

A Practitioner's Guide to Building Portfolios around Megaforces

BlackRock®

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Investors today are navigating a market shaped less by the traditional business cycle alone and more by a set of powerful structural forces that cut across economies, sectors, and asset classes. Among the most important are digital disruption and artificial intelligence, geopolitical fragmentation, and energy security. These “megaforces” – as they are coined by the BlackRock Investment Institute – are increasingly central to how returns are generated, how risks are managed, and how diversification works across the whole portfolio.

Why megaforces matter for portfolio construction

As portfolio constructors, we assess megaforces from their broad macroeconomic implications through to specific investment opportunities.

These forces are reshaping the outlook for growth, inflation and policy. Geopolitical fragmentation is shifting the focus from global efficiency toward domestic security and capacity, while the significant capital investment required for the low-carbon transition and energy security create inflationary pressure. Equally, the build-out of AI is highly capital intensive, yet has the potential to support productivity and economic growth over time. These transitions are unlikely to be smooth or linear, and periods of volatility and disruption should be expected.

One level deeper, megaforces create opportunities across sectors, asset classes and geographies. Our approach to investing in megaforces therefore goes further than simply owning the most visible beneficiaries. We believe the most effective way to access the megaforce opportunity is through a global, dynamic and holistic approach. This ensures exposure to the full megaforce ecosystem, including emerging winners, indirect beneficiaries and enabling infrastructure, while maintaining flexibility to adapt as these transformative megaforces continue to evolve.



Yasmin Meissner
Portfolio Manager and
Head of Thematics,
Multi-Asset Strategies &
Solutions

Rafael Iborra

Portfolio Manager and Head of Model
Portfolio Solutions International, Multi-
Asset Strategies & Solutions

Justin Christofel

Portfolio Manager and Global Head of
Income Investing, Multi-Asset Strategies &
Solutions

Adam Ryan

CIO of Multi-Alternatives and Head of
Diversified Strategies, Multi-Asset
Strategies & Solutions

Vidy Vairavamurthy

Portfolio Manager and CIO of the
Alternative Portfolio Solutions, Multi-Asset
Strategies & Solutions

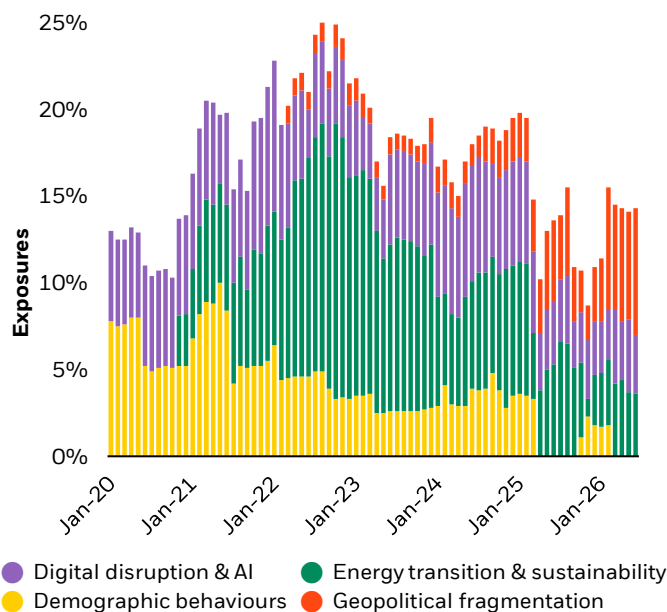
Actively managing megaforce exposure over time

A dynamic approach to megaforce exposure in portfolios should mean both identifying the most attractive themes over time *and* maintaining the discipline to reduce or close exposures as the environment evolves.

The chart below shows one example of how we have put this in practice in a portfolio:

- Energy transition and sustainability exposure has been dynamically managed, peaking in 2022 and evolving to capture different subthemes from biodiversity and natural capital to sustainable energy and nuclear.
- Geopolitical fragmentation was identified as an emergent theme via a national security and defence exposure as early as 2022.
- Digital disruption and AI captures a holistic and evolving opportunity set from China AI through to robotics.
- Longstanding exposure to global brands and luxury goods within demographic behaviours were closed in 2025 given the belief that global supply chains would become increasingly fragmented following Liberation Day.

Dynamic management of megaforce exposure in practice



There is no guarantee that research capabilities will contribute to a positive investment outcome. Source: BlackRock, as of 31 May 2026. For illustrative purposes only.

