BlackRock Fundamental Equities Expert insight

May 2026

Volatility may come. Staying invested has been rewarded.

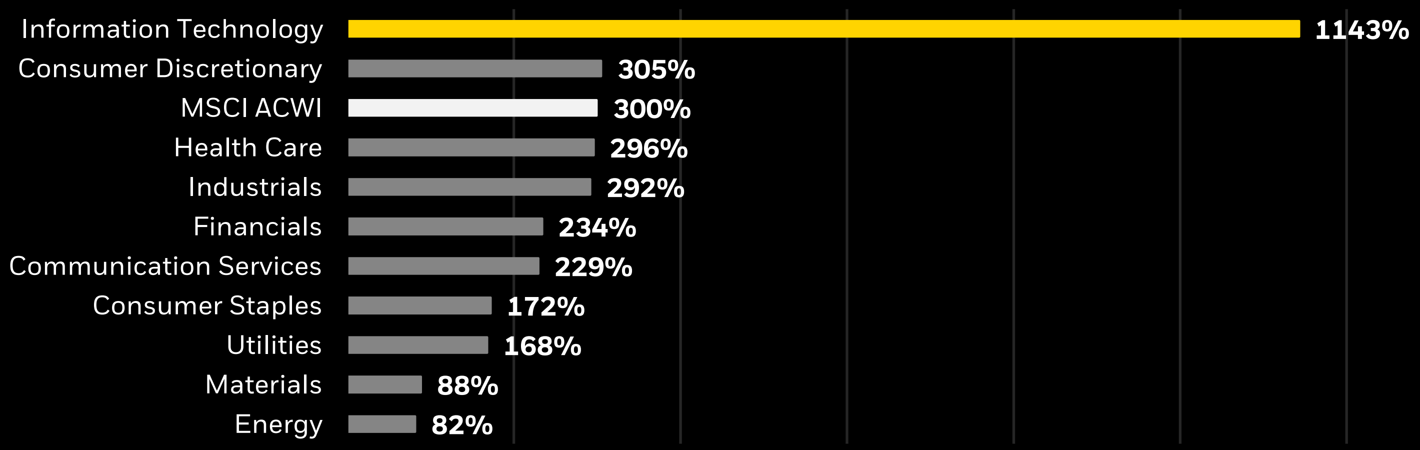
After an exceptionally strong period for technology equities, investors are understandably asking whether to take profits, wait for a more attractive entry point, or reduce exposure ahead of a potential drawdown. These are natural questions, particularly following strong market performance.

However, it is important to recognize that this period of technology outperformance is not unprecedented. Over the 15 years ending April 30, 2026, the MSCI ACWI Information Technology Index delivered a cumulative return of **1,143%**, more than **triple the 300%** return of the broader MSCI ACWI Index. In dollars, a $10,000 investment in MSCI ACWI IT would have grown to **$124,303**, compared to approximately **$39,951** in the MSCI ACWI.

This outperformance did not occur in a straight line. Technology equities experienced multiple episodes of volatility and frequent new highs—periods when investors may have been tempted to step aside. Historically, however, the benefits of this outperformance have accrued disproportionately to those who remained invested.

Technology leadership has been powerful, but not painless:

15-year cumulative performance by MSCI ACWI sectors



Source: Bloomberg, MSCI ACWI sector Indices with full 15-year daya and MSCI ACWI in USD, 30 Apr 2011 to 30 Apr 2026.

Importantly, those returns came with significant turbulence along the way. The outperformance relative to global equities was captured by investors who remained invested through volatility and maintained long-term discipline. Over the same period, the MSCI ACWI IT experienced **12 separate drawdowns of 10% or more**, including four drawdowns of more than 20% and two drawdowns of more than 30%. Of the 180 months through April 2026, **66 months were negative** and the index spent **29 month-ends** more than 10% below a prior peak.

