverage usually involves investment exposure that exceeds the initial investment, the resulting gain or loss from a relatively small change in an underlying indicator will be disproportionately magnified.

## Long-Term Outlook and Projections

The investment is intended to be held for a substantial period of time, and investors should tolerate fluctuations in their investment's value.

## Loss of Money

Because the investment's market value may fluctuate up and down, an investor may lose money, including part of the principal, when he or she buys or sells the investment.

## Management

Performance is subject to the risk that the advisor's asset allocation and investment strategies do not perform as expected, which may cause the portfolio to underperform its benchmark, other investments with similar objectives, or the market in general. The investment is subject to the risk of loss of income and capital invested, and the advisor does not guarantee its value, performance, or any particular rate of return.

## Market Trading

Because shares of the investment are traded on the secondary market, investors are subject to the risks that shares may trade at a premium or discount to net asset value. There is no guarantee that an active trading market for these shares will be maintained.

## Market/Market Volatility

The market value of the portfolio's securities may fall rapidly or unpredictably because of changing economic, political, or market conditions, which may reduce the value of the portfolio.

## Master/Feeder

The portfolio is subject to unique risks related to the master/feeder structure. Feeder funds bear their proportionate share of fees and expenses associated with investment in the master fund. The performance of a feeder fund can be impacted by the actions of other feeder funds, including if a larger feeder fund maintains voting control over the operations of the master fund or if large-scale redemptions by another feeder fund increase the proportionate share of costs of the master fund for the remaining feeder funds.

## Maturity/Duration

Securities with longer maturities or durations typically have higher yields but may be subject to increased interest-rate risk and price volatility compared with securities with shorter maturities, which have lower yields but greater price stability.

## Mid-Cap

Concentrating assets in mid-capitalization stocks may subject the portfolio to the risk that those stocks underperform other capitalizations or the market as a whole. Mid-cap companies may be subject to increased liquidity risk compared with large-cap companies and may experience greater price volatility than do those securities because of more-limited product lines or financial resources, among other factors.

## MLP

Investments in master limited partnerships ("MLP") may be subject to the risk that their value is reduced because of poor performance of the underlying assets or if they are not treated as partnerships for federal income tax purposes. Investors in MLPs have more-limited control and voting rights on matters affecting the partnership compared with shareholders of common stock.

## Money Market

The risks pertaining to money market funds, those in compliance with Rule 2a-7 under the Investment Company Act of 1940, vary depending on the fund's operations as reported in SEC Form N-MFP. Institutional money market funds are considered those that are required to transact at a floating net asset value. These funds can experience capital gains and losses in normal conditions just like other mutual funds. Additionally, most institutional, government, and retail money market funds may impose a fee upon the sale of your shares, or may suspend your ability to sell shares if the fund's liquidity falls below required minimums, because of market conditions or other factors. While retail and government funds electing to maintain liquidity through suspending redemptions or imposing fees attempt to preserve the value of shares at \$1.00, the funds cannot guarantee they will do so. Some government money market funds have not elected to permit liquidity fees or suspend redemptions. Although these funds also seek to preserve the value of investments at \$1.00 per share, they cannot guarantee they will do so. An investment in any money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency and can result in a loss of money. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the

# Principal Risk Definitions

fund at any time.

## Money Market Fund Ownership

An investment in a money market fund is not a deposit in a bank and is not guaranteed by the FDIC, any other governmental agency, or the advisor itself. Money market funds report investment characteristics in SEC Form N-MFP. Institutional money market funds have a net asset value that may fluctuate on a day-to-day basis in ordinary conditions. All are subject to the risk that they may not be able to maintain a stable NAV of \$1.00 per share. Money market funds may opt to maintain liquidity through imposing fees on certain redemptions or a suspension of redemptions because of market conditions. Only exempt government money market funds are permitted to opt out of incorporating these liquidity maintenance measures to support the stable share price of \$1.00.

## Mortgage-Backed and Asset-Backed Securities

Investments in mortgage-backed ("MBS") and asset-backed securities ("ABS") may be subject to increased price volatility because of changes in interest rates, issuer information availability, credit quality of the underlying assets, market perception of the issuer, availability of credit enhancement, and prepayment of principal. The value of ABS and MBS may be adversely affected if the underlying borrower fails to pay the loan included in the security.

