Inside the**market**

Investment Directions

Autumn 2026: Exposures for today's markets

Investors remain constructive on risk, despite geopolitical volatility and continued rate uncertainty. Our clients' self-reported risk stance tilted net bullish this summer (+9%),[1] mirrored in record July ETP buying that keeps 2026 on track for a record year.[2]

Our views into year-end are shaped by three key dynamics that we explore in our Autumn Investment Directions:

- First, AI-related exposures command an ever-growing share of the whole portfolio. We think AI offers opportunity, but there's room to be more precise *in* the theme and to seek value *around* it. For investors wanting to manage concentration, opportunity persists in sectors and regions *beyond* the AI buildout.
- Second, competition for capital is intensifying. We expect this to drive yield curves steeper, keeping term premia elevated – even with policy rates on hold – and duration ballast unreliable, calling for a more deliberate approach to beta.
- Third, the income opportunity has reset: yields look attractive, but persistent inflation, elevated term premia and greater dispersion demand a selective and intentional approach.

Theme 01

Managing AI concentration

Rising cross-asset AI concentration calls for selectivity in direct AI exposure and opportunities around its buildout, while diversifying beyond AI as market leadership broadens.

Theme 02

Managing beta

As traditional sources of resilience turn less reliable, we look to reduce dependence on broad market beta by adding differentiated return drivers, reshaping equity exposure and building more adaptive portfolios.

Theme 03

Income with intent

Attractive yields offer a stronger return foundation, but greater dispersion and rate uncertainty favour broadening where investors source income across asset classes.

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Theme 01

Managing AI concentration

AI concentration risk is front of mind for our clients – and they tell us they're looking to *manage* it, not necessarily *reduce* it. We think it's crucial to assess AI exposure across the whole portfolio, given AI drift across asset class indices, including potential indirect exposure via components of the AI stack or beneficiaries of the buildout.

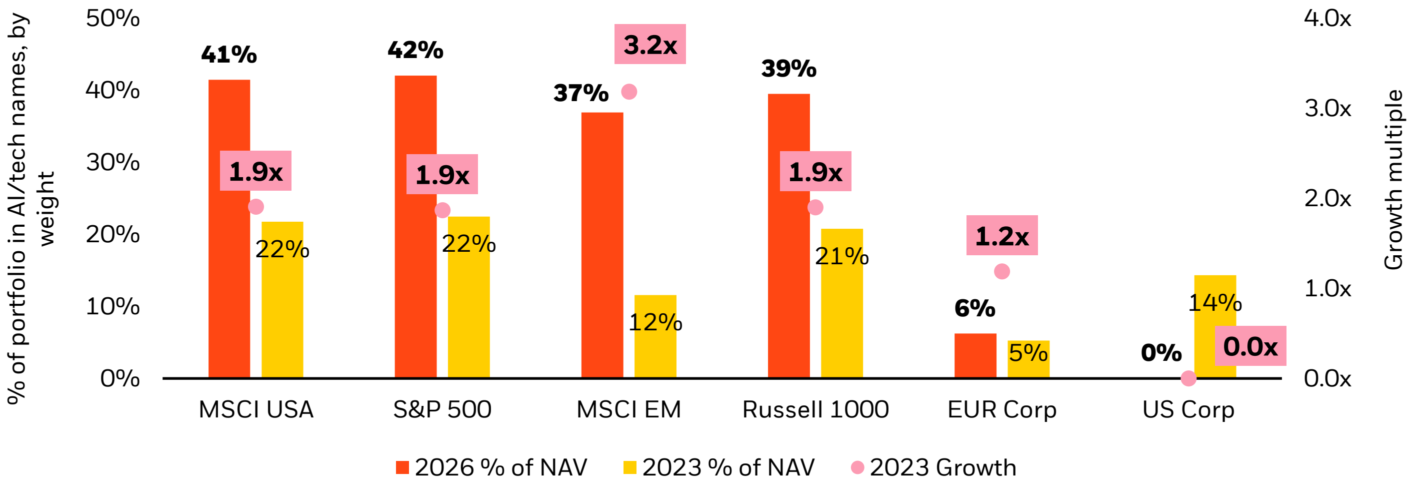
Since 2023, the share of AI and technology names has risen significantly across broad US equity indices and more than doubled in emerging market (EM) equities (see chart below).[1] Even EUR investment grade (IG) credit – a structural overweight in the average European portfolio[2] – carries c.14% exposure to US issuers, roughly half concentrated in AI names.[3]

Against this backdrop, we reinforce our *in, around and beyond AI* framework. The volatility of, and dispersion within, AI-related exposures call for deliberate and intentional allocations *in* and *around* the AI stack. For investors looking to reduce unintentional exposure to balance AI drift, opportunities remain *beyond* the theme.

