

LQDI

iShares Inflation Hedged Corporate Bond ETF

Fund Description

LQDI tracks an index that holds the iShares iBoxx USD Investment Grade Corporate Bond ETF (LQD), which targets investment-grade corporate bond, while using swaps to hedge inflation risk.

FactSet Analyst Report

LQDI tracks an index that combines a long position in iShares iBoxx USD Investment Grade Corporate Bond ETF (LQD) with an overlay of inflation swaps. By entering these swaps, the fund agrees to give up a portion of the fixed payments it receives from LQDs bond portfolio in exchange for floating payments tied to the inflation rate. Because inflation is already priced into the market for corporate bonds, the fund effectively hedges inflation expectations, rather than the inflation rate itself. Therefore, even if inflation rises, LQDI will underperform if the rise is less than expected. The fund will outperform (before costs) when inflation exceeds expectations. LQDI should appeal to investors who want the inflation protection of TIPS with the higher risk and return of corporate bonds. Prior to Dec. 1, 2021, the fund was actively managed, holding the ETF LQD and using the same strategy of hedging inflation risk.