## Multimanager

Managers' individual investing styles may not complement each other. This can result in both higher portfolio turnover and enhanced or reduced concentration in a particular region, country, industry, or investing style compared with an investment with a single manager.

## Municipal Obligations, Leases, and AMT-Subject Bonds

Investments in municipal obligations, leases, and private activity bonds subject to the alternative minimum tax have varying levels of public and private support. The principal and interest payments of general-obligation municipal bonds are secured by the issuer's full faith and credit and supported by limited or unlimited taxing power. The principal and interest payments of revenue bonds are tied to the revenues of specific projects or other entities. Federal income tax laws may limit the types and volume of bonds qualifying for tax exemption of interest and make any further purchases of tax-exempt securities taxable.

## Municipal Project-Specific

Investments in municipal bonds that finance similar types of projects, including those related to education, health care, housing, transportation, utilities, and industry, may be subject to a greater extent than general obligation municipal bonds to the risks of adverse economic, business, or political developments.

## New Fund

Investments with a limited history of operations may be subject to the risk that they do not grow to an economically viable size in order to continue operations.

## Nondiversification

A nondiversified investment, as defined under the Investment Act of 1940, may have an increased potential for loss because its portfolio includes a relatively small number of investments. Movements in the prices of the individual assets may have a magnified effect on a nondiversified portfolio. Any sale of the investment's large positions could adversely affect stock prices if those positions represent a significant part of a company's outstanding stock.

## Not FDIC Insured

The investment is not a deposit or obligation of, or guaranteed or endorsed by, any bank and is not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other U.S. governmental agency.

## Options

Investments in options may be subject to the risk that the advisor does not correctly predict the movement of an option's underlying stock. Option purchases may result in the loss of part or all of the amount paid for the option plus commission costs. Option sales may result in a forced sale or purchase of a security at a price higher or lower than its current market price.

## OTC

Investments traded and privately negotiated in the over-the-counter ("OTC") market, including securities and derivatives, may be subject to greater price volatility and liquidity risk than transactions made on organized exchanges. Because the OTC market is less regulated, OTC transactions may be subject to increased credit and counterparty risk.

## Passive Management

The investment is not actively managed, and the advisor does not attempt to manage volatility or take defensive positions in declining markets. This passive management strategy may subject the investment to greater losses during general market declines than actively managed investments.

## Portfolio Diversification

Investments that concentrate their assets in a relatively small number of issuers, or in the securities of issuers in a particular market, industry, sector, country, or asset class, may be subject to greater risk of loss than is a more widely diversified investment.

## Preferred Stocks

Investments in preferred stocks may be subject to the risks of deferred distribution payments, involuntary redemptions, subordination to debt instruments, a lack of liquidity compared with common stocks, limited voting rights, and sensitivity to interest-rate changes.

## Prepayment (Call)

The issuer of a debt security may be able to repay principal prior to the security's maturity because of an improvement in its credit quality or falling interest rates. In this event, this principal may have to be reinvested in securities with lower interest rates than the original securities, reducing the potential for income.

## Pricing

Some investments may not have a market observed price; therefore, values for these assets may be determined through a subjective valuation methodology. Fair values determined by a subjective methodology may differ from the actual value realized upon sale. Valuation methodologies may also be used to calculate a daily net asset value.

## Quantitative Investing

Holdings selected by quantitative analysis may perform differently from the market as a whole based on the factors used in the analysis, the weighting of each factor, and how the factors have changed over time.

## Real Estate/REIT Sector

Concentrating assets in the real estate sector or REITs may disproportionately subject the portfolio to the risks of that industry, including loss of value because of changes in real estate values, interest rates, and taxes, as well as changes in zoning, building, environmental, and other laws, among other factors. Investments in REITs may be subject to increased price volatility and liquidity risk, and shareholders indirectly bear their proportionate share of expenses because of their management fees.

## Regulation/Government Intervention

The business of the issuer of an underlying security may be adversely impacted by new regulation or government intervention, impacting the price of the security. Direct government ownership of distressed assets in times of economic instability may subject the portfolio's holdings to increased price volatility and liquidity risk.

## Reinvestment

Payments from debt securities may have to be reinvested in securities with lower interest rates than the original securities.

## Reliance on Trading Partners

Investments in economies that depend heavily on trading with key partners may be subject to the risk that any reduction in this trading may adversely impact these economies.

