Investment Directions

BlackRock

2026: Exposures for today's markets

A disconnect has emerged over the past year between sentiment and positioning. AI concerns, macro volatility and geopolitical risk have dominated newsflow, with our client surveys showing a steady decrease in self-reported bullishness over 2025.[1] Yet at the same time, global ETPs gathered a record $2.3T of inflows[2] – see charts on p.2 – and equities hit successive all-time highs.

Investors, in other words, have felt more cautious *even as they add to risk*. Our quarterly analysis of hundreds of moderate-risk, multi-asset EMEA portfolios, using Morningstar and Aladdin data, shows the average portfolio remained broadly risk-on last year, with incremental shifts into alternatives and commodities reflecting a desire for diversification rather than derisking.[3]

This pattern of cautious risk-taking resonates with our outlook. We see merit in selectively adding to risk in 2026, while balancing portfolios with diversified income sources and a broader resilience toolkit. Over the following pages, we highlight opportunities across asset classes and strategies for the year ahead, connected by an overarching view on positioning portfolios for today's markets.

Theme 1

Growth: in, around and beyond AI

We still believe in the AI-buildout theme that drove markets in 2025, but in 2026, we're focused on a broader opportunity set – in, around, and beyond AI – to support more resilient risk-taking.

Theme 2

Income: leaning into flexibility

Amid tight spreads, uncertain policy paths and volatile rates, income has become the primary return driver in fixed income – and a portfolio goal for many investors. We tap into a broader range of quality, diversifiable income sources underpinned by strong fundamentals.

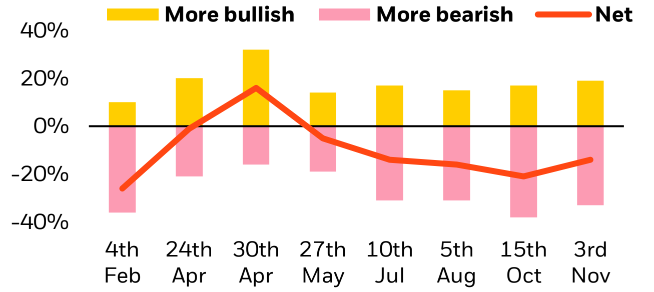
Theme 3

Resilience: diversifying diversifiers

As policy, inflation, geopolitical and market risks persist, we look to improve portfolio efficiency in 2026 by focusing on diversification alongside growth and income – but we look beyond traditional diversifiers in this environment.

Clients reported waning bullishness over 2025

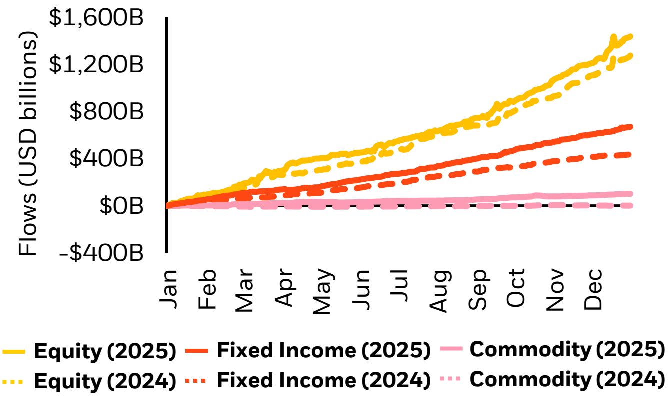
Responses to the question, *How would you describe your current risk stance?*



Source: BlackRock, December 2025. Based on responses collected at 8 client webinars from April to December 2025. Note: question on 30 April phrased as static ('How would you describe your current risk stance?'). All others are relative, based on a start-of-year/quarter reference point.

…Yet allocation continued at record pace

Cumulative flows into equity, fixed income and commodity ETPs globally, 2024 & 2025



Source: BlackRock and Markit, as of 31 December 2025.

Theme 1

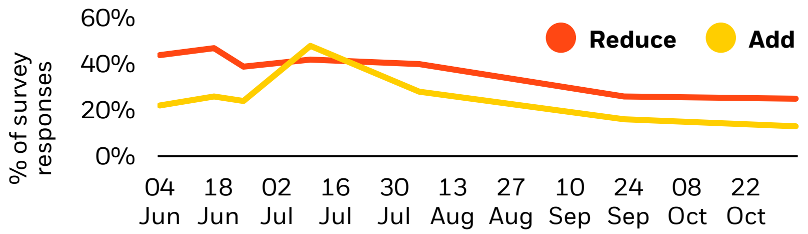
Growth: in, around and beyond AI

We still believe in the AI-buildout theme that drove markets in 2025, but in 2026, we're broadening beyond mega-cap tech for more resilient risk-taking.

The US remains the main anchor of global equity risk and engine of portfolio returns – delivering c.18% in 2025 – driven by mega caps and the AI theme.[4] Yet amid elevated volatility and valuations, investors last year were split on whether to add or reduce US equity exposure – see chart.[5] The average EMEA portfolio's equity sleeve remains structurally underweight US (-18% versus MSCI ACWI) and, as a result, underweight the AI mega force (-17% vs. ACWI).[6]

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Plans to reduce/add US equity exposure over next three mos.



Source: BlackRock, November 2025. Based on responses collected at 11 client webinars from June to November 2025.

At the start of 2026, we see US earnings broadening and a clear rotation in AI leadership towards a wider set of beneficiaries. The question is no longer simply *how much* US equity exposure investors should hold, but how to express that exposure in a way that captures AI-linked opportunity while mitigating concentration risk.

Our framework favours selectivity in, around and beyond AI:

- **In AI**, we lean into high-conviction alpha-seeking strategies for targeted exposure to AI innovation to help navigate a rapidly-evolving theme.
- **Around AI**, we broaden participation across the wider ecosystem via AI enablers and diversifiers, from emerging tech and sustainable energy to differentiated equity approaches and private market access.
- **Beyond AI**, we identify complementary areas of global equities that can offset the dominance of AI champions and support more balanced risk.

