BlackRock®

Convergence. Convenience. Data & technology at scale.

The trends shaping investment products in 2026

GPS0126-5118221-EXP0127-1/18

Key Points

01 **The investment industry is embarking on a dynamic era in product innovation.** Three trends are emerging: advances in technology and data, convergence across asset classes, and demand for convenience from investors of all types. These trends are expanding the investible universe, creating both opportunity and complexity. Amidst an increasingly complicated environment, delivering high-quality products that effectively meet investor needs will be key.

02 **Advances in data and technology are transforming what and how to invest**. The explosion in data availability, coupled with new ways to analyze data sets, has opened up dynamic, precise ways to index the market, with the indexation of private markets emerging as the next frontier. Active investors are leveraging large language models, advanced machine learning techniques, and scalable tools to gather insights, build portfolio simulations, and generate alpha more efficiently.

03 **Amidst less reliable stock-bond correlations, investors are looking to a broader, converging universe to find diversification and returns**. In private markets, advances in product, models, and data are making it easier to blend public and private in the portfolio, unlocking access for wealth and retirement markets. Innovation in cryptoassets and tokenization are bridging the gap between TradFi and DeFi, creating more investible opportunities for traditional investors and digital natives.

04 **Investors are seeking more convenient ways to access investments and manage portfolios.** The ETF has emerged as the "wrapper of choice," providing efficient, easier access to the bond market, alpha opportunities, and derivatives-based strategies. Investors continue to outsource portfolio construction; model portfolios are powering a wave of product development, with a growing focus on customized solutions, Active ETFs, and private markets.

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Introduction

The investment industry is embarking on a dynamic new era in product innovation. Rapid technological advances have reshaped how investors spot opportunities, manage risk, and build portfolios. Regulatory changes are facilitating the creation of new investment vehicles and expanding access to more corners of the market. Structural changes in the real economy are underpinning the growing opportunity set in private markets and the acceleration of digital assets and tokenized wrappers.

Market shifts – persistent inflation, heightened volatility, widespread adoption of alternative stores of value, rising number of companies staying private, and less reliable stock-bond correlations – are prompting investors to reconsider where they find diversification and returns and how they build stable portfolios.

In sum: the investible universe – and how investors access that universe – has expanded.

These factors create a ripe environment for innovation and the development of products and tools that better meet investor needs. **Three trends are emerging**: **advances in data and technology at scale** have opened up more dynamic, precise ways to index the market and have transformed how investors generate alpha; **convergence** across the investible universe is blurring the boundaries between index and active, private and public, TradFi and DeFi, making solutions that solve for the whole portfolio even more important; and **convenience** – the need for efficient solutions – has evolved from a "nice to have" to a "must."

Product innovation is expanding access to markets and creating new ways for investors to achieve their objectives; it also creates new levels of complexity. Looking at ETFs as a case study: in the U.S., there are now more than 4,700 ETFs on the market, over a third of which have been launched in the past two years; this means that today, there are more ETFs than individual stocks.[1] **More isn't always better. Innovation at a high quality is critical to meeting investors' objectives and ensuring investor protection, access, and liquidity.**

What is "high-quality" innovation?

Purpose-built

A product built to meet an investor need or unlock a use-case, backed by a strong investment thesis and market and investment expertise, with continued enhancements as market conditions evolve

Sound structure

Delivers on performance objectives, with rigorous risk management, stress-testing, and a streamlined operating model that manages complexity

Supporting resources

Tools that help investors understand evolving opportunities, risks, and drawbacks of different strategies, and how to fit products into portfolios

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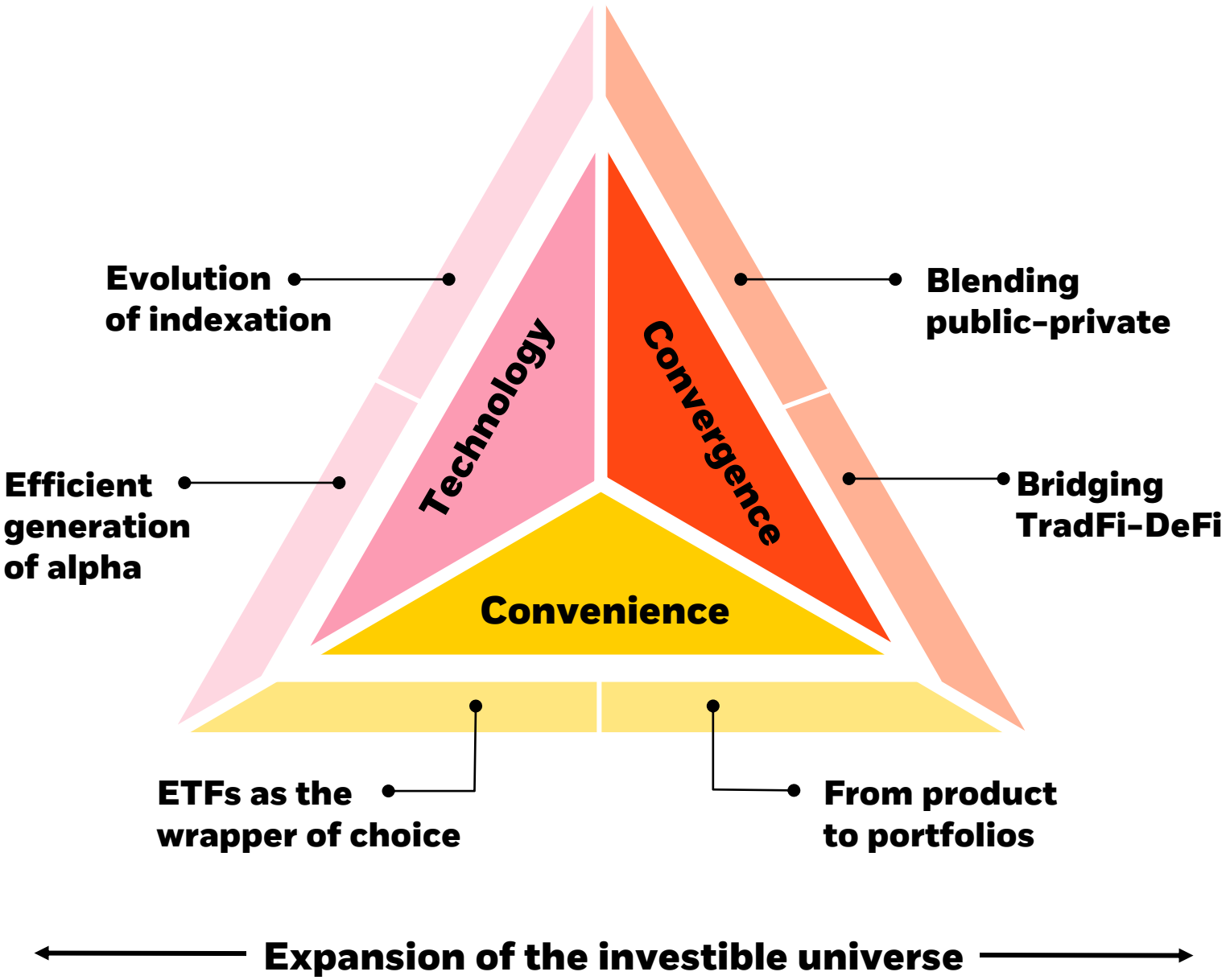
3 trends shaping the product industry in 2026



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Data & technology at scale

Evolution of indexation: indexing more parts of the market with greater precision

Indexation has transformed how investors engage with capital markets. Using a set of rules to organize the market into building blocks, indexes offer a transparent way to define the market and measure performance. The early days of indexation focused on providing access to equity markets; now, advances in data and technology have enabled the *indexation of more parts of the market*, *development of more precise benchmarks*, and *creation of new index-powered strategies*. This evolution, combined with the rise of ETFs, has fueled dramatic growth in index use: **in 1993, 2% of liquid managed assets were indexed. Today, that share stands at 52%.**[2]

From broad to granular. Initially, investors used index strategies to gain cost-effective access to broad equity markets, such as through standard market-cap-weighted indexes. Then, technology and benchmarking advances enabled the development of more granular indexes – such as ones based on country, style, or sector.