## Replication Management

The investment does not seek investment returns in excess of the underlying index. Therefore, it will not generally sell a security unless it was removed from the index, even if the security's issuer is in financial trouble.

## Repurchase Agreements

Repurchase agreements may be subject to the risk that the seller of a security defaults and the collateral securing the repurchase agreement has declined and does not equal the value of the repurchase price. In this event, impairment of the collateral may result in additional costs.

## Restricted/Illiquid Securities

Restricted and illiquid securities may fall in price because of an inability to sell the securities when desired. Investing in restricted securities may subject the portfolio to higher costs

# Principal Risk Definitions

and liquidity risk.

## Sampling

Although the portfolio tracks an index, it maintains a smaller number of holdings than does the index. Use of this representative sampling approach may lead the portfolio to track the index less closely.

## Shareholder Activity

Frequent purchases or redemptions by one or multiple investors may harm other shareholders by interfering with the efficient management of the portfolio, increasing brokerage and administrative costs and potentially diluting the value of shares. Additionally, shareholder purchase and redemption activity may have an impact on the per-share net income and realized capital gains distribution amounts, if any, potentially increasing or reducing the tax burden on the shareholders who receive those distributions.

## Short Sale

Selling securities short may be subject to the risk that an advisor does not correctly predict the movement of the security, resulting in a loss if a security must be purchased on the market above its initial borrowing price to return to the lender, in addition to interest paid to the lender for borrowing the security.

## Small Cap

Concentrating assets in small-capitalization stocks may subject the portfolio to the risk that those stocks underperform other capitalizations or the market as a whole. Smaller, less-seasoned companies may be subject to increased liquidity risk compared with mid- and large-cap companies and may experience greater price volatility than do those securities because of limited product lines, management experience, market share, or financial resources, among other factors.

## Socially Conscious

Adhering to social, moral, or environmental criteria may preclude potentially profitable opportunities in sectors or firms that would otherwise be consistent with the investment objective and strategy.

## Sovereign Debt

Investments in debt securities issued or guaranteed by governments or governmental entities are subject to the risk that an entity may delay or refuse to pay interest or principal on its sovereign debt because of cash flow problems, insufficient foreign reserves, or political or other considerations. In this event, there may be no legal process for collecting sovereign debts that a governmental entity has not repaid.

## Structured Products

Investments in structured products may be more volatile, less liquid, and more difficult to price than other assets. These securities bear the risk of the underlying investment as well as counterparty risk. Securitized structured products including collateralized mortgage obligations, collateralized debt obligations, and other securitized products may increase volatility and be subject to increased liquidity and pricing risks

compared with investing directly in the assets securitized within the product. Assets invested in structured products may be subject to full loss of value if the counterparty defaults on its obligation.

## Suitability

Investors are expected to select investments whose investment strategies are consistent with their financial goals and risk tolerance.

## Swaps

Investments in swaps, such as interest-rate swaps, currency swaps and total return swaps, may increase volatility and be subject to increased liquidity, credit, and counterparty risks. Depending on their structure, swaps may increase or decrease the portfolio's exposure to long- or short-term interest rates, foreign currency values, corporate borrowing rates, security prices, index values, inflation rates, credit, or other factors.

## Target Date

Target-date funds, also known as lifecycle funds, shift their asset allocation to become increasingly conservative as the target retirement year approaches, which is the approximate date when an investor plans to start withdrawing the assets from their retirement account. Still, investment in target-date funds may lose value near, at, or after the target retirement date, and there is no guarantee they will provide adequate income at retirement.

## Tax Management

A tax-sensitive investment strategy that uses hedging or other techniques may fail to limit distributions of taxable income and net realized gains and therefore create some tax liability for shareholders.

## Tax Risk

Investors may be liable to pay state and federal taxes on income and capital gains distributions paid out by the investment.

## Tax-Exempt Securities

Tax-exempt securities could be reclassified as taxable by the IRS or a state tax authority, or their income could be reclassified as taxable by a future legislative, administrative, or court action. This may result in increased tax liability as interest from a security becomes taxable, and such reclassifications could be applied retroactively.

## Technology Sector

Concentrating assets in the technology sector may disproportionately subject the portfolio to the risks of that industry, including loss of value because of intense competitive pressures, short product cycles, dependence on intellectual property rights, legislative or regulatory changes, and other factors.