Today's US market is historically concentrated – but the earnings outlook isn't. With the rest of the S&P 500 expected to catch up to the Magnificent 7 in EPS growth through 2026,[7] it's increasingly important to risk-manage mega cap and AI exposure while also capturing differentiated upside opportunities.

Ibrahim Kanan
Head of Core US Equity, Fundamental Equities

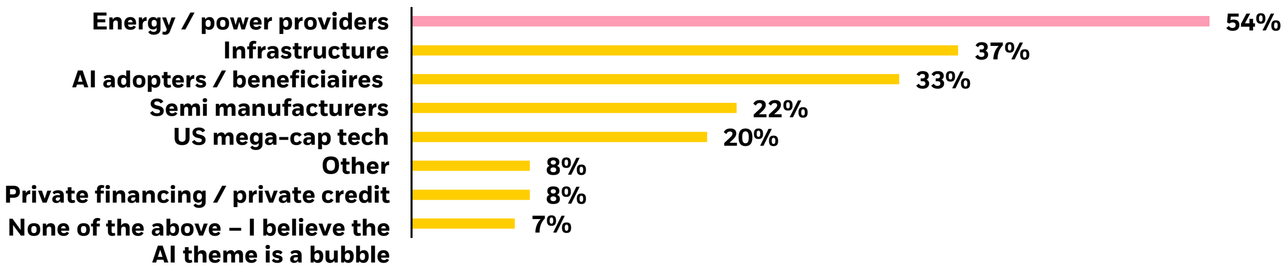
Investing in AI

Over 2025, we saw dispersion rise under the surface among hyperscalers, while the cost and financing side of AI started to bite for some platforms. Leadership rotated from a narrow band of hardware-centric winners to a wider set of AI beneficiaries.

- AI rotations are particularly difficult to time. AI is a structural theme layered on cyclical macro drivers – meaning traditional rotation signals often lag, and macro and policy levers can amplify moves. In its 2026 Global Outlook, the BlackRock Investment Institute argues that the AI theme will increasingly become an active investment story of identifying new winners as AI revenues spread across the economy.
- We favour active strategies that incorporate AI into investment processes to navigate leadership shifts and allocate dynamically across the AI stack, rather than chasing narrow winners. The structural underweight to AI in EMEA portfolios[8] reinforces the case for standalone AI exposure, we think.

Investors are seeking to diversify in and around AI

Where do you currently see the most compelling opportunities to increase exposure to the AI theme?



Source: Results based on 732 EMEA survey submissions (26/11/25). Multi select question – figures don't sum to 100%.

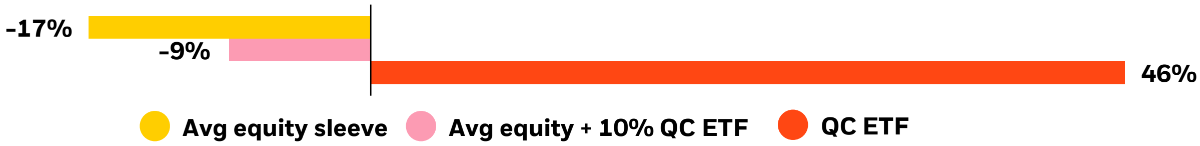
Investing around AI

As investors look to build exposure to the AI theme, interest is broadening from core AI technology to the wider ecosystems underpinning it. In our recent survey, clients highlighted energy and power providers as the most compelling opportunity, amid accelerating AI-driven power demand.[9]

- AI is highly energy-intensive, making the global AI race also an energy race. With data centre demand set to surge in coming years, traditional sources alone can't meet rising power needs – strengthening the case for scalable **sustainable energy** solutions. We think the sector is well placed to benefit from structural demand, policy clarity and easier financial conditions. After a sustained lag, more balanced valuations, better earnings visibility and capital flows create scope for selective re-rating. We favour active strategies that can pivot materially across sub-stacks as the theme evolves.
- We also see opportunity in the emerging **quantum computing** theme, which could sharply improve energy efficiency for AI scaling – using kilowatts where current systems require megawatts. The industry is attracting strong investment and is forecast to reach $72B in revenue by 2035.[10] Our analysis shows that a modest allocation to quantum computing materially lifts AI mega force exposure versus the average EMEA portfolio and MSCI ACWI.[11]

Adding index exposure to quantum computing can help unwind the AI gap in EMEA portfolios

Quantum computing ETF (QC ETF): active AI and digital disruption exposure vs. MSCI ACWI



Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 18 October 2025. Portfolio average risk based on 179 EMEA moderate multi-asset portfolios reviewed in each quarter of 2025. The average equity sleeve represents the average of surveyed portfolios.

Beyond AI enablers, we look to broaden exposure geographically, tapping into AI winners and beneficiaries outside the US.

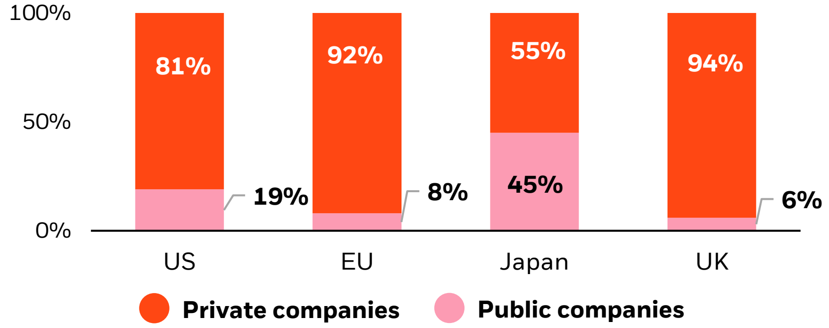
- **China's** differentiated AI strategy – focused on efficient, lower-cost models and long-term talent – continues to attract capital. China tech ETPs gathered $16.4B in 2025, including $7.8B from international investors[12] – suggesting appetite for regional tech diversification, as policy support and clarity revive sentiment despite macro and trade headwinds.