In fixed income, index strategies have made the opaque bond market more accessible. The convergence of technology (better pricing data), standardization (faster settlement, standardized contracts of issued debt) and investor demand has expanded the menu of precise indexes – giving investors efficient access to more parts of the bond market (such as high yield, emerging market debt and the loans universe).

More data and better tools are creating new ways to invest. The explosion in data availability, combined with the creation of tools to analyze that data, has empowered investors to slice markets in new ways and unlock new investment approaches. Indexes can now be built on investor preferences, factors driving returns (e.g., quality and momentum), non-traditional weighting methodologies (e.g., equal weight, capped), and themes.

The indexation of themes has emerged as a tool for investors to express a view on trends, such as artificial intelligence (AI) or infrastructure, that may not align to traditional broad indexes or sectors. Investors are accessing themes through a combination of strategies: across index (when an index exists to capture a theme's full value chain) and active management of thematic exposures (when active management can be helpful to navigate rapidly evolving trends and take advantage of market dispersion to find alpha). This continued expansion of thematic choices has resulted in broad growth: U.S. thematic funds have grown 11-fold over the past 10 years.[3] *(See page 7 for more on active investing).*

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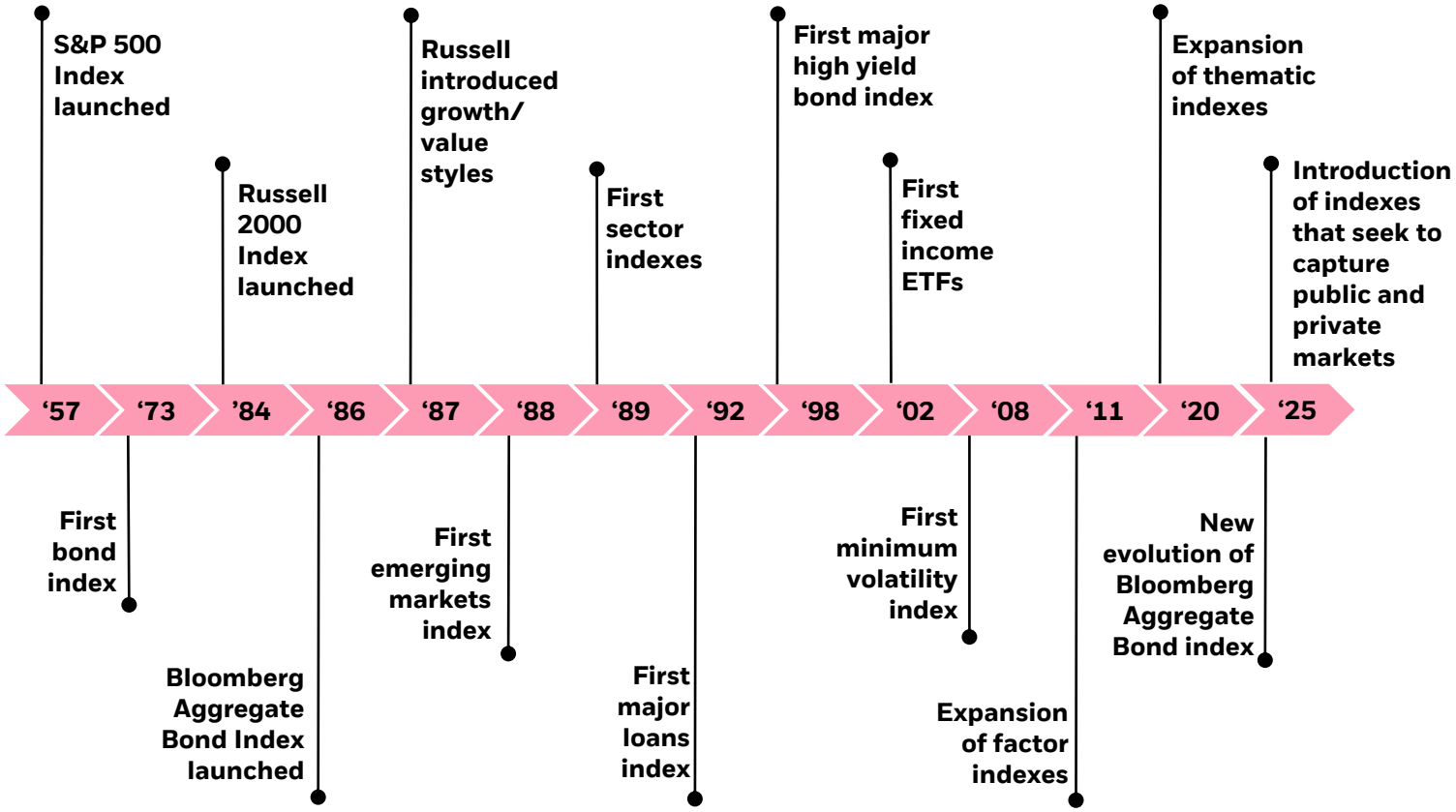
> Indexation has transformed access to the capital markets, and the pace of innovation continues to accelerate. Indexes are becoming more granular, more precise, and more customizable, and they're opening up access to more corners of the markets, both public and private."

Stephen Cohen
Chief Product Officer

Figure 1. Evolution of Indexation



The next frontier: private markets

We see potential for indexation to bring transparency, measurement, and risk modeling to private markets – just as it did to fixed income. As institutional and wealth investors allocate to private markets, they are asking for data, benchmarks, and analytics to help them better evaluate their investments. We see demand for indexes built around private companies or ones that blend public and private into a single index, for a more comprehensive view of markets. *(See page 9 for more on private markets, and page 14 for more on accessing private markets via an ETF).*

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The active investor of tomorrow: efficient generation of alpha

Since the pandemic, investors have operated in a new regime: macro uncertainty has led to market volatility, and the dispersion of returns within and between sectors has increased (Figure 2). This creates opportunities for skilled active managers to find alpha (i.e., returns beyond a benchmark return). Nearly half of all managed assets in the U.S. are in active strategies,[4] but *finding* and *actioning* on alpha insights continues to be critical. **A key advancement is how investors are incorporating AI to efficiently find alpha and build portfolios.**

Turning data overload into data advantage. 20 years ago, investors operated in a world of *data scarcity*; generating alpha required rigorous, bottoms-up research to find high-quality, differentiated insights. Today, investors are navigating a world of *data abundance* (in the past 15 years, data creation and storage have increased by a factor of 100, with the volume of data including everything from corporate disclosures to online search activity, patents, and job postings).[5] Investors need to collect information at *scale and speed* to turn insight into tradeable ideas and exposures.