## Temporary Defensive Measures

Temporary defensive positions may be used during adverse economic, market, or other conditions. In this event, up to 100% of assets may be allocated to securities, including cash and cash equivalents that are normally not consistent with

the investment objective.

## U.S. Federal Tax Treatment

Changes in the tax treatment of dividends, derivatives, foreign transactions, and other securities may have an impact on performance and potentially increase shareholder liability. Additionally, this includes the risk that the fund fails to qualify as a regulated investment company, potentially resulting in a significantly higher level of taxation.

## U.S. Government Obligations

Investments in U.S. government obligations are subject to varying levels of government support. In the event of default, some U.S. government securities, including U.S. Treasury obligations and Ginnie Mae securities, are issued and guaranteed as to principal and interest by the full faith and credit of the U.S. government. Other securities are obligations of U.S. government-sponsored entities but are neither issued nor guaranteed by the U.S. government.

## U.S. State or Territory-Specific

Investments in the municipal securities of a particular state or territory may be subject to the risk that changes in the economic conditions of that state or territory will negatively impact performance.

## Underlying Fund/Fund of Funds

A portfolio's risks are closely associated with the risks of the securities and other investments held by the underlying or subsidiary funds, and the ability of the portfolio to meet its investment objective likewise depends on the ability of the underlying funds to meet their objectives. Investment in other funds may subject the portfolio to higher costs than owning the underlying securities directly because of their management fees.

## Unrated Securities

Investments in unrated securities may be subject to increased interest, credit, and liquidity risks if the advisor does not accurately assess the quality of those securities.

## Valuation Time

Net asset value ("NAV") is not calculated on days and times when the U.S. exchange is closed, though foreign security holdings may still be traded. In this event, the net asset value may be significantly impacted when shareholders are not able to buy or sell shares. Conversely, performance may vary from the index if the NAV is calculated on days and times when foreign exchanges are closed.

## Value Investing

Value securities may be subject to the risk that these securities cannot overcome the adverse factors the advisor believes are responsible for their low price or that the market may not recognize their fundamental value as the advisor predicted. Value securities are not expected to experience significant earnings growth and may underperform growth stocks in certain markets.

## Variable-Rate Securities

Investments in variable-rate securities, which periodically adjust the interest-rate paid on the securities, may be subject

# Principal Risk Definitions

to greater liquidity risk than are other fixed-income securities. Because variable-rate securities are subject to less interest-rate risk than other fixed-income securities, their opportunity to provide capital appreciation is comparatively reduced.

## **Warrants**

Investments in warrants may be subject to the risk that the price of the underlying stock does not rise above the exercise price. In this event, the warrant may expire without being exercised and lose all value.

## **Zero-Coupon Bond**

Investments in zero-coupon bonds, which do not pay interest prior to maturity, may be subject to greater price volatility and liquidity risks than are fixed-income securities that pay interest periodically. Still, interest accrued on these securities prior to maturity is reported as income and distributed to shareholders.

# BlackRock Principal Risk Definitions

Any of the principal risks summarized below may adversely affect the Fund's net asset value, performance, and ability to meet its investment objective. An investment in the Fund is not a bank deposit, is not guaranteed by BlackRock, Inc. or any of its affiliates, and is not insured by the Federal Deposit Insurance Corporation or any other agency of the U.S. government.

## Active Strategy Risk

Active strategies could result in underperformance as compared to funds with similar investment objectives and strategies

## Asset Allocation Model Risk

The asset allocation model may not effectively maximize returns or minimize risk, or be appropriate for every investor seeking a particular risk profile. The model developed by BTC could result in underperformance as compared to funds with similar investment objectives and strategies.

## Commodity Futures Risk

Commodity futures markets can be illiquid, and it may not always be possible for the Fund to exit an investment in commodity futures. There may be an imperfect correlation between the price of a futures contract and movements in the price of the underlying index. The potential need to make additional margin payments could require the Fund to liquidate securities at a disadvantageous time. Also, the Fund is subject to the risk of default of a counterparty or guaranteeing agent, and restrictions on trading imposed by futures exchanges.

## Commodity Markets Risk

Commodity markets can be extremely volatile and are especially affected by regulatory developments and developments in other markets.

## Commodity-Related Investment Risk 1

Exposure to the commodity markets may subject the Fund to greater volatility than investments in traditional equity or fixed-income markets. The value of commodity-linked derivative investments, such as commodity futures, may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments.