Finally, we aim to build **private market** exposure to access the broader AI theme and identify emerging winners early – with many still outside public markets.

- As companies stay private for longer, investors are turning to private assets to capture structural shifts earlier in the value chain. Deal activity is recovering as lower rates improve financing conditions. Yet private markets appear in just 11% of the EMEA multi-asset portfolios we review, with average holdings at just 4% – well below the 10% in BlackRock's iSAA.[13] We see participation rising as blending private and public markets becomes more important for long-term returns, resilience and portfolio efficiency.

Private companies dominate in DM

Companies with >$100m revenue



Source: BlackRock, the World Bank World Federation of Exchanges and Federation of European Securities Exchanges databases as of December 2024. Source: Capital IQ, BlackRock as of February 2025.

Investing beyond AI

Opportunities in and around AI are a foundational driver of returns but may bring more portfolio volatility. While some investors are comfortable with this trade off, others may choose to seek opportunities beyond AI, managing concentration risk and identifying different sources of growth.

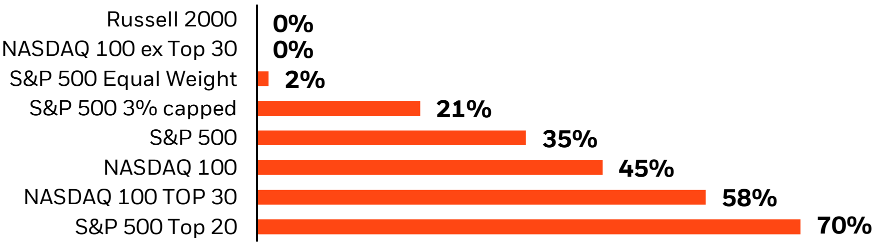
The average EMEA portfolio's equity sleeve is underweight **US equity** and overweight Europe versus MSCI ACWI, but US exposures make up the largest overall allocation, at c.46% (compared to c.37% to Europe).[14]

- The US macro backdrop remains relatively resilient, buoyed by above-trend growth, rising productivity, and easier policy. Yet the US has become a two-speed economy: AI and the rest, with AI-related capex estimated to have contributed c.70% to US GDP growth last year.[15] While the Magnificent 7 have driven US earnings in recent years, market breadth is improving: the other 493 S&P 500 names are expected to deliver 12.4% EPS growth over the next year – up from 4% a year ago and just 2.5% at the start of 2024.[16]
- This broadening reinforces the case for active strategies, which can keep mega cap exposure intentional and risk-aware while generating alpha, as AI disruption drives greater dispersion among mega caps. Stock picking outside of the Magnificent 7 has contributed c.90% of alpha for our Core US equity strategy since inception, with alpha generation in eight out of 11 GICS sectors.[17] For a more diversified alpha engine, we favour blending fundamental and systematic strategies, which exploit different market inefficiencies and are largely uncorrelated.
- Paired with active exposure to AI and US innovation leaders, investors can use an expanding index toolkit to stay high-conviction in key growth themes while managing rising US concentration risk.

- With the Magnificent 7 now 34% of S&P 500 index weight,[18] we look to the full toolkit of capped or custom index exposures (see chart) to help size tech weight with precision and capture the full breadth of US equity opportunity. A 3% capped approach cuts tech exposure by c.10% while lifting financials (+3.0%) and healthcare (+2.2%)[19] for a more balanced foundation.

Finding the sweet spot: managing tech concentration risk

Weighting to Mag7 stocks across US equity indices (%)

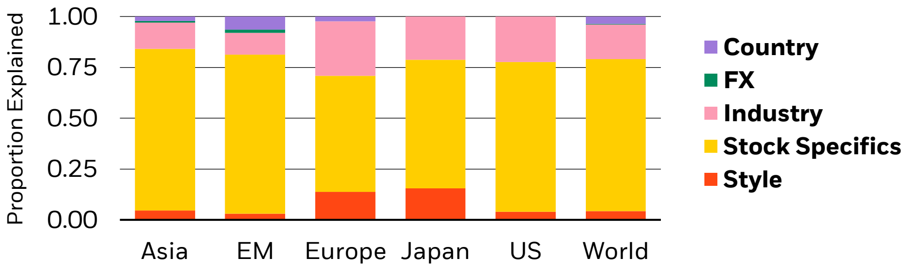


Source: BlackRock, December 2025.

Return contribution data shows that after stock-specific risk, industry factors dominate – but country risk still matters in EM.[20] Investors can outsource selectivity to skilled active managers, or via building precision index exposure to DM sectors and EM single countries.

What's driving dispersion

Cross sectional volatility decomposition, four weeks to 6 January 2026



Source: BlackRock Risk & Quantitative Analysis, as of 6 January 2026.

- **US healthcare** offers diversification benefits, with a 0.3 correlation to US tech and low beta to global growth.[21] Its defensiveness is boosted by inelastic demand and limited exposure to high-tariff countries. The sector posted 6% YoY EPS growth in Q3 and a 12% earnings surprise,[22] suggesting the market may still underestimate its recovery potential. It trades at a 20% discount to the broad index,[23] and positioning remains light following three consecutive years of outflows.[24]

Europe's central role in EMEA portfolios was reinforced by a 2025 resurgence in demand, persisting beyond the H1 rally: European equity ETPs attracted a record $91.1B of inflows last year,[25] partly fuelled by a drive to diversify equity sleeves. Yet equity leadership remains narrow, and momentum uneven – reinforcing the case for selectivity. In DM, we balance high-growth AI-related exposures with high-conviction sectors underpinned by stable earnings – via precision ETFs, or active strategies that tilt towards our preferred sectors.