The new investor toolkit. Investors are using large language models and advanced machine learning techniques to improve depth of research, synthesize information at scale, and deepen investment insight. They're leveraging scalable compute and statistical tools to build real-time portfolio simulations, monitor risk, and stress-test scenarios (simulations that used to take hours can now happen in milliseconds; Figure 3). AI is also powering security selections: systematic active or quantitative strategies leverage data and technology at scale to seek **consistent alpha**; fundamental strategies, which focus on deep company analysis, are introducing AI and data-driven tools into their research workflows.

Going forward, we expect even more advancements to combine AI's super-human speed and scale with human expertise, judgment, and creativity to more efficiently find alpha.

Figure 2. Greater dispersion
Dispersion of S&P 500 performance, 2010-2025

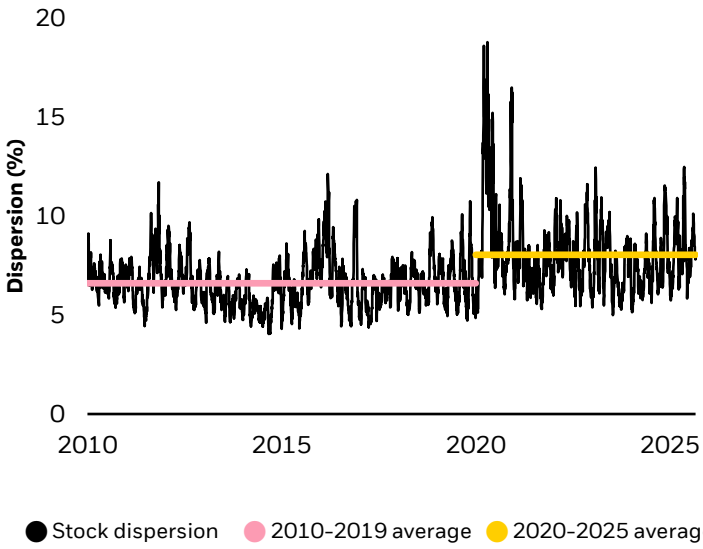
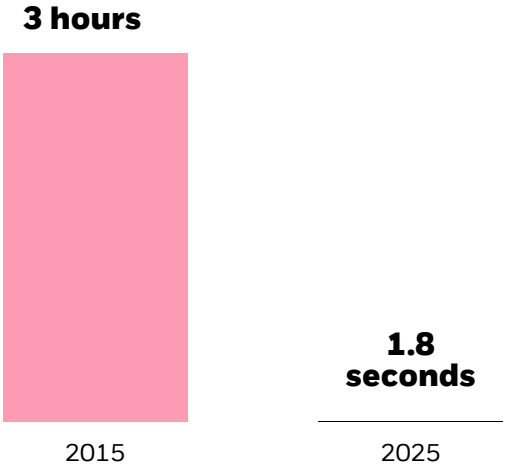


Figure 3. Portfolio construction and risk management with machine learning
Time needed for 5-year daily global equity simulation



Source for Figure 2: BlackRock Investment Institute, with data from LSEG Datastream, August 29, 2025. Notes: Dispersion measures the degree of variation in stock performance. The chart shows the 20-day average of dispersion in S&P 500 monthly stock returns (black line) and the median level of dispersion from January 2010 after the global financial crisis through 2019 (pink line), and from 2020 to 2025 (yellow line). **Source for Figure 3:** BlackRock as of June 29, 2025.

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> Investing is both art and science. The explosion of big data and AI has made much of what is considered the qualitative 'art' of investing approachable through a quantifiable, scientific lens."

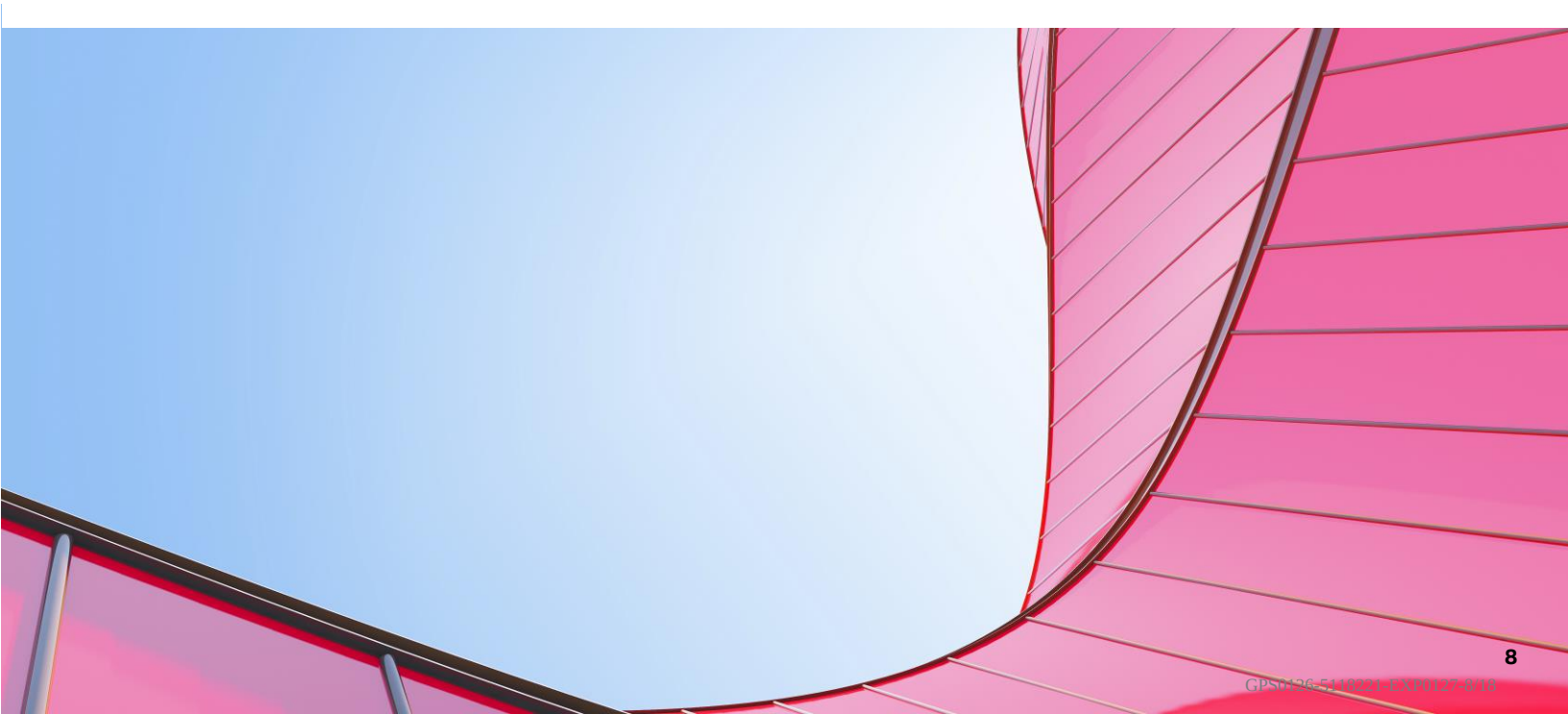
Raffaele Savi
Global Head of BlackRock Systematic

Blending complementary active strategies in the portfolio

Based on our analysis, allocating to skilled active managers across fundamental and systematic strategies can diversify alpha sources and help achieve more consistent portfolio outcomes.