That is the paradox of investing in growth and innovation: the long-term compounding may be powerful, but the path can be uncomfortable. **Volatility may come. The reward has usually gone to those who stayed invested.**

Compounding through discomfort: A 15-year journey in Tech

12 drawdowns
of more than 10%

66 negative months
out of 180 in total

+844% outperformance
versus MSCI ACWI

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: Bloomberg, USD net total return for the MSCI AC World Information Technology (IT) Index, 30 Apr 2011 to 30 Apr 2026. Drawdowns based on daily returns, peak-to-trough. Negative months based on monthly returns.

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The biggest risk may be missing the rally

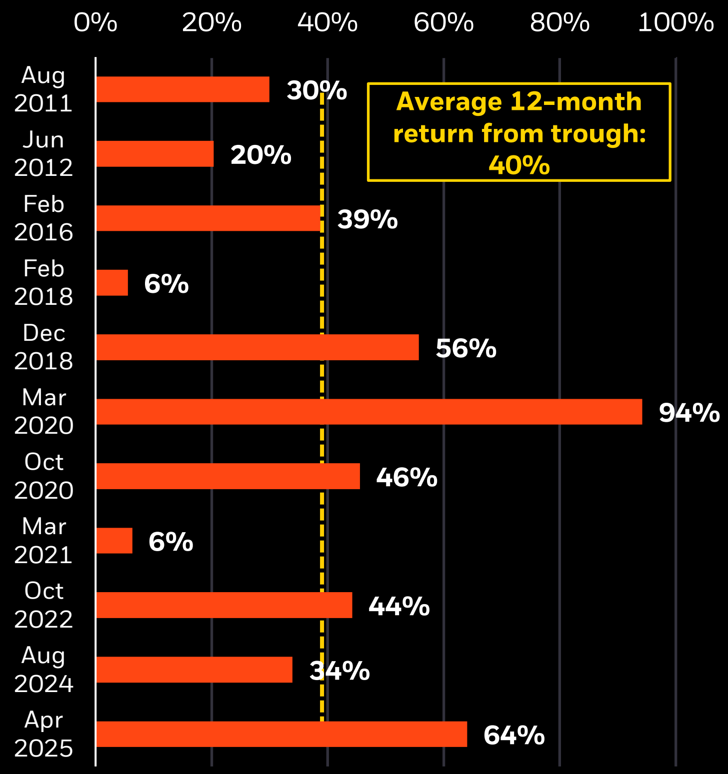
Volatility can make market timing tempting. But the cost of timing often appears during the recovery, not during the selloff.

Over the past 15 years, the MSCI ACWI IT had **12 separate drawdowns of 10% or more**. In the 11 completed cases, the 12-month forward return from the trough was positive every time, with an average return of **+39.9%**.

Even correctly identifying a perceived market top may not lead to a better long-term result. During the DeepSeek-related selloff, the MSCI ACWI IT declined 25.5% from its 19 Feb 2025 peak to its 8 Apr 2025 trough. Selling at that perceived top would have avoided the interim drawdown, but an investor who remained out of the market would also have missed the subsequent recovery. From the trough through 30 Apr 2026, the index returned **+82.4%**.

The lesson is not that entry points do not matter. The lesson is that waiting for a perfect entry point may carry its own risk. An exit decision also requires a re-entry decision, and waiting for re-entry may lead to significant missed returns. For long-term investors, volatility and drawdowns may be something to plan for rather than react to.