> **Precision ETPs are a crucial part of the index toolkit. They offer investors the means to manage AI exposure: leaning into intentional AI plays and avoiding unintentional exposure drift across EM and DM. This has played out with $250.2B of flows into precision equity ETPs globally this year.[4]**

Brett Pybus
Co-Head of European iShares

Figure 1. AI concentration is growing across asset-class indices
Share of index weight in names from AI thematic baskets, 2023-2026



In AI

We maintain conviction in the core of the AI theme as a return opportunity, especially amid an improvement in valuations. In our view, this summer's selloff wasn't based on any deterioration of fundamentals – in fact, it coincided with an improving earnings backdrop for AI and semiconductor stocks. S&P 500 semis firms are now expected to grow earnings +151% YoY in Q2, up from an already elevated forecast of +126% as of mid-June.[5]

AI enthusiasm has spurred $163.8B of tech ETP inflows globally YTD, with only 30% into active strategies.[6] However, we believe rotating market leadership across semiconductors and software calls for a more intentional and deliberate allocation to the core of the AI theme.

At its peak, the US tech sector saw c.71% dispersion between the best and worst-performing level two subsectors.[7] Stock-level volatility has also punished crowded shorts and widened dispersion between sectors and AI winners and losers. Active AI strategies can help investors take a dynamic approach to AI by navigating the evolving ecosystem selectively as leadership shifts.

See p. 10 appendix for chart sources and footnotes.

Around AI

Investor demand for AI-adjacent opportunities is broadening, with Q1 and Q2 marking the two strongest quarters of infrastructure ETP inflows on record.[8] As competition for capital intensifies, the AI buildout is creating opportunities across infrastructure, power and commodities, reinforced by investment in competitiveness and energy security.

We see opportunity in European infrastructure as a beneficiary of AI-driven investment, as well as a multi-year cycle to modernise ageing assets and strengthen electrification, competitiveness and energy security. EU electricity consumption is projected to rise 60% from 2023 to 2030, requiring an estimated €584B of grid investment and creating structural opportunities across construction, materials and transport.[9] Industrials look well-positioned after a strong earnings season, with EPS growth outpacing sales and 79% of companies beating sales expectations.[10]

Power is a critical constraint on the AI buildout, as rising electricity demand converges with energy-security and supply-chain pressures. Investor positioning is responding: the average European equity sleeve has shifted to overweight energy after consecutive quarters of underexposure,[11] while Q1 2026 global energy ETP inflows surpassed the previous 2021 record.[12] We expect increasingly power-intensive AI data centres to support structurally higher power demand.

Within this, we see opportunity in nuclear as a reliable source of low-carbon baseload power, with multiple companies reporting strong earnings and order-book growth. Improving policy support and a growing global development pipeline reinforce the investment case.

Commodities have been in focus amid this year's geopolitical and climate backdrop, and their role at the intersection of AI infrastructure, energy security and the energy transition. Diversified commodities today serve both a macro and portfolio role: providing differentiated exposure to the AI ecosystem and energy in the event of a rise in geopolitical tensions. They also add diversification in portfolios, even alongside a gold allocation – which has been EMEA investors' favoured hedge over the past 18 months. With a sub-0.3 correlation to gold, MSCI ACWI and Global Agg over the past five years,[13] we see a strategic allocation to diversified commodities as complementary to gold, rather than a replacement.

Figure 2. US clean energy to break record in 2026 despite policy hurdles

Annual US wind, solar and storage capacity additions, 2020-2036 (estimated)

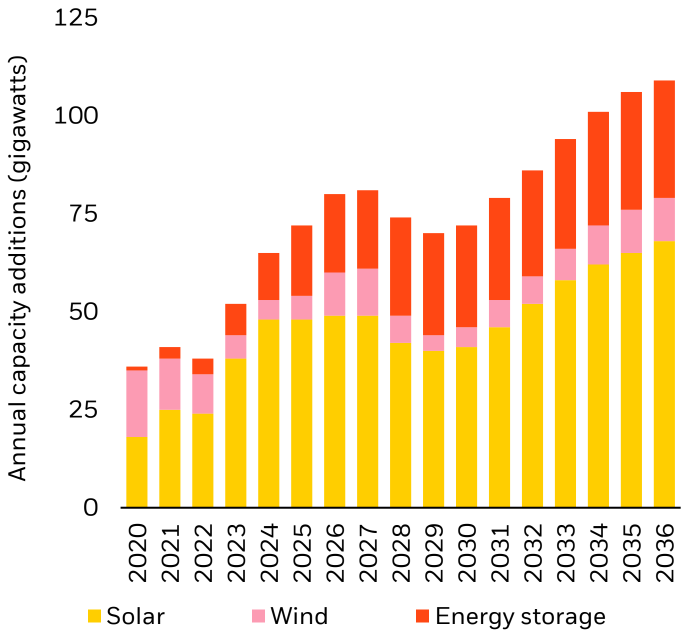


Figure 3. Diversified commodities offer low correlation to public equities and bonds and gold

Trailing five-year correlations across asset classes, August 2026

	Global equities	Gold	Diversified commodities	Global bonds
Global equities	1.0			
Gold	0.25	1.0		
Diversified commodities	0.24	0.27	1.0	
Global bonds	0.74	0.45	0.08	1.0

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.