- **Fundamental** strategies are built on rigorous company-level and macroeconomic analysis; these strategies seek idiosyncratic alpha and outsized returns in a way that cannot be easily replicated, with managers making concentrated bets on active risk vs. market benchmarks. Increasingly, these strategies demand scale, with skilled managers capturing alpha by combining specialized expertise with data and technology platforms.
- **Systematic strategies** blend human insight with big data and machine learning to analyze information across a wider investment universe than what a fundamental analyst could cover. These strategies aim for *diversified alpha* in an efficient way, with targeted beta and tracking error, using smaller-sized bets, and data-driven precision to deliver consistent results that can add up over time. Scale is a key component: a breadth of holdings (e.g., hundreds of securities) can reduce the risk of a single loss dragging down performance.

Because the two styles are largely uncorrelated, blending fundamental and systematic strategies can lead to efficient outcomes in a portfolio by broadening alpha sources, helping manage active risk, and creating a more diversified alpha engine. Marrying the two approaches can be especially helpful for investors that are risk-sensitive but want the benefits of active management



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> Convergence of public and private markets is increasing. Clients are focused on strategies and solutions that work across the whole portfolio. Investors are seeking deeper, more dynamic partnerships across public and private asset classes."
>
> **Larry Fink**
> Chairman & CEO

Convergence

As stock-bond correlations become less reliable and interest rates fall, investors are looking to an expanded – and converging – investible universe to achieve their objectives, from income to diversification to inflation protection.

Blending public and private in portfolios

The opportunity set in private markets. We estimate that investible opportunities in private equity, private credit, and privately held assets in infrastructure and real estate will grow to $26 trillion in 2030 from $15 trillion today,[6] powered by structural shifts in the real economy:

- **Companies are staying private longer**: the number of publicly held companies fell by 32% since the 1980s, and of the firms with revenue over $100 million, 81% are private.[7]
- **A massive investment opportunity in infrastructure is underway**, sparked by a series of mega trends – including the digital transformation, energy transition, changing demographics, and realigning supply chains.
- **The private credit market is expanding**, as public debt and equity markets undergo structural shifts and the bank lending landscape evolves. Just 14% of total credit extended in the U.S. comes from banks, down from 46% in 2000.[8]

Investors continue to turn to private markets as a source of differentiated returns. While overall fundraising has slowed from its peak in 2021,[9] due to cyclical headwinds and lower distributions, investors are continuing to look to infrastructure and private credit in particular for portfolio diversification. Across asset classes, interest from wealth and retirement plan sponsors is growing: most wealth advisors (91%) plan to increase allocations to alternatives (liquid alternatives and private markets) in the next two years,[10] and almost a quarter of plan sponsors are considering adding them to their plans.[11] Amidst rising demand, products that ensure consistent underwriting standards, capacity management, and transparency across all eligible capital pools will be critical.

Figure 4. Characteristics of private assets

Desired Outcomes	Characteristics	Direct Lending	Real Estate Equity	Infra Equity	Infra Debt	Private Equity
Growth	High target returns	✓	✓	✓	✓	✓
Inflation protection	Inflation-linked cash flows		✓	✓		
Diversification	Low correlation	✓	✓	✓	✓	✓
Income	Stable cash flows	✓	✓	✓	✓	

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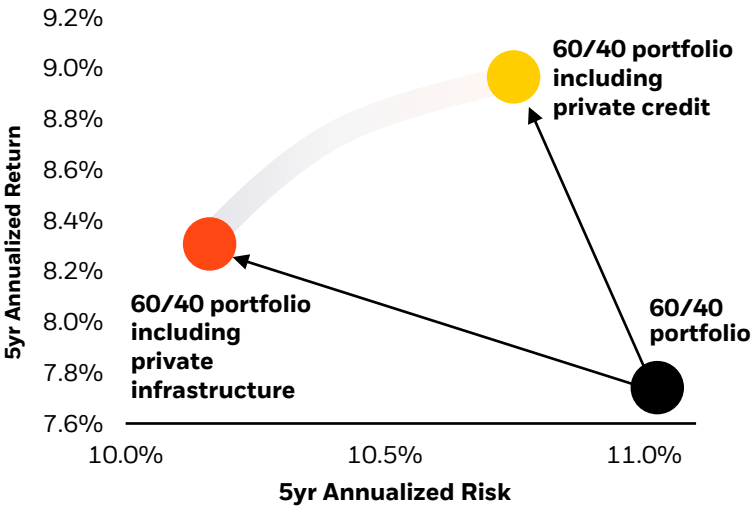
50/30/20. Allocating to private assets can offer several portfolio benefits (Figure 4). For most investors, the potential for the "illiquidity premium" (referring to the higher target returns that compensate for the lower liquidity inherent in private in assets) and diversification are key motivations to invest. For example, as Figure 5 shows, adding private credit and infrastructure to a portfolio can help lower volatility and provide a better risk/return profile.

Many institutional investors have already shifted to a portfolio mix in line with 50/30/20 (50% stocks, 30% fixed income, 20% private assets); the average allocation to private markets by institutions sits just under 17% today.[12] Private equity comprises ~50% of investors' private assets,[13] but with lower distributions and slower pace of exits, many are turning to the secondaries market to raise cash to access new investment opportunities.

Unlocking private markets for wealth. The U.S. wealth market is under-allocated, with 4% invested in private markets today.[14]

Figure 5. An illustration of how adding infrastructure and private credit allocations to a static 60/40 portfolio can improve the risk/return profile over a five-year period.



Source for Figure 5: Morningstar & Preqin data from June 30, 2020 – June 30, 2025. Appraisal based private market indices often exhibit smoothed returns. To make comparisons with more liquid securities, we apply Geltner (AR(1)) unsmoothing to the quarterly index series. The Preqin Private Debt Index & Preqin Private Infrastructure Index quarterly series was unsmoothed by BlackRock to mitigate appraisal smoothing and improve comparability to liquid securities. The resulting series is model-based, non-investable, and differs from the official index. Preqin® and the Preqin Private Debt Index are trademarks of Preqin Ltd. The unsmoothed series described herein was derived by BlackRock from Preqin data; Preqin has not endorsed any derived series or conclusions. From a portfolio management perspective, the portfolios are rebalanced quarterly. 60-40 Benchmark represents 60% MSCI ACWI IMI Index and 40% Bloomberg US Agg Bond Index. The performance quoted represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance quoted. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Complexity, lack of liquidity, high fees, and suitability have historically represented the biggest barriers. Innovation is addressing these challenges:

- **Evergreen structures**, such as interval funds, tender-offer funds, and non-traded Business Development Companies (BDCs), offer lower minimums, periodic liquidity, and are more transparent, compared with traditional private funds, with more managers leveraging these structures to package private investments.
- **New model portfolios** are coming to market, enabling easier access to private assets.
- **Data providers** such as Preqin, as well as industry-wide educational efforts, are making private markets more transparent and understandable.