- **European banks** offer high payout yields and 9.7% YoY Q3 EPS growth (vs. 1% for broader Europe) and trade at a discount (c.11.2x forward P/E versus 17.1x).[26] Our FE team sees stronger capital positions, stable rates near 2% and expanding margins supporting higher ROE and sustained capital returns. European banks offer attractive 4.4% income – more than 2x higher than MSCI World (1.6%) and above broad European equities (3.0%).[27]

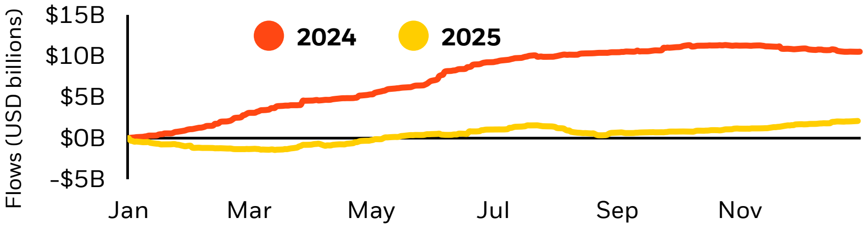
- **European defence** remains a structural growth story, with earnings driven more by fiscal commitments than the economic cycle. While still expensive at 37x forward P/E,[28] we expect real spending growth to validate these levels in 2026 as last year's historic fiscal impulse moves into execution. German implementation lagged in Q4 but is showing signs of acceleration; we see project activity picking up into H1, with broader Europe's spending set to rise. Strong Q1 delivery will be crucial for a sustained recovery.

We look to emerging markets as another tool to manage US equity and AI concentration – including hedging risk via India. EM came into focus last year, with a record $37.1B added to EMEA-listed EM equity ETPs in 2025.[29] Despite the average EM equity allocation rising from 6% in Q2 '25 to 8% in Q3, investors remain underweight at the aggregate and single-country level, with only 1% in China and c.0% in India[30] – yet our client surveys showed a consistent appetite to add to EM equity over 2025.[31]

- **India** remains a complementary opportunity, offering diversification relative to global equities, given MSCI India's lower tech weight (-17% vs. MSCI ACWI) and 0.07 correlation to DM markets.[32] Limited foreign revenue exposure also helps insulate Indian equities from tariff risks. Longer term, rising domestic participation, favourable demographics and productivity gains support the structural case. Yet ETP flows show investors were slow to allocate to India in 2025, despite appetite for EM[33] – we see room for more.
- Given the cyclicality and volatility inherent in EM, we recognise the merits of an active approach, particularly where a flexible toolkit harnesses opportunities on the long and short side. Our FE team notes that the historical peak-to-trough move in EM has been as high as 22% annually.[34] We believe this dispersion creates a meaningful alpha opportunity.

Positioning remains light in India equities

Cumulative global flows into Indian equity ETPs, 2024 & 2025



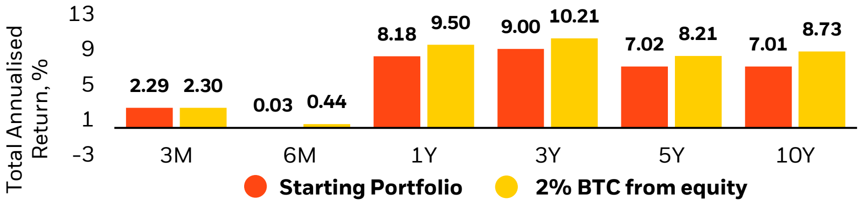
Source: BlackRock and Markit, as of 31 December 2025.

Growth in digital assets

Interest in digital assets remains high, with $25.2B added to Bitcoin (BTC) ETPs in 2025[35] as investors seek additional sources of return and recognise the asset class's growing maturity. Adoption continues to broaden: in a survey of over 350 institutional investors, 86% of European and UK respondents expected their crypto holdings to rise in 2025, and half planned to allocate more than 5% of AUM.[36] Our analysis shows that a 2% allocation to BTC, funded from equities, can enhance portfolio Sharpe ratios without significantly lifting overall volatility, given BTC's differentiated drivers.[37] As adoption and demand deepen, we see scope for continued upside in digital assets within a broader risk-on allocation.

A 2% allocation to Bitcoin, funded from equities, would have resulted in a 31% higher Sharpe ratio over the last 10Y

Total annualised return, starting portfolio (40/50/10 EUR bonds, global stocks, gold) vs. 40/48/10/2 portfolio, adding 2% BTC funded from equities



	Annualised Return, %	Ann. StdDev, %	Sharpe Ratio	Max Drawdown Period	Max Drawdown Return, %
Starting Portfolio	6.47	8.27	0.57	02/20/20 - 03/23/20	-19.37
2% BTC from EQ	8.14	8.4	0.75	02/20/20 - 03/23/20	-19.48

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Source: BlackRock, MPI, Morningstar. Time Period: 03/08/15 – 19/08/25. Data Frequency: daily. Currency: EUR. Rebalance: monthly. All historical fund performance is net. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. This information demonstrates, in part, the firm's Risk/Return analysis. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

Income: leaning into flexibility

In a world of tight spreads, uncertain policy paths and high valuations in growth exposures, many investors are prioritising stable income as a portfolio goal. Income is also the dominant driver of fixed income (FI) returns. We focus on income sources that are high-quality, diversifiable and anchored in robust fundamentals, across **local EM debt (EMD)** and a rich **EUR multi-sector** universe, including **securitised** exposures.

- We look to complement FI exposures with **equity income strategies** for attractive yield and upside participation in multi-asset portfolios.