See p. 10 appendix for chart sources and footnotes.

AI is opening up a compelling new return opportunity set in healthcare, we believe, expanding the investable opportunity as advances in drug discovery and development improve R&D productivity. We also see healthcare as an attractive portfolio diversifier: a beneficiary of AI adoption, but with return drivers that are less correlated with the core tech-led AI theme. While US policy uncertainty could add to near-term volatility, particularly in subsectors like pharma, it's unlikely to overwhelm the sector's longer-term innovation and structural growth story, in our view. Beyond the US, European healthcare benefits from improving fundamentals: 83% of companies beat earnings expectations in Q2,[14] while our valuation and profitability framework points to increasing profitability alongside a modest earnings discount.[15]

Beyond AI

We see investors supplementing deliberate exposure in and around AI with opportunities beyond the theme, in other US sectors and other countries.

To avoid unintentionally increasing AI exposure through active large cap US equity strategies, investors can look to flexible active strategies that aim to deliver alpha with very low correlation to the broad market and the AI theme. These strategies can take advantage of the broadening opportunity set, add a different return stream to the portfolio and avoid over-concentration in AI large caps.

Beyond the US

In Japan, corporate reform is translating into improved capital efficiency and shareholder returns, helping drive c.30% returns over the past year.[16] Yet with earnings still the largest return driver, large-cap multiples have cheapened c.7% YTD,[17] creating a potentially compelling entry point in a market that can also help diversify beyond AI.

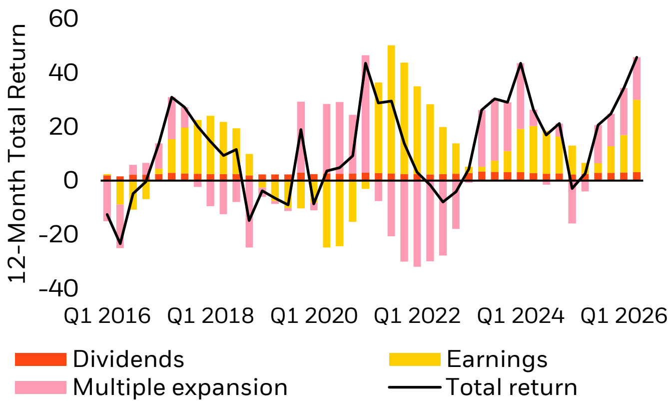
Within Japan, financials – now the second-largest sector contributor to broad equity performance – could be an overlooked beneficiary of normalising rates, reflation and recovering consumption.

In emerging markets, India offers attractive fundamentals: earnings have held up, contracting just 1.9% so far this year,[18] against a larger fall in share prices, leaving the market's forward P/E at 21.7x currently versus 26.4x at the start of the year.[19] In our view, the equity market has been punished for its software exposure, while other sectors have held up amid improving earnings.

Dispersion across EMs also strengthens the case for active management. High-conviction, anti-momentum active strategies able to express both long and short views can capture these differences while accessing contrarian opportunities where fundamentals warrant.

Figure 4. Earnings growth has helped propel Japanese equities this year

Sources of return for Japanese equities, 2016-2026



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See p. 10 appendix for chart sources and footnotes.

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Theme 02

Resilience: managing beta

Increasing correlations between asset classes mean resilience can't be achieved by simply holding a variety of them in a portfolio.

Moreover, as competition for capital – to meet the needs of governments and the AI buildout – intensifies, we expect yield curves to steepen, continuing to challenge the role of longer duration bonds as a reliable hedge to equity risk.

Portfolio risk can be reduced by lowering exposure to market beta, we believe. The challenge is to do so without unnecessarily sacrificing return opportunities. We see three approaches to achieving this:

- replacing market beta with alpha via liquid alternatives
- managing equity beta with systematic and buffer strategies, as well as private equity
- managing multi-asset beta with dynamic multi-asset strategies and diversified private markets exposure.

In a volatile year for markets, it has paid to diversify investment approaches beyond traditional stock and bond allocations. Greater dispersion has created compelling opportunities for alpha-seeking macro strategies.