Today, product innovation and education are helping unlock access; the next wave of expansion will involve helping advisors and investors fit private market allocations into the context of their whole portfolio and broader investment objectives *(see Models on page 15).* With these advances, we expect more investors' portfolios will evolve to include private assets: the share of private assets in wealth portfolios is expected to double by 2030.[15]

We see an emerging opportunity to expand private markets access to defined contribution plans. In our view, including private assets in a target date solution – the default investment type for most 401(k) plans – can benefit a participant's plan over the long term. These types of blended solutions leverage a glidepath, allocating to private markets during the early-to-mid career phase to harness compounding, then tapering as people approach retirement. To broaden access, advancements will be needed in: product design (liquidity and suitability), transparency (better data to enhance benchmarking and monitor performance and risks), education (on the unique characteristics of private markets) and regulation.

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Bridging the TradFi/DeFi gap: growth of digital assets and tokenization

The growth of **cryptoassets** and **assets in tokenized form** is creating new investible opportunities and greater access for both traditional investors and digital natives. **Product innovation is flowing from TradFi to DeFi and vice versa** (for example, putting a digital asset in a traditional wrapper, and putting a traditional asset in a digital asset wrapper); this convergence is creating more investment access and opportunity on both sides.

Structural forces are catalyzing the adoption of cryptoassets, stablecoins, and tokenized funds. Digitalization across industries, maturing digital asset infrastructure (which has eased barriers of access), and outsized demand from younger investors (millennial millionaires are 20x more likely to hold crypto than Baby Boomer millionaires) are driving this shift.[17] Together, these forces have helped fuel a five-fold increase in crypto market capitalization, from $852 billion in 2018 to around $3 trillion today, with ongoing volatility and price fluctuations affected by a range of factors including rate cuts and portfolio rebalances.[18]

Definitions

- **Blockchain**: a decentralized digital ledger that records transactions in a secure and transparent way
- **Cryptoassets**: digital assets native to public blockchains; bitcoin and ether are the largest
- **Digital natives**: investors whose business models revolve around blockchains
- **Stablecoins**: digital assets pegged to a stable reference value, typically the U.S. dollar, and backed by a reserve of assets such as bank deposits or short-term government securities
- **Tokenization**: digital tokens that represent ownership of a range of asset types

> “Tokenization won’t replace the existing financial system any time soon. Think of it instead as a bridge being built from both sides of a river, converging in the middle. On one side stands traditional institutions. On the other are digital-first innovators: stablecoin issuers, fintechs and public blockchains. The two aren’t competing so much as learning to interoperate.”

Rob Goldstein
Chief Operating Officer

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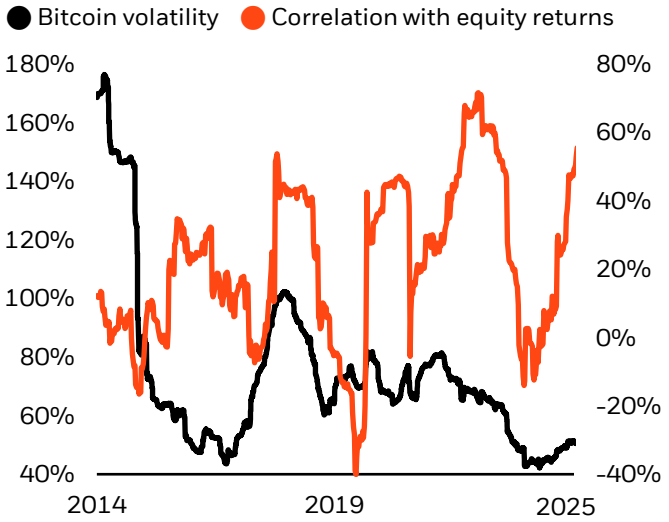
Crypto exposures in an ETP. Bitcoin and Ethereum are most top of mind for investors, making up 70% - or $2 trillion – of the market, but with different portfolio benefits.[19]

- Over the past decade, **bitcoin** has delivered outsized returns with a positively skewed, asymmetric return distribution, alongside elevated volatility. Its historically low correlation with equities regime-dependent links to macro drivers – such as real rates and inflation – give it potential diversification and hedging benefits (Figure 6). **Even allocations of ~1-2% can materially shift portfolio risk/return dynamics**. While volatility has declined as the asset class has matured, bitcoin remains volatile, a characteristic that should be considered when sizing allocations.
- **Ethereum** offers an opportunity to bet on blockchain adoption and on the potential for tokenization to become an integrated part of the financial system, providing exposure to the growth of digital infrastructure, innovation, and potential yield opportunities across the crypto ecosystem.

Figure 6. Bitcoin volatility & correlation



Delivering cryptoassets via traditional wrappers, such as exchange-traded products (ETPs) has enabled access for both traditional and digital natives. For example, investors buying Bitcoin ETPs range from first-time ETP buyers – likely choosing the ETP as a transparent, efficient exposure to crypto – to institutional investors, who use Bitcoin ETPs to access the benefits of bitcoin in a wrapper compatible with existing portfolio structures.

Traditional exposures in a token. Digital native investors are seeking access to traditional strategies on their preferred rails. This could include a money market fund housed on the blockchain, enabling access to USD yields on blockchain rails. The ability to provide instant, seamless convertibility between the tokenized yield asset and the digital asset means that investors can maintain exposure in their preferred investment strategy (e.g., hold US dollar assets via the token) and convert them to stablecoins immediately to deploy capital across the on-chain ecosystem.

The benefits of tokenization are that it provides 24/7 trading, near real time-settlement, and increased transparency. We expect more opportunities to "bridge the gap" between TradFi and DeFi, and for tokenization to continue making investing faster, cheaper, and more accessible. We see potential to tokenize more assets at scale, in ways that add value to investors and their investment outcomes – this will rely on regulatory clarity and industry engagement to promote and ensure sound investor standards and practices.

Source for Figure 6: BlackRock Investment Institute with data from Bloomberg, as of September 30, 2025. Notes: For volatility, we show the one-year annualized trailing volatility of weekly returns. The correlation is also a one-year rolling window of bitcoin returns against the S&P 500 Index (TR) from Bloomberg

Convenience

Every investor – regardless of size or channel – is seeking more **convenient** ways to access the expanding investible universe and manage portfolios.

ETFs as the vehicle of choice: accessing more parts of the market in an efficient wrapper

The ETF industry is evolving at dramatic pace. **Over the past five years, U.S. ETF assets have nearly tripled, and in 2025, annual flows surpassed $1T at their fastest pace ever**.[20] What's driving this growth? An evolution and expansion in how investors are using the ETF wrapper.