## Commodity-Related Investment Risk 2

The value of commodity-linked derivative investments may be significantly affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments.

## Convertible Securities Risk

If interest rates rise, the market value of a convertible security usually falls. Convertible securities are subject to the risk that the issuer may not honor its obligation to pay interest or dividends when due, and their market value may change based on changes in the issuer's credit rating or the

market's perception of the issuer's creditworthiness. Because a convertible security derives a portion of its value from the common stock into which it may be converted, a convertible security is also subject to the same types of risk that apply to the underlying common stock.

## Derivatives Risk 1

Investments in derivatives (such as futures contracts, forward contracts, swaps and options) may reduce the Fund's returns and/or increase volatility. Fluctuations in the values of derivatives may not correlate perfectly with the overall securities markets. The other party in the transaction may not fulfill its contractual obligation. The possible lack of a liquid secondary market for derivatives could expose the Fund to losses.

## Derivatives Risk 2

Investments in derivatives (such as futures contracts, forward contracts, swaps and options) may reduce the Fund's returns and/or increase volatility and are subject to the risk that the other party in the transaction will not fulfill its contractual obligation. The possible lack of a liquid secondary market for derivatives could expose the Fund to losses.

## Derivatives Risk 3

Investments in derivatives may reduce the Fund's returns and/or increase volatility. Fluctuations in the values of derivatives may not correlate perfectly with the overall securities markets. The other party in the transaction may not fulfill its contractual obligation. The possible lack of a liquid secondary market for derivatives could expose the Fund to losses.

## Derivatives Risk 4

Investments in derivatives (such as futures contracts, forward contracts, swaps and options) may reduce a Fund's returns and/or increase volatility. The other party in the transaction may not fulfill its contractual obligation. The possible lack of a liquid secondary market for derivatives could expose a Fund to losses.

## Derivatives Risk 5

Investments in derivatives (such as futures contracts, forward contracts, swaps and options) may reduce a Fund's returns and/or increase volatility. Fluctuations in the values of derivatives may not correlate perfectly with the overall securities markets. The other party in the transaction may not fulfill its contractual obligation. The possible lack of a liquid secondary market for derivatives could expose a Fund to losses.

## Emerging Markets Risk 1

Investments in emerging markets are subject to a greater risk of loss than investments in developed markets due to the potential for greater market volatility, lower trading volume, inflation, currency devaluations, limitations on foreign investment, and political and/or economic instability. In addition, settlement, registration and custody may be less reliable as compared to developed markets. Risks traditionally associated with investments in emerging markets, including economic, political, liquidity and currency risks, may be more pronounced with respect to investments in frontier markets.

## Emerging Markets Risk 2

Investments in emerging markets are subject to a greater risk of loss than investments in developed markets due to the potential for greater market volatility, lower trading volume, inflation, currency devaluations, limitations on foreign investment, and political and/or economic instability.

## Emerging Markets Risk 3

Investments in emerging markets are subject to a greater risk of loss than investments in developed markets due to the potential for greater market volatility, lower trading volume, inflation, currency devaluations, limitations on foreign investment, and political and/or economic instability. In addition, settlement, registration and custody may be less reliable as compared to developed markets.

## Equity Investment Risk

The price of an equity security fluctuates based on changes in the issuer's financial condition and overall market and economic conditions. Equity securities are subject to changes in value that may be more volatile than other asset classes.

## Fixed Income for Money Market

An increase in interest rates may cause the value of fixed-income securities held by the Fund to decline, and the Fund may incur a loss if required to sell a fixed-income security prior to its scheduled maturity. The Fund's income may decline when interest rates fall. This decline can occur because the Fund must invest in lower-yielding bonds as bonds in its portfolio mature or the Fund needs to purchase additional bonds. Debt issuers may not honor their obligations.

## Fixed Income Investment Risk 1

An increase in interest rates may cause the value of fixed-income securities held by the Fund to decline. The Fund's income may decline when interest rates fall. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 2

An increase in interest rates may cause the value of fixed-income securities held by the Fund to decline, and the Fund may incur a loss if required to sell a fixed-income security prior to its scheduled maturity. The Fund's income may decline when interest rates fall. This decline can occur because the Fund must invest in lower-yielding bonds as bonds in its portfolio mature or the Fund needs to purchase additional bonds. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 3

An increase in interest rates may cause the value of fixed-income securities held by the Fund to decline, and the Fund may incur a loss if required to sell a fixed-income security prior to its scheduled maturity. The Fund's income may decline when interest rates fall. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.