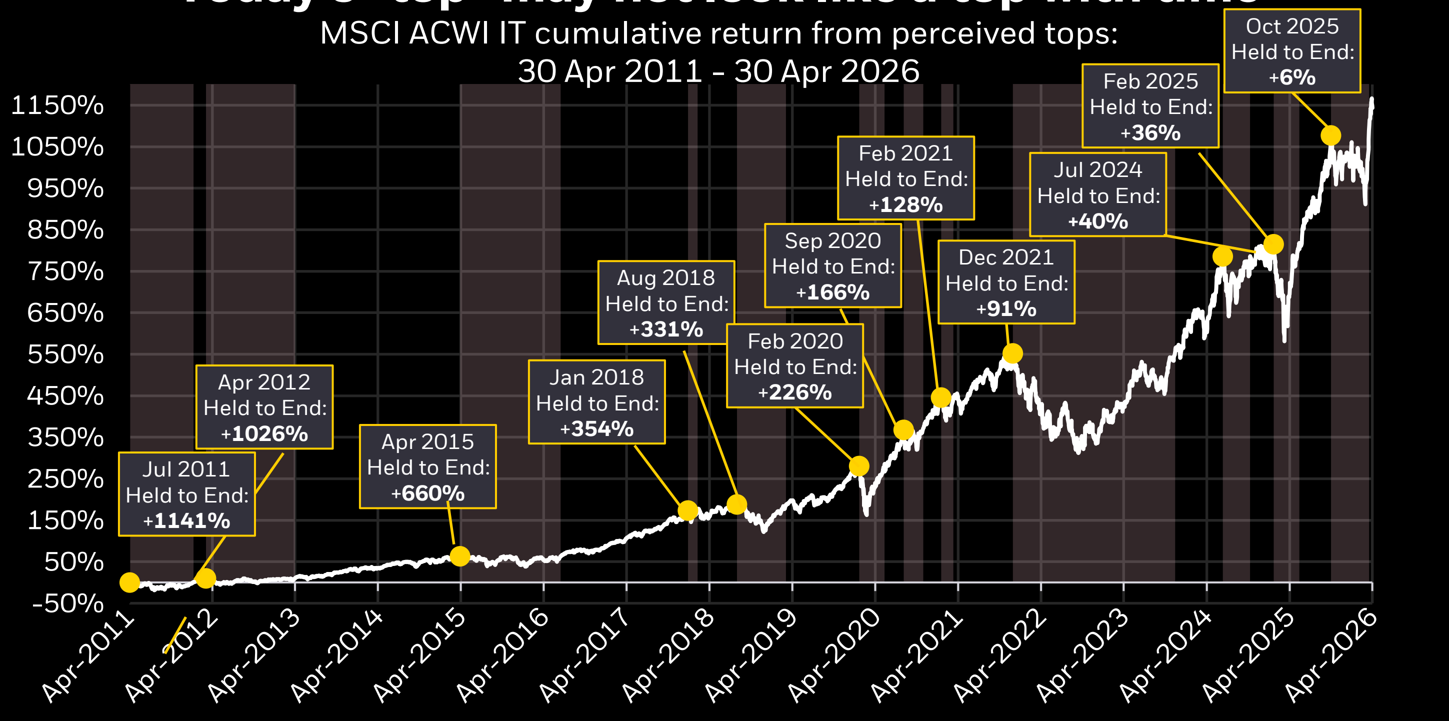
MSCI ACWI IT 12-month returns following 10%+ drawdown troughs



Source: Bloomberg in USD. MSCI ACWI IT 12-month forward returns from 10%+ drawdown troughs, 15 years ended 30 Apr 2026.