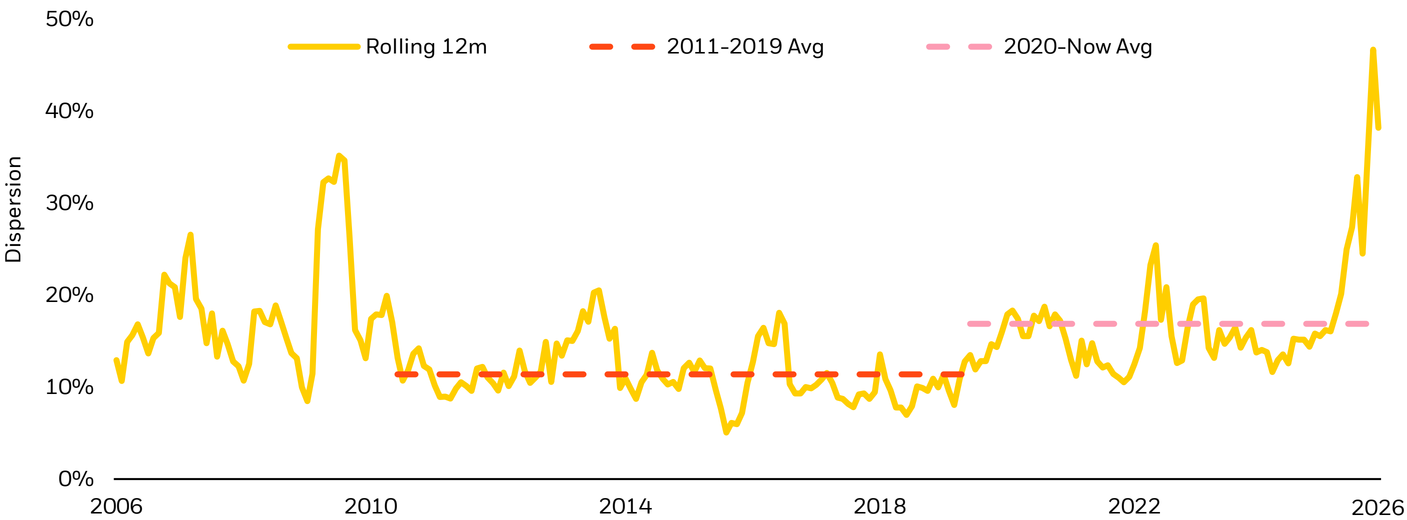
Simon Wan
Portfolio Manager, Global Tactical Asset Allocation Team

From beta to alpha

As investors seek to diversify the drivers of portfolio outcomes – including tapping into potential return opportunities from relative moves within markets – and bring down market beta, systematic-led liquid alternatives have a role to play, we believe. Diverging policy rates, inflation and fiscal trajectories are driving sustained cross-country dispersion (see figure 1), creating a rich opportunity set for market-neutral macro strategies focused on relative value where fundamentals and market pricing diverge. This could prove supportive for strategies aimed at capturing market dislocations through discretionary macro insights and systematic signals across asset classes and regions.

An environment of high dispersion may also support diversified absolute return strategies that combine complementary systematic capabilities to try to generate returns that are uncorrelated to the broad market and to market-neutral macro strategies.

Figure 1. A spike in cross-country dispersion has revived the macro opportunity set
Dispersion of country-level equity returns, 2006-2026



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See p. 10 appendix for chart sources and footnotes.

Managing equity beta

The average European portfolio is structurally concentrated in equity risk, with a further increase in equity risk contribution from 80% to 83% in Q2.[1] This makes managing beta – while maintaining or increasing potential returns – more important, in our view.

Complementing core equity market exposure with a more idiosyncratic equity return source could improve portfolio outcomes. Widening stock-level dispersion creates greater scope to harvest opportunities through security selection, without relying on directional macro views. In this context, systematic strategies stand out, given their distinct risk drivers and potential to diversify from high-conviction active strategies, which can help them to deliver alpha that's less correlated with broad market beta.

For investors who remain constructive on US equities but wish to hedge against the risk of episodic drawdowns into year-end, buffer strategies offer a way to reshape – rather than reduce – equity exposure. In particular, we see a role for deep buffers, which retain capped upside participation while targeting protection against more meaningful market weakness – c.-5% to -20% of quarterly S&P 500 downside. A broader range of buffer profiles allows investors to dial protection up or down depending on their risk tolerance and market outlook. Higher implied volatility through much of 2026 has improved the economics of newly-launched and resetting strategies, supporting more attractive upside caps for a given level of protection.