3x

growth in U.S. ETF flows in the past 5 years

80%

of ETF launches in the last 3 years were in active ETFs

The "everything" wrapper. Prior to the adoption of the ETF Rule in 2019, ETFs and indexing were synonymous: ETFs predominantly wrapped traditional index strategies, with a focus on core equities and fixed income. Today, investors are using ETFs to access more asset classes and more precise outcomes. Non-index strategies are gaining popularity: 80% of ETF launches over the past 3 years have been active ETFs, and the fastest growing ETF in history is a digital assets ETP.[21]

A broadening set of use cases. ETFs are helping investors achieve everything from navigating short-term volatility to pursuing alpha to achieving defined outcomes.

In times of uncertainty: Bond ETFs. Investors are using ETFs to access the bond market more efficiently (to enhance yield, diversify equity risk, or manage cash) and for liquidity and price discovery – particularly in fast-moving markets. In April 2025, when U.S. tariff announcements triggered one of the most active trading sessions of all time, investors reached for bond ETFs to navigate the stressed market: Bond ETF trading hit a record $99 billion (nearly double the previous single-day record from 2020) and high yield ETF exchange volume surpassed over-the-counter high yield cash bond volume by $2 billion – with investors opting for ETFs for their access and transparency.[22]

> ETFs are empowering investors to access more corners of the market and achieve increasingly sophisticated use cases. The wrapper's efficiency and ability to offer liquidity is extending across asset classes, sectors and geographies, enabling investors to utilize ETFs across their entire portfolios."
>
> **Elise Terry**
> Head of U.S. iShares

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For alpha in a tax efficient wrapper: Active ETFs. Investors are switching into active ETFs as a cost-effective way to pursue alpha, with the potential for tax efficiency with certain exposures. Over the past five years, active ETFs have grown 50% organically – while active mutual fund assets have declined 4%.[23] We project global active ETF AUM to triple to $4.2 trillion by 2030.[24] Flexibility to add ETF share classes to mutual funds could further expand investor access, making more strategies available at scale. Within active ETFs, investors are choosing ETFs for access to *traditional active managers*, *rotation strategies* to navigate fast-changing trends, *liquid alternatives* for enhanced diversification benefits and higher alpha potential, and strategies that provide access to *hard-to-index markets* (e.g., securitized assets).

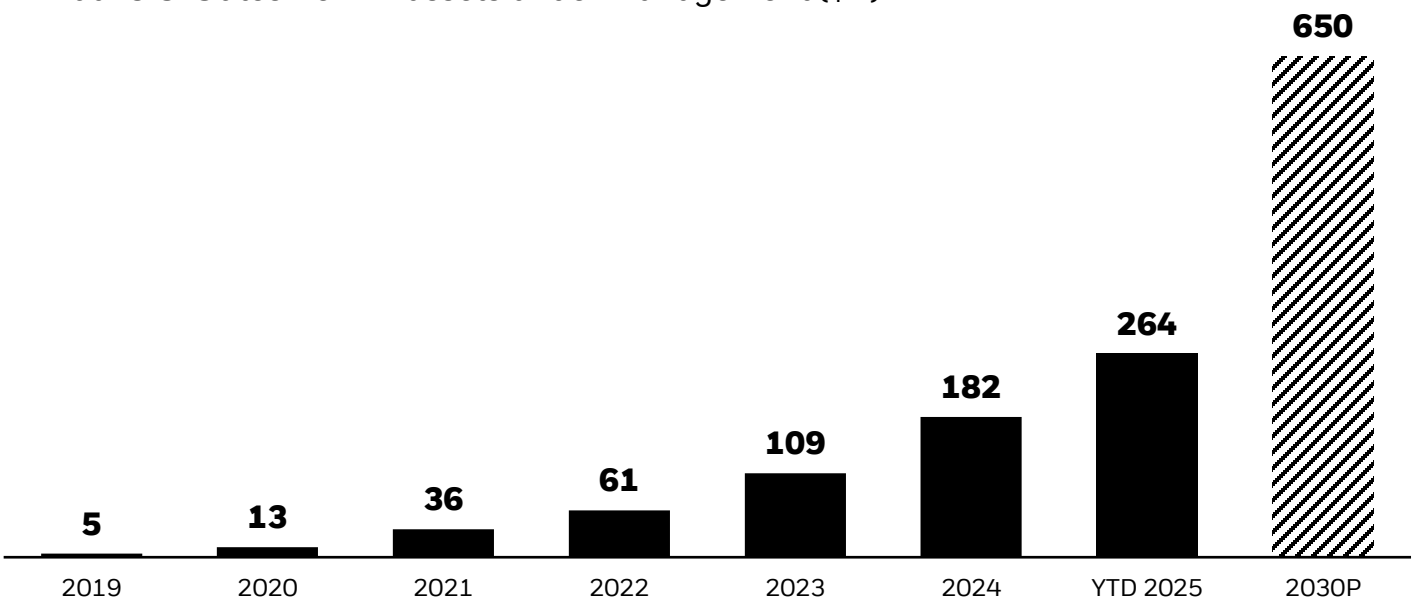
To target specific goals: Outcome ETFs. Outcome-oriented products are derivatives-based strategies that help investors achieve specific goals, including targeted downside protection (e.g., buffers), income (e.g., covered call), or growth (e.g., enhanced return). Historically, buffer strategies were available mainly via annuities or structured notes and used primarily by institutional investors due to their complexity.

Today, the ETF wrapper is bringing the benefits of convenience, transparency, and liquidity to outcome strategies (Outcome ETFs provide exposure to an underlying asset, e.g., an ETF or index, and then use options to modify that exposure). Outcome ETF AUM has surged by 50x over the past six years, with strong demand for income-oriented products in particular (the fourth highest-flowing ETF category for 2025 YTD).[25] We expect outcome ETF assets to grow from $265 billion today to $650 billion by 2030, as shown by Figure 7.[26]

Accessing private markets via ETFs is top of mind for investors. Today, regulations permit ETFs to include up to 15% of illiquid holdings – although most managers will seek to stay below that threshold.[27] Investors can also get exposure to private markets through products such as BDC ETFs, which provide access to different types of the private credit market. We see an opportunity to blend public and private exposures, including ETFs and index-linked products, while providing necessary liquidity and transparency.

Innovation relies on ecosystem connectivity. Partnerships among regulators, exchanges and liquidity providers are essential for facilitating the creation of new products that meet investor needs and for ensuring investor protection, market access, and liquidity.

Figure 7. Outcome ETFs are a nascent category, but growing rapidly
Annual U.S. Outcome ETF assets under management ($B)



Source for Figure 7: BlackRock as of October 31, 2025

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From product to portfolios

Investors everywhere are looking to outsource portfolio construction to quality partners, and for solutions that bring together a mix of complementary building blocks.