Fixed income

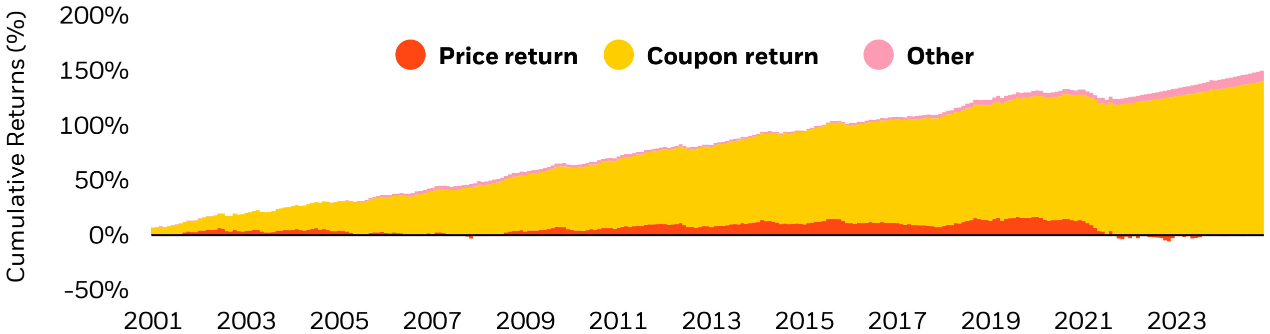
2026 follows a record year for global FI ETP flows ($668B), with the pickup led by rates ($186B) and EMD ($104B).[1] While an uncertain US Federal Reserve (Fed) easing path continues to drive equity and rate repricing, US duration has been reasserting its traditional low correlation with equities – yet we think this relationship is now inherently unreliable, supporting our focus on income in FI. Historically tight credit spreads across EUR and USD investment grade (IG) and high yield (HY)[2] reflect a continued preference for carry and quality.

Income has always been a key driver of returns in fixed income – but that role has grown significantly over the past decade. Importantly, since 2021, price moves have *detracted* from returns, after a decade of positive contribution.

In a yield-seeking world, flexibility matters. IG is already highly owned in EMEA, creating an opportunity to optimise the core and add to 'plus sectors' for improved diversification and risk-adjusted income, as ETF innovation expands access.

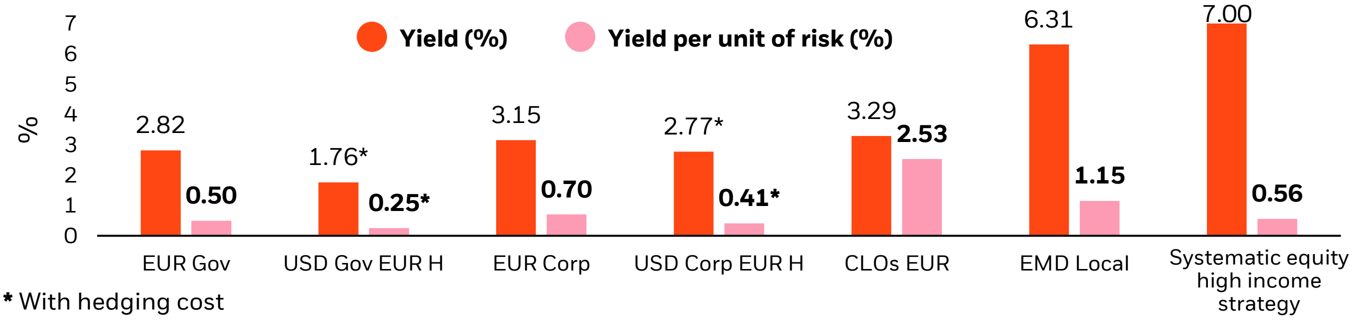
Vasiliki Pachatouridi
Head of iShares Fixed Income Product Strategy EMEA

Income drives returns in fixed income
Decomposition of Total Returns Barclays Multiverse (cumulative, 2000- 2025)



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any BlackRock fund. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. The chart takes the decomposed Total Return data and show the hypothetical cumulative returns of the income and price returns as if they were independent return streams; these return streams are not additive. Source: Barclays Live, as of 31 October 2025. Indices used: Bloomberg Euro-Aggregate Index, Bloomberg Euro-Aggregate: Corporates, Bloomberg Pan-European High Yield Index, Italy Treasury Bond Index.

We focus on assets offering higher yields per unit of risk
Yield and yield per unit of risk (%)



* With hedging cost

There is no guarantee that stress testing will eliminate the risk of investing in this fund or strategy. Source: BlackRock, Aladdin, as of 28 November 2025. Currency: EUR.

Local EMD is one of the few asset classes offering meaningful real yield today, supported by solid fundamentals and improving policy credibility. Yet the average EMEA portfolio's FI sleeve is materially underweight, at 6% versus 17% in the Global Agg – and with just 1% in local currency EMD.[3]

- The Fed's return to easing has improved global conditions, supporting EM local markets as a weaker USD and renewed inflows lift high-carry currencies. Average 3%+ real yields across major EMs[4] help buffer global rates volatility, while widening growth differentials versus DM provide additional support.[5] Technicals are strong: 2025 saw $104B of global EMD ETP inflows, more than 4.3x the previous 2019 record ($24B) – but structural outflows from EMEA-listed EMD since 2018 have yet to unwind.[6]

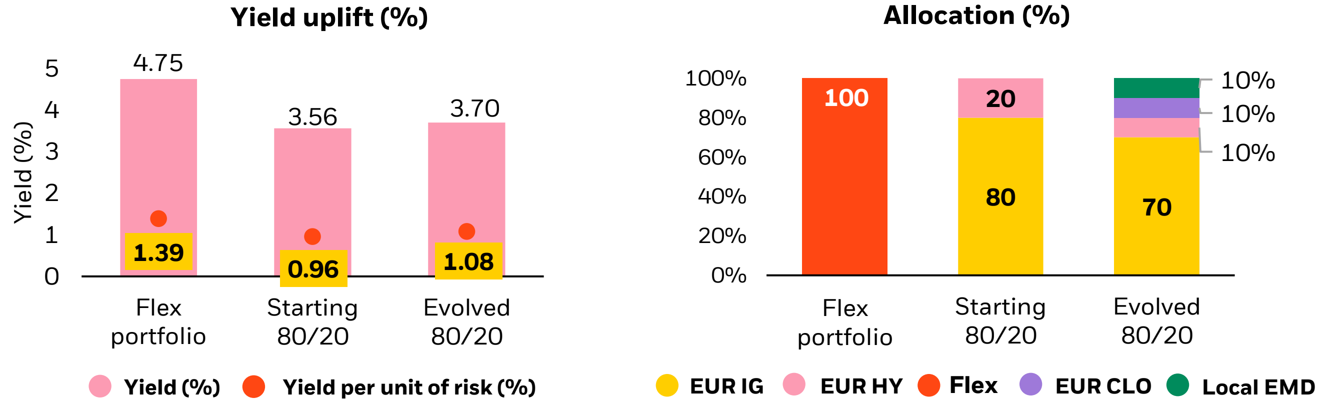
Securitised assets also remain a notable underweight, with the average portfolio holding zero allocation.[7] As traditional yield sources tighten, **EUR AAA CLOs** offer attractive high-quality income with low duration risk. Strong demand – with $15.8B added to AAA CLO ETFs in 2025[8] – highlights a preference for floating-rate instruments combining yield and stability.