# BlackRock Principal Risk Definitions

## Fixed Income Investment Risk 4

An increase in interest rates may cause the value of fixed income securities held by the Fund to decline, and the Fund may incur a loss if required to sell a fixed income security prior to its scheduled maturity. The Fund's income may decline when interest rates fall. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 5

The Account is subject to the risk that debt issuers may not honor their obligations. An increase in interest rates may cause the value of fixed income securities held by the Account to decline, and the Account may incur a loss if required to sell a fixed income security prior to its scheduled maturity. The Account's income may decline when interest rates fall. This decline can occur because the Account must invest in lower-yielding bonds as bonds in its portfolio mature or the Account needs to purchase additional bonds.

## Fixed Income Investment Risk 6

An increase in interest rates may cause the value of fixed income securities held by the Fund to decline, and the Fund may incur a loss if required to sell a fixed income security prior to its scheduled maturity. The Fund's income may decline when interest rates fall. This decline can occur because the Fund must invest in lower-yielding bonds as bonds in its portfolio mature or the Fund needs to purchase additional bonds. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 7

An increase in interest rates may cause the value of fixed income securities held by the Fund to decline. The Fund's income may decline when interest rates fall. There is also a risk that debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 8

An increase in interest rates may cause the value of fixed income securities held by a Fund to decline. A Fund's income may decline when interest rates fall. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 9

An increase in interest rates may cause the value of fixed income securities to decline, and the Fund may incur a loss if required to sell a fixed income security prior to its scheduled maturity. The Fund's income may decline when interest rates fall. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 10

An increase in interest rates may cause the value of fixed income securities held by the Fund to decline. The Fund's income may decline when interest rates fall. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 11

An increase in interest rates may cause the value of fixed income securities held by a Fund to decline, and a Fund may incur a loss if required to sell a fixed income security prior to its scheduled maturity. A Fund's income may decline when interest rates fall. This decline can occur because a Fund must invest in lower-yielding bonds as bonds in its portfolio mature or a Fund needs to purchase additional bonds. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile and less liquid than higher-rated securities of similar maturity.

## Fixed Income Investment Risk 12

An increase in interest rates may cause the value of fixed income securities held by the Fund to decline, and the Fund may incur a loss if required to sell a fixed income security prior to its scheduled maturity. The Fund's income may decline when interest rates fall. This decline can occur because the Fund must invest in lower-yielding bonds as bonds in its portfolio mature or the Fund needs to purchase additional bonds. Debt issuers may not honor their obligations. Securities that are rated below investment grade may be more volatile, less liquid and subject to greater levels of credit or default risk than higher-rated securities.

## Foreign Investment Risk 1

The Fund may suffer losses due to political, legal, economic and geographic events affecting a non-U.S. issuer or market. The prices of non-U.S. securities may be more volatile than those of securities issued by U.S. corporations or other U.S. entities. Securities of non-U.S. issuers denominated in non-U.S. currencies will expose the Fund to fluctuations in foreign currency exchange prices.

## Foreign Investment Risk 2

The Fund may suffer losses due to political, legal, economic and geographic events affecting a non-U.S. issuer or market. Securities of non-U.S. issuers denominated in non-U.S. currencies will expose the Fund to fluctuations in foreign currency exchange prices.

## Foreign Investment Risk 3

The Account may suffer losses due to political, legal, economic and geographic events affecting a non-U.S. issuer or market. Foreign government issuers may be unable or unwilling to repay principal or interest when due, and the prices of these securities may be more volatile than those issued by corporations or other governments.

## >Foreign Investment Risk 4

A Fund may suffer losses due to political, legal, economic and geographic events affecting a non-U.S. issuer or market. The prices of non-U.S. securities may be more volatile than those of securities issued by U.S. corporations or other U.S.

entities. Securities of non-U.S. issuers denominated in non-U.S. currencies will expose a Fund to fluctuations in foreign currency exchange prices.

## Foreign Investment Risk 5

The Fund may suffer losses due to political, legal, economic and geographic events affecting a non-U.S. issuer or market. The prices of non-U.S. securities may be more volatile than those of securities issued by U.S. corporations or other U.S. entities. Securities of non-U.S. issuers denominated in non-U.S. currencies will expose the Fund to fluctuations in foreign currency exchange prices. Investments in emerging markets are subject to a greater risk of loss than investments in developed markets.