Reshaping the equity sleeve includes broadening beyond public markets. Private equity provides access to a much larger universe of companies, where significant value creation can occur before IPO: the majority of global companies with revenues above $100m remain privately owned.[2] While private equity exposures have been correlated with public equity exposures, that correlation – 0.71 – is below one, meaning more of the return streams are idiosyncratic.[3] Our analysis suggests that a 20% allocation to private equity, funded from public equities, could increase expected returns of a traditional 60/40 portfolio by 30% over a 10-year horizon, while only moderately increasing overall portfolio risk, resulting in an 18% uplift in the Sharpe ratio.[4]

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. Forecasts are not a reliable indicator of future performance.

Figure 2. Most large global companies are privately-held

Proportion of global companies with revenue >$100M that are publicly-listed or privately-held

Managing multi-asset beta

Dynamic multi-asset strategies can adapt the portfolio mix as opportunities and correlations shift, potentially acting as both a diversifier and a contributor to returns.

Diversified private markets strategies can also play a key role in managing multi-asset beta, given their low correlations to public markets. As noted previously, private equity has a 0.71 correlation to global public equities, while infrastructure equity has a 0.78 correlation to global public equities and private credit has an even lower correlation with public credit, at 0.21.[5]

As a result of this diversification potential through exposure to idiosyncratic risk, our modelling suggests that adding a 20% allocation to a multi-alternative strategy to a traditional 60/40 portfolio can significantly enhance potential risk-adjusted returns.[6]

See p. 10 appendix for chart sources and footnotes.

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Theme 03

Income with intent

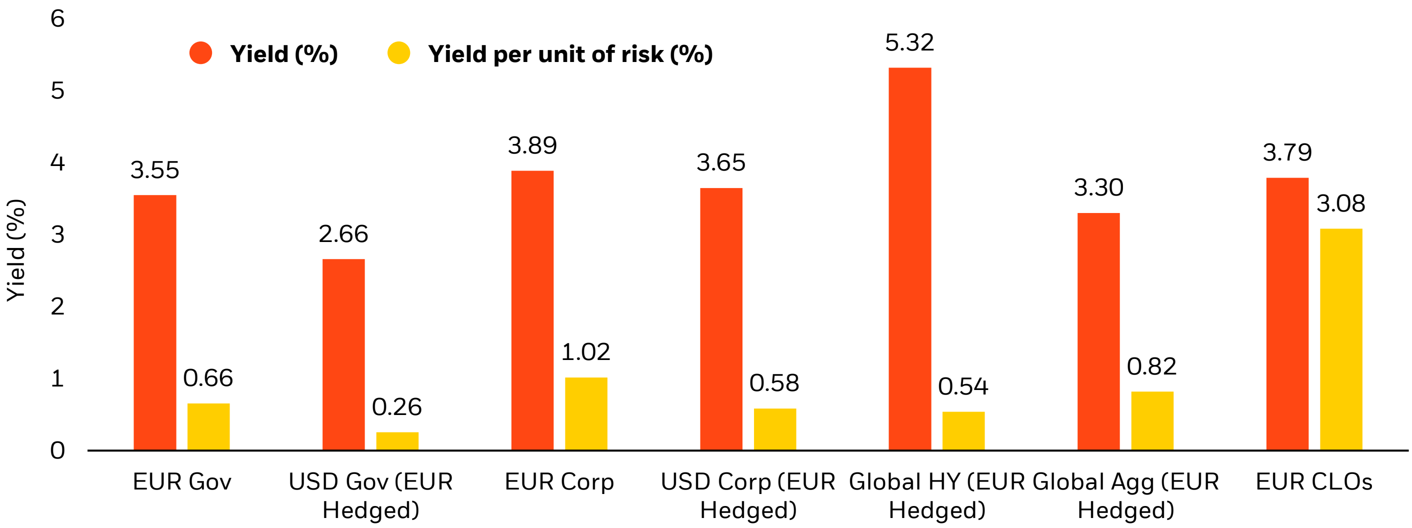
More than 80% of the global fixed income universe now yields above 4%, compared with less than 20% on average between 2010 and 2021.[1] Income has therefore returned as a meaningful standalone source of bond returns. But as competition for capital intensifies, we see scope for further steepening of yield curves as term premia remains elevated.

The question is therefore not simply whether to own fixed income, but where to harvest that income most efficiently, in our view. Not all yields offer the same compensation for risk: investors may need to look more granularly at the underlying sources of income, both within and beyond traditional fixed income markets.

Investors looking to enhance income could consider short-duration EMD, we believe. EM credit premia and country-specific dynamics, combined with active selection, offer a differentiated return profile that tends to be less correlated with DM drivers.

Ana-Sofia Monck
Portfolio Manager, Emerging Market Debt team

Figure 1: CLOs and EUR credit offer some of the highest risk-adjusted yields
Yield per unit of risk, September 2026



Look beyond traditional credit

For investors, that combination of attractive starting yields and uncertain rate paths favours flexibility across credit sectors and active duration management. Current yields provide a stronger income cushion than during the previous decade, reducing reliance on further spread compression to generate returns.