IG credit remains a structural overweight in the average EMEA portfolio, with 20% in single-line bonds,[9] limiting efficiency and access. As EUR IG emerges as a 'core' allocation for investors balancing income, stability and diversification, we look to an expanding toolkit, via **systematic IG strategies** for active alpha through security selection, **fixed maturity bonds** for predictability and diversification, or increased allocation to plus sectors:

- Blending AAA CLOs and local EMD into a 'starting portfolio' aligned to the average EMEA credit sleeve can enhance income potential, lifting risk-adjusted yield from 0.96% to 1.08%. Investors can further enhance yields by 'outsourcing' plus-sector management – see chart.[10]
- **Multi-sector, high-quality active credit strategies** can capture durable income streams, offering a path to consistent returns without compromising liquidity or credit quality. We favour higher-quality strategies that can deliver a premium over EUR IG with lower volatility through balanced exposure across corporates, securitised credit, high yield and selective EMD.[11]

Enhancing the core with 'plus sectors'

Yield uplift and allocation, starting portfolio (80/20) vs. evolved portfolio (70/10/10/10) vs. multi-sector flexible active income strategy ('Flex', 100)



There is no guarantee that stress testing will eliminate the risk of investing in this fund or strategy nor that the Profit & Loss movements depicted in the stress testing will replicate in the future. Source: BlackRock, Aladdin, as of 10 December 2025. Currency: EUR.

Global equity markets remain resilient yet uneven, with returns shaped by policy uncertainty, rates volatility and narrow sector leadership. Against this backdrop, multi-asset investors are turning to systematic **equity income strategies** to balance yield, participation and risk control.[12] We favour approaches that target steady income via dividend capture and option premium generation while maintaining disciplined risk management and global diversification. Risk-adjusted yields for high-income equity strategies can be higher than EUR and US rates and US corporates – see p. 7 chart.

Resilience: diversifying diversifiers

As policy, inflation, geopolitical and market risks persist, we look to stabilise portfolio outcomes in 2026 by delving deeper into diversification. We hold strong conviction in growth – in, around and beyond core AI tech – and spread income opportunities. Yet as visibility on 2026 market conditions remains low, some investors are building a more defensive but still risk-on portfolio, seeking upside participation alongside greater diversification to mitigate downside risk. Below, we focus on tools for managing drawdowns, market beta and FX volatility in the year ahead.

Managing drawdowns and diversifying alpha

Stock-bond correlations remain unreliable, but underlying structural shifts mean that there are still opportunities for duration to act as a diversifier – specifically against US growth-related shocks, as our Global Fixed Income team highlights. Yet we believe the current environment requires a broader portfolio resilience toolkit.

Outcome-based buffer strategies are gaining traction as tools to manage drawdowns in a more volatile regime, using options to deliver predefined downside protection and capped upside participation – helping investors stay invested without disrupting overall asset allocation.

- **Deep buffer strategies** can cushion US equity corrections of -5 to -20%. To manage more persistent volatility, **max buffer strategies** offer 100% downside protection over one year, with a lower upside cap. In both cases, buffers allow investors to calibrate protection to the nature of market risk – a valuable capability as volatility increasingly defines portfolio outcomes. Our analysis shows a 15% US max buffer allocation in the equity sleeve can significantly mitigate drawdowns without compromising the Sharpe ratio.[1]

Hedge funds can enhance portfolio resilience by delivering durable alpha, derived from return dispersion and independent of market beta, and providing dynamic downside protection. While allocation rates vary across EMEA portfolios, the average hedge fund sleeve is just c.1.5% – well below the 5% called for in BlackRock's iSAA,[2] suggesting room for more. In our client survey, 41% of respondents reported turning more bullish on hedge funds over last year, while less than 10% decreased conviction.[3] We prefer high-quality, market-neutral strategies that draw on a global opportunity set.

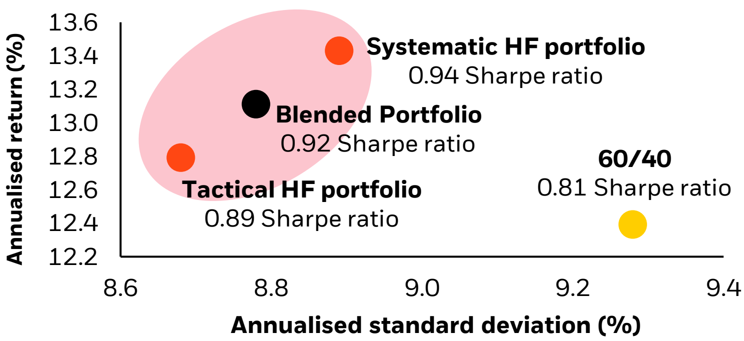
A blended portfolio, adding a hedge fund mix to a traditional 60/40, can improve risk-adjusted returns – achieving a significantly higher Sharpe ratio (see chart) for more resilient long-term outcomes. This highlights hedge funds' performance and efficiency benefits within a portfolio diversification toolkit.

Today's combination of narrow equity leadership, unreliable stock-bond correlations and macro uncertainty elevates the value of portfolio diversifiers. Clients are rethinking portfolios and prioritising allocations to differentiated return sources, particularly long/short alpha strategies.