Outsourcing portfolio construction. Institutions, including asset owners, pensions, family offices, foundations, and endowments, continue to outsource their investment processes – from portfolio management and technology to strategic financing – to focus on their core business and competencies. U.S. OCIO assets make up almost $4 trillion today, and we expect assets to grow ~11% on average to reach ~$6 trillion by 2029. [28] In the wealth market, advisors are leveraging models to help them deliver client services beyond investment management and scale their practices: U.S. model portfolios comprise $4 trillion today, with an estimated total opportunity of over $11 trillion.[29] Today, ~20% of products are sold through models, and we expect this to grow to 30% over the next five years.[30]

Against that backdrop, and building on the trends discussed in this paper, **the adoption of model portfolios and outsourced portfolio management are powering product development**. Models are moving from largely index ETFs and MF allocations, to a more diversified mix of building blocks: more customized solutions via separately managed accounts (SMAs), increased utilization of active ETFs, and opportunity to incorporate private markets as investors look to include more of the investible universe in their portfolios.

> “The industry is at a crossroads, with the demand for tailored, scalable solutions reshaping the landscape. This isn’t just about more models; it’s about smarter solutions that reflect what clients want today.”
>
> **Joe DeVico**
> Head of Americas Client Business

Customized solutions via SMAs: from niche to mainstream. High-net-worth investors (including RIA, family offices) continue to demand more personalized solutions tailored to their specific goals, preferences, and tax circumstances. Advances in technology and turnkey options are making these solutions available to more investors (with lower account minimums), delivering customization at scale. Amidst increased demand, product innovation is powering an evolution in SMAs, expanding from vanilla direct indexing and tax loss harvesting to solutions that provide greater after-tax optimization, including Long/Short, Option Overlays, and Ordinary Loss strategies.

Active ETFs are becoming an important building block for model builders. Of the moderate-risk models that use ETFs, nearly 50% employ Active ETFs, versus 35% three years ago.[31] Model allocators, particularly those who historically used mutual funds for active strategies, are turning to ETFs for efficiency and flexibility (for example, leveraging rotational strategies that can take on the role of tactically managing factors, sectors, or themes; *see page 13 for more on ETFs*).

Making it easier to incorporate private markets and alternative strategies. Despite demand for products outside of equity and fixed income, fewer than 30% of third-party asset manager models hold liquid alternatives, and very few off-the-shelf models include private markets exposures.[32] The ability for models to incorporate private assets alongside public assets is a major advancement for the industry. To enable access and adoption, we expect: continued infrastructure upgrades (to simplify the onboarding, investing, and rebalancing processes, and unify reconciliation, compliance, and reporting); wrapper innovation (to enable more efficient model implementation); and continued development of whole portfolio solutions (including dedicated private market sleeves, blended public-private portfolios, and solutions that target different outcomes, such as growth or income, in the context of the portfolio’s objectives). Another area where we’re seeing signs of growing adoption: digital assets – while overall model adoption remains in early stages, usage has nearly doubled since 2024, with average allocations of around 3% among those models include digital assets.[33]

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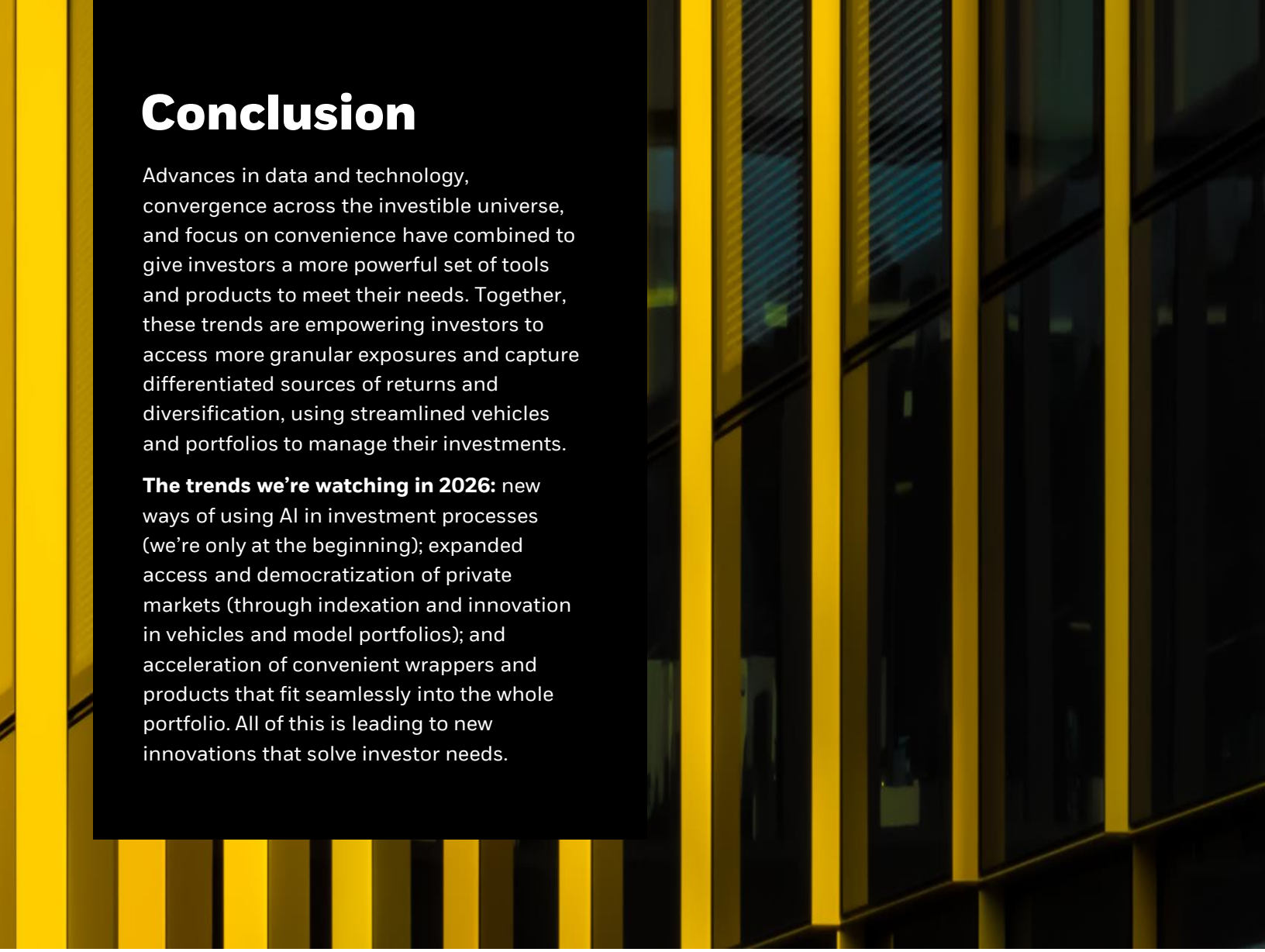

Conclusion

Advances in data and technology, convergence across the investible universe, and focus on convenience have combined to give investors a more powerful set of tools and products to meet their needs. Together, these trends are empowering investors to access more granular exposures and capture differentiated sources of returns and diversification, using streamlined vehicles and portfolios to manage their investments.

The trends we're watching in 2026: new ways of using AI in investment processes (we're only at the beginning); expanded access and democratization of private markets (through indexation and innovation in vehicles and model portfolios); and acceleration of convenient wrappers and products that fit seamlessly into the whole portfolio. All of this is leading to new innovations that solve investor needs.