Flexible income strategies can therefore complement core fixed income by enhancing yield while actively managing duration, through diversified exposure across corporates, securitised credit, high yield and select EMD.

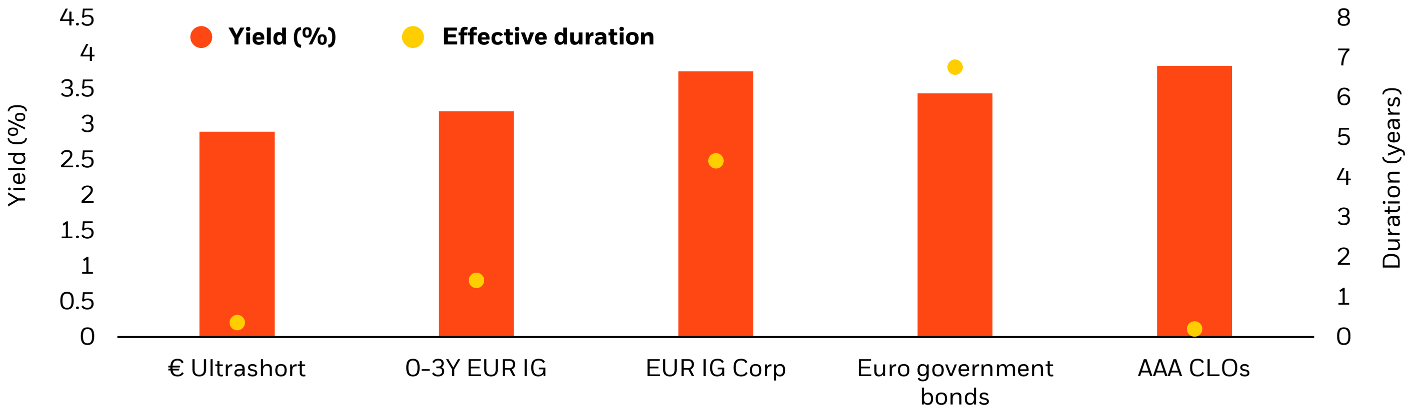
Compared with EUR IG, EUR AAA CLOs offer a differentiated source of income, combining higher yields at similar or higher credit quality with structural credit protection, floating-rate exposure and limited duration risk. USD and EUR AAA CLOs also demonstrate favourable 10-year cumulative impairment rates of 0.0%, versus 0.7% for global AAA corporates.[2]

Yet securitised assets remain underrepresented in EMEA portfolios, at just 0.5% of the average fixed income sleeve in Q2, down from 0.8% in Q1 2026 and 1.5% in Q4 2025.[3] Our analysis suggests that increasing EUR CLO exposure to 10%, funded from EUR IG and government bonds, can improve hedged yield per unit of ex-ante risk by 0.03 – broadening sources of income and resilience through liquid active vehicles.[4]

See p. 10 appendix for chart sources and footnotes.

Figure 2. CLOs offer higher yields than a range of other fixed income exposures, with minimal duration

Yield and effective duration of various fixed income exposures, August 2026



Look beyond developed market bonds

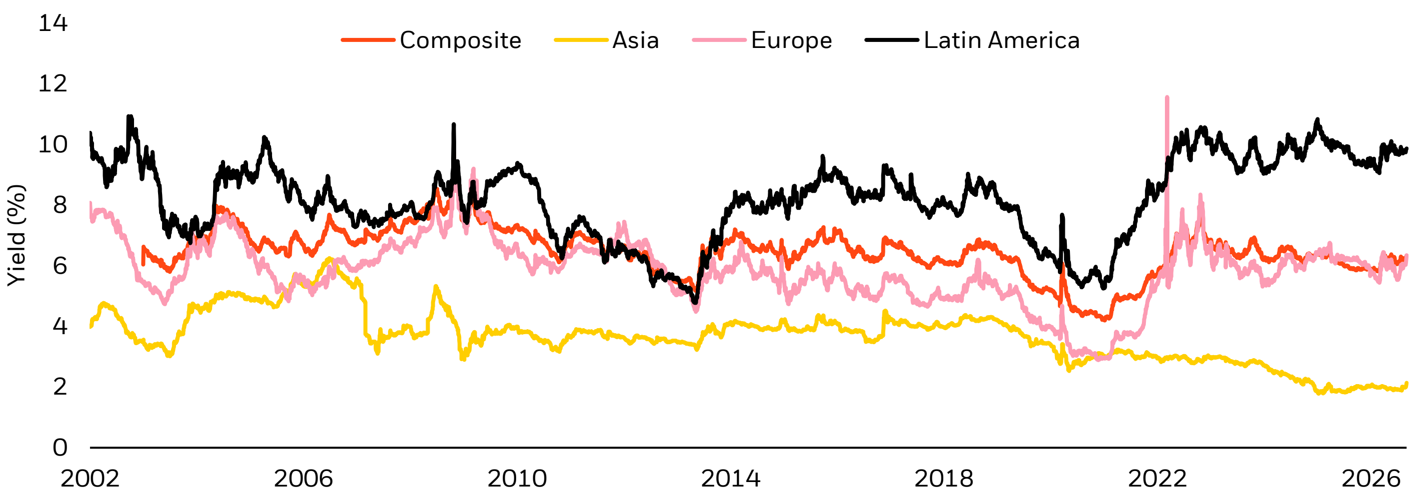
Emerging market debt offers attractive income alongside differentiated return drivers, in our view. Despite geopolitical uncertainty, fundamentals have remained resilient, with at-trend global growth supporting risk appetite. Short duration EMD offers 6.9% YTM,[5] driven primarily by EM credit premia and country-specific dynamics that diversify developed market credit and rates exposure. Investor demand reflects this: 2026 is tracking as the strongest year for EMD ETP inflows since 2021, with $24.8B added globally so far this year.[6]