Tom Becker
Senior Portfolio Manager, Global Tactical Asset Allocation

Blending hedge fund strategies for enhanced efficient returns

Annualised risk vs. standard deviation, 60/40 equity/bond portfolio vs. tactical HF (adding 10% tactical hedge fund), systematic HF (10% systematic hedge fund) and blended (5% tactical, 5% systematic hedge funds) portfolios, December 2022 – December 2025



5Y annualised returns

	2021	2022	2023	2024	2025
60/40	9.0	-17.6	15.2	9.1	16.5
Systematic HF	9.8	-15.9	15.7	11.0	17.0
Tactical HF	9.5	-15.4	14.9	10.4	16.4
Blended Portfolio	9.7	-15.6	15.3	10.7	16.7

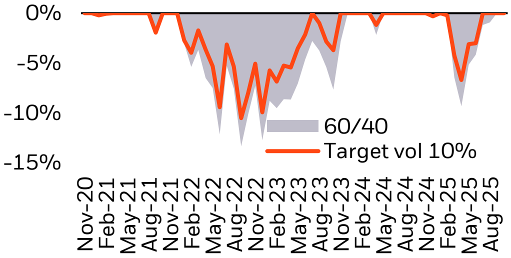
Source: Morningstar, December 2025 for historical performance and risk data, with quarterly rebalancing. Currency: USD. Time period: December 2022 to December 2025, covering timeframe when all funds were launched. Hedge funds funded from the fixed income sleeve.

Gold hit multiple record highs last year, and we see further upside demand in 2026 amid persistent geopolitical risks and strong appetite for effective diversification. Gold remains an attractive diversifier against geopolitical risk, with downside cushioned by persistent central bank buying, which typically occurs in multi-year cycles. Institutional and retail demand also supports gold, as traditional hedges like US duration and the USD prove less reliable. The earnings outlook for gold equities is also constructive: our FE team expects 2026 to see delivery on free cash flow growth, capital discipline and returning capital to shareholders.

Room for more: in a new regime characterised by a higher-risk, lower-return 60/40 portfolio, diversification is key – and gold stands out. Yet allocations remain modest: as of end-Q3 2025, only 16% of surveyed EMEA multi-asset portfolios hold gold, with an average allocation of just 4%, suggesting there's still room for increased exposure.[4]

Allocating to gold improves historical downside protection

Cumulative max drawdowns of a 60/40 portfolio alone vs. 60/31/9 with gold targeting similar risk, over the last 5Y



Asset Class	60/40	10% risk portfolio
Global Equities	60%	60%
Global Agg	40%	31%
Gold		9%

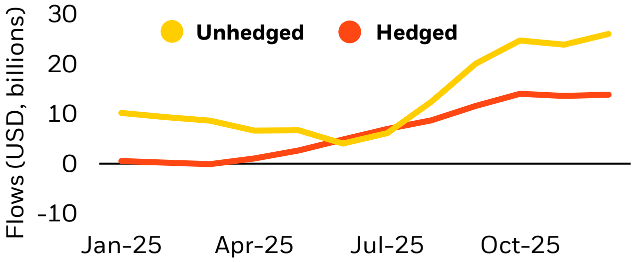
Source: BlackRock Investment Institute, October 2025. Notes: All component numbers are geometric and are subject to rounding. Expected return estimates are subject to uncertainty and error. Expected returns for each asset class can be conditional on economic scenarios; in the event a particular scenario comes to pass, actual returns could be significantly higher or lower than forecasted. Currency: EUR; tenor: 10 years. Global Equities refers to MSCI ACWI Index. Global Aggregate refers to Bloomberg Global Aggregate Index EUR H.

Managing FX volatility for more resilient portfolios

For decades, the USD acted as a hedge in global portfolios, strengthening when volatility rose and offsetting equity risk. In the stressed periods of 2008-12 and 2020-24, we saw DXY-S&P 500 correlations of -0.33 and -0.25, respectively. However, in 2025 – despite elevated volatility – the USD moved *with* risk assets: the DXY-S&P 500 correlation flipped to +0.13,[5] driven by fiscal concerns, inflation uncertainty and geopolitical fragmentation. With the USD no longer a built-in volatility buffer, the implicit hedge in US exposures has weakened. Actively hedging USD risk can help restore lost diversification, reinforcing the case for a proactive approach to currency risk management:

- More deliberate share class selection – such as using **currency-hedged share classes** across ETFs – can help. Hedged exposures accounted for 34.8% of EMEA-listed US equity ETP flows in 2025, rising as high as 46% post the April tariff announcements – a clear shift from 2024, when 98% of flows were unhedged.[6]
- Our Global Tactical Asset Allocation team embeds FX management by actively assessing correlations with asset risk and return. Their short position on the USD heading into 2026 presents a diversification opportunity for an otherwise heavily USD-exposed portfolio.

2025 cumulative flows into EMEA-listed US equity ETPs (hedged and unhedged)



Source: BlackRock Global Business Intelligence and EPFR, as of 31 December 2025.

Notes

Past performance is not a reliable indicator of current or future results. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance.