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End notes

1. BlackRock, as of October 31, 2025.
2. Morningstar, as of October 31, 2025. Across mutual funds and ETFs listed in the U.S., $16T is in active strategies and $18.7T in index strategies.
3. BlackRock, as of October 31, 2025. AUM reflects a universe of U.S.-listed thematic funds identified by BlackRock.
4. McKinsey, as of October 31, 2025. Active strategies are inclusive of active equities, active fixed income, active multi-asset, liquid alternatives, hedge funds, commodities & structured products.
5. International Data Corporation, as of May 2024.
6. Preqin data, as published in "Private Markets in 2030" in October 2025. Private equity is inclusive of venture capital. The model has leveraged Preqin's closed-end fund dataset. Given that Preqin coverage of the open-ended fund universe is not yet suitable for modelling, BlackRock provided a top-down estimate of the private credit Business Development Company (BDC) universe. Preqin added that estimate to the overall forecast to provide better context for the growth of the overall asset class. Although Preqin acknowledges that other fund structures, such as European long-term investment funds (ELTIFs) and long-term asset funds (LTAFs), are an important part of the growth story, Preqin is not yet incorporating these vehicles into forecasts – which may represent additional upside risk to our view. Note that, as a result, Preqin does not have corresponding forecasts for BDC fundraising and performance. There is no guarantee that any forecasts made will come to pass.
7. U.S. Census Bureau Center for Economic Studies - Business Dynamics Statistics (2022). U.S. Census Bureau Center for Economic Studies - Business Dynamics Statistics (2022), World Federation of Exchanges database. Represents latest data as of 2022, as derived on April 2, 2025. Denotes growth or decline for US public and private companies from 1988 to 2022; Capital IQ, BlackRock, as of December 31, 2024.
8. Market share of levered loans from 2000 to 2023. S&P LCD, Pitchbook LCD, as of March 31, 2024.
9. Preqin data, as of Q2 2025. Excludes Fund-of-Funds to avoid double counting.
10. CAIS-Mercer Alternative Investment Survey, as of October 2024.
11. BlackRock, as published in "Read on Retirement" in September 2025. Survey conducted between April 10 and May 19, 2025.
12. Preqin data, as published in "Institutional Allocation Study 2025" in April 2025. Data leverages weighted mean average from YE 2024. Study results are from 1,633 institutions with $8.9T in assets, across public pension funds, insurance companies, sovereign wealth funds, private sector pension funds superannuation schemes, foundations and endowments.
13. Preqin, McKinsey data, as of FY 2024, includes dry powder. All categories from Preqin ex-RE (from McKinsey) which includes liquid and private markets RE.
14. Cerulli, Simfund. Cerulli estimates of the US wealth market excludes Direct and includes intermediated advised and private bank wealth channels. Private markets AUM from Cerulli, as published in "U.S. Intermediary Distribution 2025" from August 2025 and "U.S. Private Banks & Trust Companies 2025" from September 2025.
15. Cerulli, as published in "US Private Markets 2025", from September 2025 and BlackRock estimates.
16. For more, see the BlackRock Paper, "The Power of Private Markets".
17. CNBC via Spectrem Group, as of December 2021 (n = 750).
18. CoinGecko, as of November 30, 2025. Approximate total market cap, including stablecoins.
19. Coin Metrics, CoinGecko, and BlackRock calculations as of November 30, 2025. Total market cap of all cryptoassets excluding stablecoins.
20. BlackRock, as of October 31, 2025. Surpassed $1T in flows October 15, 2025.
21. BlackRock, as of October 31, 2025. Fastest growing as measured by AUM milestones. To better understand the similarities and differences between investments, including investment objectives, risks, fees and expenses, it is important to read the products' prospectuses.
22. Bloomberg, BlackRock, as of April 8, 2025. U.S. ETF trading as a % of all U.S. equity trading was 42% on April 7, 2025. Options on ETFs are issued by the Options Clearing Corporation, which is not affiliated with BlackRock. BlackRock does not offer or issue options on ETFs, nor is this a service provided by BlackRock. There is no guarantee that options will be available for any particular ETF.
23. BlackRock, Simfund, as of October 31, 2025.
24. BlackRock estimates. Estimates are for global figures and include 2030 scenario calculations. Subject to change.
25. BlackRock as of October 31, 2025.
26. BlackRock as of October 31, 2025.
27. SEC, as published in "Investment Company Liquidity Risk Management Program Rules" as of February 2018.
28. Cerulli, as published in "U.S. Outsourced Chief Investment Officer Function 2025" in November 2025.
29. Cerulli, as published in "US Asset Allocation Model Portfolios 2024" in September 2024. Industry estimates and addressable markets as of 2023.
30. Cerulli, as published in "US Asset Allocation Model Portfolios 2024" in September 2024. Projections by BlackRock. Products include MFs & ETFs.
31. Morningstar, BlackRock as of June 30, 2022, and June 30, 2025, respectively. Based on Models and Separate Accounts built with funds, segmented by "Morningstar Category." Underlying fund index or active tagging defined by Morningstar. BlackRock removed certain models from the peer groups based on the following criteria: real assets models, risk parity models, models with insufficient holdings coverage in the BlackRock Aladdin Risk model and models that had not disclosed holdings as of the study date. This should not be taken as a complete representation of the Morningstar models universe.
32. CAIS-Mercer as published in "Connected perspectives: The state of alternative investments in wealth management" in December 2024. Survey based on a select group of 550 independent financial advisors, asset managers and other industry professionals as of October 2024.
33. Morningstar, BlackRock, as of June 30, 2024, and June 30, 2025, respectively. Based on firms with models containing funds in the Digital Assets Morningstar Category. The percentage of models using digital assets increased from 2.5% in 2024 to 4.5% today.

BlackRock.

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Disclosures

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting www.iShares.com or www.blackrock.com. Read the prospectus carefully before investing.

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Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in the value of debt securities. Credit risk refers to the possibility that the debt issuer will not be able to make principal and interest payments.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets and in concentrations of single countries.

AI technology relies on large data sets, which can lead to inaccuracies. Companies in AI face competition, rapid obsolescence, and depend on demand from various industries. Regulatory scrutiny could limit AI development, with data collection facing closer examination and potential fines. Country-specific regulations could also impact AI and big data companies. Technology companies may be subject to severe competition and product obsolescence.

Investing in digital assets involves significant risks due to their extreme price volatility and the potential for loss, theft, or compromise of private keys. The value of the investment is closely tied to acceptance, industry developments, and governance changes, making them susceptible to market sentiment. A disruption of the internet or a digital asset network would affect the ability to transfer digital assets, and, consequently, would impact their value.
Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market. Diversification and asset allocation may not protect against market risk or loss of principal.

Incorporating products providing private market exposure into a portfolio presents the opportunity for significant losses including in some cases, losses which exceed the principal amount invested. Also, some private market investments have experienced periods of extreme volatility and in general, are not suitable for all investors. Asset allocation and diversification strategies do not ensure profit or protect against loss in declining markets. Investor performance may differ due to the illiquidity of the underlying private investments. Private market investments may have low liquidity, which often causes the value of these investments to be less predictable.

Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. Beta measures the funds sensitivity to market movements beta greater than 1 is more volatile than the market beta less than 1 is less volatile than the market.

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