Today's "top" may not look like a top with time

MSCI ACWI IT cumulative return from perceived tops: 30 Apr 2011 - 30 Apr 2026



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Conclusion

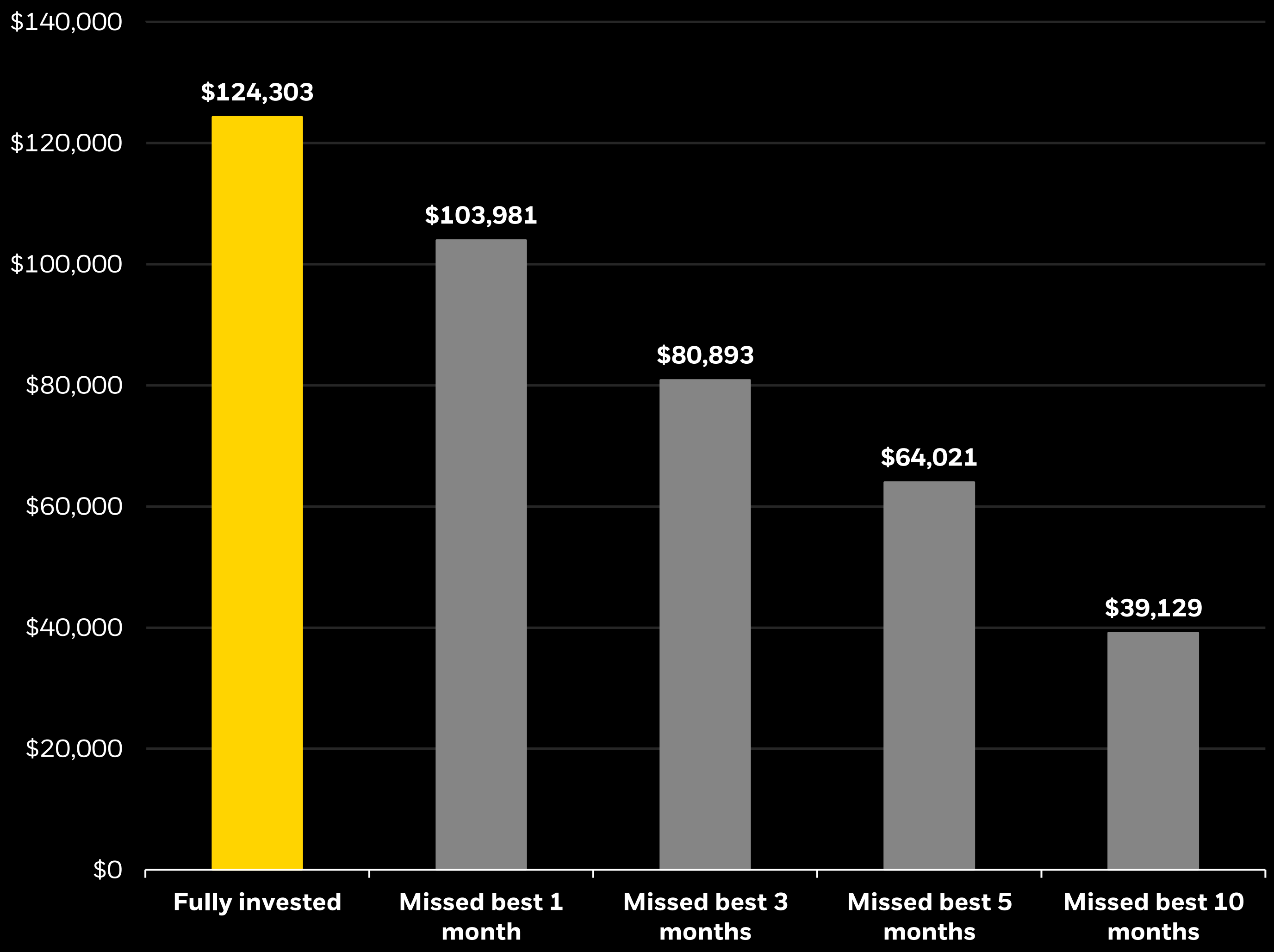
Buying after a strong run can feel uncomfortable, particularly in technology where powerful innovation cycles are often accompanied by sharp drawdowns. No investor wants to enter at what later proves to be a near-term peak. Yet the data suggests that trying to sidestep every period of volatility introduces a different risk: missing the recovery, delaying re-entry, and interrupting long-term compounding.

Over this 15-year period, several perceived "peaks" ultimately proved to be waypoints in a broader compounding journey. Technology delivered the strongest returns of any GICS sector, but capturing that outperformance required staying invested through repeated drawdowns along the way.

For investors who believe the long-term technology story remains intact, the focus may be less on timing the perfect entry point and more on maintaining exposure through inevitable volatility. Drawdowns will occur, leadership will rotate, and sentiment can shift quickly. Historically, however, the cost of being out of the market during the recovery has often exceeded the discomfort of remaining invested through the decline.

The potential cost of waiting for the perfect entry point

Ending value of a hypothetical $10,000 investment in MSCI ACWI IT: 30 Apr 2011 to 30 Apr 2026.



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: Bloomberg, USD net total return for the MSCI AC World Information Technology (IT) Index, 30 Apr 2011 to 30 Apr 2026. “Missed best months” removes the strongest calendar months from the return series and assumes no return earned during those months.

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