Growth: in, around and beyond AI

1 Source: BlackRock, December 2025. Based on responses collected at 8 client webinars from April to December 2025. Note: question on 30 April phrased as static ('How would you describe your current risk stance?') All others are relative, based on a start of year/quarter reference point.
2, 12, 24, 25, 29 , 33, 35 Source: BlackRock and Markit, as of 31 December 2025.
3, 6, 8, 13, 14, 30 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 30 September 2025. Portfolio average allocation based on 179 EMEA moderate risk multi-asset portfolios reviewed in each quarter of 2025. BlackRock's Indicative Strategic Asset Allocation (iSAA) is a model portfolio combining BlackRock's long-term Capital Market Assumptions with portfolio construction best practices, serving as a benchmark for strategic allocation analysis.
4 Source: Bloomberg, as of 6 January 2026. Based on the S&P 500 Index. See 5Y annualised performance on p. 11.
5 Source: BlackRock, October 2025. Based on responses collected at 11 client webinars, June to October 2025.
7, 16, 28 Source: Bloomberg, as of 6 January.
9 Source: BlackRock, as of 26 November 2025. Results based on 732 EMEA survey submissions. Note: multi select question – figures don't sum to 100%.
10 Source: Quantum Technology Monitor 2025, McKinsey, as of 18 November 2025.
11 Source: BlackRock Investment and Portfolio Solutions EMEA, as of 18 October 2025, BlackRock Aladdin, Morningstar. Portfolio average risk based on 179 EMEA moderate multi-asset portfolios reviewed in each quarter of 2025. Based on the STOXX Global Quantum Computing Index.
15 Source: Barclays Research, 25 September 2025.
17, 34 Source: BlackRock Fundamental Equities, December 2025.
18 Source: Bloomberg, as of 6 January 2026. Based on the S&P 500 Index.
19 Source: Bloomberg, as of 20 November 2025. Based on the S&P 500 3% Capped Index vs. the S&P 500 Index.
20 Source: BlackRock Risk & Quantitative Analysis, as of 6 January 2026. Data covers prior four weeks.
21 Source: Bloomberg, as of 6 January. Based on the S&P 500 Health Care index.
22 Source: JP Morgan, as of 14 November 2025.
23, 26, 27 Source: Bloomberg, as of 7 January 2026.
31 Source: BlackRock, December 2025. Based on responses collected at 9 client webinars from February to December 2025.
32 Source: Bloomberg, as of 7 January 2026. Based on the 120-day correlation between MSCI India and MSCI World Indices.
36 Source: Coinbase Institutional Investor Survey, as of 10 July 2025.
37 Source: BlackRock, MPI, Morningstar. Time Period: 03/08/15 – 19/08/25. Data Frequency: daily. Currency: EUR. Rebalance: monthly. All historical fund performance is net. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. This information demonstrates, in part, the firm's Risk/Return analysis. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

Income: leaning into flexibility

1, 6 Source: BlackRock and Markit, as of 31 December 2025.
8 Source: BlackRock Global Business Intelligence and EPFR, as of 31 December 2025.
2, 5 Source: Bloomberg, as of 6 January 2026.
3, 7, 9 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 30 September 2025. Portfolio average allocation based on 179 EMEA moderate risk multi-asset portfolios reviewed in each quarter of 2025.
4 Source: Goldman Sachs Research, as of 22 October 2025.
10 There is no guarantee that stress testing will eliminate the risk of investing in this fund or strategy nor that the Profit & Loss movements depicted in the stress testing will replicate in the future. Source: BlackRock, Aladdin, as of 10 December 2025. Currency: EUR.
11 Source: BlackRock, as of 31 December 2025.
12 Source: BlackRock, Aladdin as of 28 November 2025. Currency: EUR. **There is no guarantee that stress testing will eliminate the risk of investing in this fund or strategy.**

Resilience: diversifying diversifiers

1 Source: BlackRock, MPI, Morningstar. Time Period: 01/05/15 - 30/04/25. Data Frequency: month. Currency: EUR. All historical fund performance is net. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. This information demonstrates, in part, the firm's Risk/Return analysis. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.
2, 4 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 30 September 2025. Portfolio average allocation based on 179 EMEA moderate risk multi-asset portfolios reviewed in each quarter of 2025.
3 Source: BlackRock, as of 17 November 2025, based on 437 EMEA survey submissions. Question asked, 'How has your sentiment towards hedge funds changed since the start of 2025?'
5 Source: Bloomberg, as of 4 November 2025. Period: 2003-12-17 to 2025-11-04. Currency: USD.
6 Source: BlackRock Global Business Intelligence and EPFR, as of 31 December 2025.

Appendix

Annual flows into global ETPs by exposure type, 2021 – 2025

	2021	2022	2023	2024	2025
Global ETPs	$1,333B	$872B	$964B	$1,774B	$2,289B
Fixed income	$282B	$264B	$331B	$439B	$670B
Equity	$1,019B	$604B	$645B	$1,277B	$1,438B
Commodities	-$0B	-$11B	-$17B	$1B	$101B
China tech	$12B	$20B	$23B	-$0B	$16B
US healthcare	$8B	$13B	-$11B	-$7B	-$1B
European equity	$28B	-$16B	$8B	$7B	$91B
EM equity	$103B	$124B	$132B	$219B	$153B
India equity	$1B	-$1B	$10B	$11B	$2B
Bitcoin	$5B	$0B	$2B	$37B	$25B
Rates	$71B	$191B	$166B	$126B	$186B
EMD	$18B	-$7B	$10B	$12B	$105B
AAA CLOs*	$0.3B	$1.5B	$3.7B	$13.7B	$15.8B
Ccy-hedged US equity* (UCITS only)	$0.4B	$3.1B	$0.1B	$3.1B	$13.9B

Source: BlackRock and Markit, as of 31 December 2025. *Source (currency-hedged US equities & AAA CLOs): BlackRock Global Business Intelligence and EPFR, as of 31 December 2025. **Past flows into global ETPs are not a guide to current or future flows and should not be the sole factor of consideration when selecting a product.**

5Y annualised performance

	2021	2022	2023	2024	2025
S&P 500 Index	5.4	-18.1	26.3	25.0	17.9

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Authors

BlackRock Global Product Solutions

Investment Strategy

Karim Chedid

Marina Evtimova

Varia Pechurina

Natasha Sarkaria

Qassim Saeed

Siham Sahal

Sarah Ouyang

Jonathan Parker (editor)

Faerlie Wilson (editor)

Carolina Hernandez (editor)

Product Distribution

Rees Hales

Jamie Sinclair

Kai Aschick

Cara Milton-Edwards

Andrea Iannelli

Ania Johnson

Heidy Walsh

Luka Tonnerre

Rhia Patel

Andrea Valente

Amy Tse

Tassilo Rankin

Katie Watson

Ursula Marchioni – Head of EMEA Investment and Portfolio Solutions

Sheree Sabin – GPS Head of Active and Private Markets Product in EMEA

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