## Foreign Investment Risk 6

The Fund may suffer losses due to political, legal, economic and geographic events affecting a non-U.S. issuer or market. The prices of non-U.S. securities may be more volatile than those of securities issued by U.S. entities. Securities in non-U.S. issuers denominated in non-U.S. currencies will expose the Fund to fluctuations in foreign currency exchange prices. Investments in emerging markets are subject to a greater risk of loss than investments in developed markets.

## Indexing Risk

The Fund does not seek to outperform its Underlying Index and may hold securities of companies that present risks that a manager researching individual securities might seek to avoid. Errors in index data may occur from time to time and may not be identified and corrected. Imperfect correlation between a Fund's portfolio securities and those in its Underlying Index may result in divergence between Fund and index performance.

## Inflation-Indexed Bond Risk

The value of inflation-indexed bonds is expected to change in response to changes in real interest rates, which are tied to the relationship between nominal interest rates and inflation expectations. Inflation-indexed bonds are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation. If the index measuring inflation falls, the principal value of inflation-indexed bonds will be adjusted downward, and consequently the interest payable on these securities (calculated with respect to a smaller principal amount) will be reduced.

## Inflation-Indexed Bond Risk 2

The value of inflation-indexed bonds is expected to change in response to changes in real interest rates, which are tied to the relationship between nominal interest rates and inflation expectations. If the index measuring inflation falls, the principal value of inflation-indexed bonds will be adjusted downward, and the interest payable on these securities will be reduced.

## Investment Model Risk

The investment model may not effectively maximize returns or minimize risk, or be appropriate for every investor seeking a particular risk profile.

## Leverage Risk 1

# BlackRock Principal Risk Definitions

Some transactions may give rise to a form of leverage. These transactions may include, among others, derivatives, and may expose the Fund to greater risk and increase its costs. The use of leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet any required asset segregation requirements. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage.

## Leverage Risk 2

Some transactions may give rise to a form of leverage, which may expose the Fund to greater risk and increase its costs. The use of leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet any required asset segregation requirements. Fluctuations in the value of the Fund's portfolio will be magnified when the Fund uses leverage.

## Leverage Risk 3

Some transactions may give rise to a form of leverage, and may include derivatives and expose the Fund to greater risk and increased cost. The use of leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet required asset segregation requirements. Fluctuations in the value of the Fund's portfolio will be magnified when the Fund uses leverage.

## Mid-Capitalization Companies Risk

Compared to large-capitalization companies, mid-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid.

## Mortgage- and Asset-Backed Investment Risk 1

Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets, including consumer loans or receivables held in trust. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks. These securities also are subject to risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain mortgage-backed securities.

## Mortgage- and Asset-Backed Investment Risk 2

Mortgage- and asset-backed securities represent interests in "pools" of mortgages or other assets. Mortgage- and asset-backed securities are subject to credit, interest rate, prepayment and extension risks, and risk of default on the underlying mortgage or asset, particularly during periods of economic downturn. Small movements in interest rates may quickly and significantly reduce the value of mortgage-backed securities.

## Non-U.S. Sovereign and Quasi-Sovereign Issuer Risk

Non-U.S. sovereign debt obligations are debt securities issued or guaranteed by a non-U.S. government, and non-U.S. quasi-sovereign debt obligations are debt securities issued or guaranteed by an entity affiliated with or backed

by a non-U.S. government. A non-U.S. sovereign or quasi-sovereign debt issuer may be unable or unwilling to repay principal or pay interest when due, and the Fund may have limited recourse in the event of a default. Changes in the financial condition or credit rating of a non-U.S. government may cause the value of sovereign or quasi-sovereign debt securities, including treasury obligations, issued by that government to decline.

## Real Estate-Related Investment Risk 1

The main risk of real estate related securities is that the value of the underlying real estate may go down. Real estate values can be affected by many factors including both the general and local economies, the amount of new construction in a particular area, the laws and regulations (including zoning and tax laws) affecting real estate, the costs of owning, maintaining and improving real estate, availability of mortgages, and changes in interest rates. If the Fund's real estate related investments are concentrated in one geographic area or in one property type, the Fund will be particularly subject to the risks associated with that area or property type. Investments in REITs involve unique risks. REITs may have limited financial resources, may trade less frequently and in limited volume and may be more volatile than other securities.