High-conviction themes require portfolio discipline

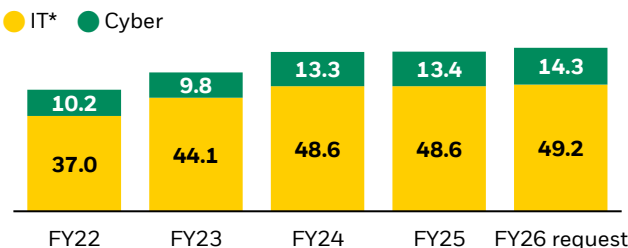
Another approach to capturing megaforces in portfolios is by combining a core multi-thematic building block with targeted thematic allocations.

An actively managed multi-thematic strategy is designed to capture persistent structural themes while actively rotating toward the most compelling parts of the thematic landscape, drawing upon vast sets of data to seek to systematically uncover companies with direct and indirect exposure to themes. Around that core, investors may elect to allocate to higher conviction building blocks.

Importantly, thematic exposures should not be viewed in isolation as they are increasingly interconnected. For example, AI requires vast amounts of power which is being increasingly provided from renewable energy sources such as wind and solar given their speed to deploy and pricing competitiveness. Defence and security initiatives are accelerating AI adoption across next-generation defense technology including sensors, drones and secure communications.

The intersection of themes: Defence tech is supercharging AI expenditure

USD\$bn Department of Defense Activities



Source: U.S. Department of Defense Information Technology and Cyberspace Activities (IT/CA) Budget Request Overview as of 30 June 2026. *IT refers to government spending on defense information technology including unclassified information technology and national security systems.

The interconnectedness of megaforces creates opportunity, but it also increases complexity. Investors need to be dynamic not only across themes, but within them. The outcomes from thematic allocations are increasingly sensitive to timing, implementation, and risk management as correlations and leadership shift quickly. Innovation is important in identifying themes early and building investable expressions of them, but discipline matters just as much in ensuring those exposures remain additive to portfolio outcomes.

Capturing megaforges across public and private markets

Many of the most important opportunities now span both public and private markets. Some parts of a theme are easier to access publicly while others remain private for longer, are earlier-stage, or sit within infrastructure and financing structures that public markets do not fully capture.

Private markets and infrastructure investments may be among the largest capital deployment opportunities in the intersection of the AI build out and low carbon transition, in our view. Public markets remain key, yet much of the deal flow supporting transition investments is emerging from private channels.

Early-stage projects, for example new energy technology or grid buildouts aren't listed on public markets. Added to this, these assets often have long payback periods, dependent on regulation, subsidies, and policy cycles. These are compelling opportunities but typically longer duration and capital intensive that suit private market structures.

Over time, some of these businesses will mature and become public, broadening the listed opportunity set. Until then, private markets can offer valuable access, diversification, and insight into where the economics of megaforges are accruing.

For investors who can incorporate longer duration assets in the private markets, these can be highly compelling opportunities, and complementary to their public market holdings. A multi-alternative evergreen fund can provide a carefully managed and diversified exposure to some of the most powerful megaforges accruing in private markets.

Megaforges can support multiple portfolio objectives

While megaforges are often seen as drivers of long-term capital growth, they can also help investors achieve other portfolio outcomes, including income. Traditional sources of yield can leave portfolios exposed to a narrow set of sectors and macro risks. By incorporating thematic exposures linked to structural change, investors can broaden the income opportunity set and improve portfolio resilience.

AI is a useful example. While technology companies have been among the most visible beneficiaries of AI, they are not typically associated with income investing given their relatively low dividend yields. We see two ways in which investors can address this challenge:

1. By gaining exposure to higher-yielding parts of the AI ecosystem, such as infrastructure and utility companies supporting the buildout of AI capacity.
2. By using option-writing strategies to generate income from AI-related equities. Our Multi-Asset Income team uses selective option writing on technology and AI-related equities to convert volatility into income. As shown in the graphic below, such a strategy can supplement the relatively low dividend yield of technology stocks, while maintaining exposure to companies linked to the AI megaforge.

From low dividends to broader income potential



Source: BlackRock, Bloomberg as of 31 May 2026. Based on the S&P 500 Tech sector. For illustrative purposes only.

Beyond AI, other megaforges such as geopolitical fragmentation and energy security can also support income outcomes through defence and infrastructure exposures. In our view, this reinforces the portfolio role of megaforges not only as drivers of growth, but as tools that can help investors balance yield, resilience and diversification in multi-asset portfolios.

Conclusion

Megaforges are no longer peripheral considerations or narrow thematic allocations. They are increasingly central to how portfolio constructors can generate returns, absorb shocks, and achieve diversification – whether the objective is long-term growth, diversification, access to private-market value creation, or building a more resilient income stream. But the key is not just to own them, it is to integrate them thoughtfully, with discipline and adaptability, into the portfolio construction process. In our view, the investors best placed to navigate the next decade will be those who treat megaforges as a core lens through which the whole portfolio is built.

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