Yet EMD remains underrepresented in European portfolios, at just 7% of the average EMEA fixed income sleeve, versus 17% in the Global Agg.[7] Selectivity is key, we believe: LatAm stands out for carry and energy exposure over EM Asia, where many funders are energy importers.[8]

Idiosyncratic events may also create alpha opportunities, including whether Latin America's electoral shift to the right extends to Brazil in October, while El Niño could amplify pressures on agricultural inputs, food prices and energy markets unevenly across geographies and sectors, supporting an active approach.

Figure 3. The carry trade lives on in EMD, with income opportunities and suppressed volatility

Yield of local currency emerging market bonds, 2002-2026



Look beyond bonds

Equity income can complement bonds by combining current income with participation in earnings growth and long-term capital appreciation. With investors seeing greater growth potential in global equities but less natural income and diversification, systematic strategies can help balance yield, upside participation and risk control within multi-asset portfolios.

Systematic approaches can also address a trade-off inherent in traditional high dividend investing: concentration in mature sectors that can sacrifice growth and introduce unintended style biases. By combining diversified equity exposure with dividend capture and option premia, investors can monetise volatility for additional income while retaining growth exposure.

See p. 10 appendix for chart sources and footnotes.

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Notes

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Introduction

1 Source: BlackRock, June 2026. Results based on EMEA survey submissions throughout H1 2026. 'Bullish' respondents selected 5 (very bullish) or 4 (slightly bullish); 'Bearish' respondents selected 2 (slightly bearish) or 1 (very bearish). Net sentiment is the difference between bullish and bearish responses.

2 Source: BlackRock and Markit, as of 31 July 2026.

Theme 01 – Managing AI concentration

1, 3 Source: BlackRock Aladdin, as of 31 July 2026. Indices are unmanaged and one cannot invest directly in an index. 'AI beneficiary basket' based on a proprietary list of stocks compiled by BlackRock, representing exposure to the AI theme.

2 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar. Positioning data as of 30 June 2026. Portfolio average allocation based on 178 Europe-domiciled moderate-risk multi-asset portfolios, reviewed quarterly.

4, 6, 8, 12 Source: BlackRock and Markit, as of 2 September 2026.

5 Source: Bloomberg, as of 2 September 2026. Based on firms in the S&P 500 Semiconductor subsector.

7 Source: BlackRock and Bloomberg, as of 26 August 2026.

9 Source: 'In focus: EU investing in energy infrastructure', European Commission, October 2024.

10 Source: 'STOXX 600: Stronger-Than-Perceived Q2 Earnings Growth Led by Energy and Technology', FactSet, July 2026.

11 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar. Positioning data as of 30 June 2026. Portfolio average allocation based on 178 Europe-domiciled moderate-risk multi-asset portfolios, reviewed quarterly.

13 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: 02/08/21 - 31/07/26. Data Frequency: month. Currency: USD. 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. 'Global equities': MSCI ACWI Index. 'Gold': LBMA Gold Price USD Index. 'Diversified commodities': Bloomberg Enhanced Roll Yield USD Index. 'Global bonds': Bloomberg Global Aggregate USD Index.

14 Source: BlackRock and Refinitiv, as of 26 August 2026.

15 Source: BlackRock, September 2026. Our framework assesses sector outlooks using profitability and valuation Z-scores across MSCI World, Europe and US sectors, alongside qualitative macro and microeconomic analysis.