## Real Estate-Related Investment Risk 2

Real estate values can be negatively affected by many factors including both the general and local economies, the amount of new construction in a particular area, the laws and regulations affecting real estate, the costs of owning, maintaining and improving real estate, availability of mortgages, and changes in interest rates.

## Repurchase Agreement Risk 1

If the other party to a repurchase agreement defaults on its obligation under the agreement, the Fund may suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security and the market value of the security declines, the Fund may lose money.

## Repurchase Agreement Risk 2

If the other party to a repurchase agreement defaults on its obligation under the agreement, the Account may suffer delays and incur costs or lose money in exercising its rights under the agreement. If the seller fails to repurchase the security and the market value of the security declines, the Account may lose money.

## Securities Lending Risk 1

The Fund may engage in securities lending, which involves borrower credit risk, settlement risk, and cash collateral-related risks, such as the risk that the return on the cash collateral is insufficient to cover the fees the Fund is committed to pay and the risk that cash collateral may be invested in securities or other instruments that suffer losses or become illiquid.

## Securities Lending Risk 2

The Fund and the iShares funds in which the Fund may invest may engage in securities lending, which involves borrower

credit risk, settlement risk, and cash collateral-related risks, such as the risk that the return on the cash collateral is insufficient to cover the fees the Fund or the iShares fund, as applicable, is committed to pay and the risk that cash collateral may be invested in securities or other instruments that suffer losses or become illiquid.

## Securities Lending Risk 3

A Fund may engage in securities lending, which involves borrower credit risk, settlement risk, and cash collateral-related risks, such as the risk that the return on the cash collateral is insufficient to cover the fees a Fund is committed to pay and the risk that cash collateral may be invested in securities or other instruments that suffer losses or become illiquid.

## Short Selling Risk 1

Because making short sales in securities that it does not own exposes the Fund to the risks associated with those securities, such short sales involve speculative exposure risk. The Fund may incur a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the security sold short.

## Short Selling Risk 2

Because making short sales in securities that it does not own exposes a Fund to the risks associated with those securities, such short sales involve speculative exposure risk. A Fund may incur a loss if the price of the security sold short increases between the date of the short sale and the date on which a Fund replaces the security.

## Small-Capitalization Companies Risk

Compared to mid- and large-capitalization companies, small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid.

## Target Date Risk 1

A "target date" fund may incur losses close to or after the fund's target retirement date, and there is no guarantee that the fund will provide adequate income for an investor's retirement.

## Target Date Risk 2

A "target date" account may incur losses close to or after the account's target retirement date, and there is no guarantee that the account will provide adequate income for an investor's retirement.

## U.S. Government Issuers Risk

Obligations of the U.S. government and its agencies and instrumentalities are supported by varying degrees of credit. Debentures issued by U.S. government agencies are generally backed only by the general creditworthiness and reputation of the government agency issuing the debenture and are not backed by the full faith and credit of the U.S. government. U.S. Treasury obligations may differ in their interest rates, maturities, times of issuance and other characteristics.

## Underlying Fund Risk 1

The investment objective and strategies of a collective

# BlackRock Principal Risk Definitions

investment trust in which the Fund invests ("Underlying Fund") may differ from the Fund, and there is no assurance that an Underlying Fund will achieve its objective.

## **Underlying Fund Risk 2**

The investment objective and strategies of an Underlying Fund in which the Fund invests may differ from the Fund, and there is no assurance that an Underlying Fund will achieve its objective.

## **Underlying Fund Risk 3**

The investment objective and strategies of a collective investment trust or iShares fund in which the Fund invests ("Underlying Fund") may differ from the Fund, and there is no assurance that an Underlying Fund will achieve its objective.

## **Underlying Fund Risk 4**

The investment objective and strategies of a Fund may differ from the Account, and there is no assurance that a Fund will achieve its objective.

## **Volatility Risk**

Although the Underlying Index was created by the index provider to seek lower volatility than the Parent Index, there is no guarantee that this strategy will be successful. The Fund's name reflects the name of the Underlying Index as provided by the index provider. However, the index provider may be unsuccessful in creating an index that minimizes volatility, and there is a risk that the Fund may experience more than minimum volatility.