16 Source: 'MarketView – Marquee', Goldman Sachs, August 2026.

17 Source: Bloomberg, as of 4 September 2026. Based on the TOPIX Index P/E ratio.

18 Source: LSEG Datastream, as of 2 September 2026.

19 Source: Bloomberg, as of 2 September 2026.

Figure 1. Source: BlackRock Aladdin, as of 31 July 2026. Indices are unmanaged and one cannot invest directly in an index. 'AI beneficiary basket' based on a proprietary list of stocks compiled by BlackRock, representing exposure to the AI theme. EUR Corp represented by ICE BofA Euro Corporate Index; US Corp represented by iBoxx USD Liquid Investment Grade Index.

Figure 2. Source: BlackRock and Bloomberg, as of 12 June 2026.

Figure 3. 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: 02/08/21 - 31/07/26. Data Frequency: month. Currency: USD. 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. 'Global equities': MSCI ACWI Index. 'Gold': LBMA Gold Price USD Index. 'Diversified commodities': Bloomberg Enhanced Roll Yield USD Index. 'Global bonds': Bloomberg Global Aggregate USD Index.

Figure 4. 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: LSEG Datastream, MSCI and BlackRock Investment Institute, as of 4 August 2026. Notes: the bars show the breakdown of Japan's 12-month return into dividends, earnings growth and valuation (multiple). Earnings growth is based on the 12-month change in 12-month forward I/B/E/S earnings estimates. Returns are based on the MSCI Japan Index.

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Theme 02 – Resilience: managing beta

1 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar. Positioning data as of 30 June 2026. Portfolio average allocation based on 178 Europe-domiciled moderate-risk multi-asset portfolios, reviewed quarterly.

2 Source: Capital IQ, BlackRock as of 22 April 2026. Represents the number of global companies with annual revenues greater than US$100 million.

3, 5 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. Forecasts are not a reliable indicator of future performance. Source: BlackRock, as of July 2026; Capital Market Assumption (CMA) data as of 30 June 2026. Currency: USD; time period: 10 years, forward-looking. Return assumptions are total nominal returns. Asset return expectations are net of assumed fees. Fees and alpha are estimates for illustrative purposes only and do not represent any actual fund performance. Indices are unmanaged and one cannot invest directly in an index. You should consider the most appropriate allocation for your needs. Global Equities are proxied by the MSCI All Country World Index, Global Fixed Income by the Bloomberg Global Aggregate Index. Private market data based on BlackRock CMAs.

4, 6 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. Forecasts are not a reliable indicator of future performance. Source: BlackRock, as of September 2026; Capital Market Assumption (CMA) data as of 30 June 2026; currency: EUR; time period: 10 years, forward-looking. Return assumptions are total nominal returns. Asset return expectations are net of assumed fees. Fees and alpha are estimates for illustrative purposes only and do not represent any actual fund performance. Indices are unmanaged and one cannot invest directly in an index. These portfolios represent a sample of the various possible solutions on the efficiency frontier.. The risk numbers use six years of monthly returns, with a three-year half-life. BlackRock has not considered the specific needs of the client and is not making any recommendation of any particular option. You should consider the most appropriate allocation for your needs.

Figure 1. 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. 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. Source: BlackRock with data from Bloomberg, Morningstar as of 31 March 2026. Equity dispersion based on root mean squared error of rolling 12-month returns for 27 individual country equity markets within MSCI ACWI. Those countries include Australia, Brazil, Canada, Chile, China, France, Germany, Hong Kong, Indonesia, India, Italy, Japan, South Korea, Mexico, Malaysia, Netherlands, Poland, South Africa, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, and United States.

Figure 2. Source: Capital IQ, BlackRock as of 22 April 2026. Represents the number of global companies with annual revenues greater than US$100 million.

Theme 03 – Income with intent

1 Past performance is not a reliable indicator of current or future results. Sources: BlackRock Investment Institute, with data from LSEG Datastream, as of 31 July 2026. Notes: The bars show market capitalization weights of assets with an average annual yield over 4% in a select universe that represents about 70% of the Bloomberg Multiverse Bond Index. Core government comprises U.S. Treasuries and euro core government bonds; U.S. government-related comprises agencies and municipals; U.S. MBS & CMBS comprises both securitized sectors; Global HY & EM also includes euro periphery government bonds.

2 Source: S&P and Moody's, August 2026. Global corporate cumulative default rate is the 10-year cumulative global default rate from 1981-2025 (S&P). CLO data based on 10-year cumulative impairment rates by original rating, 1993-2025 (Moody's).

3, 7 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar. Positioning data as of 30 June 2026. Portfolio average allocation based on 178 Europe-domiciled moderate-risk multi-asset portfolios, reviewed quarterly.

4 Source: BlackRock Aladdin, as of 4 September 2026. Currency: EUR. Starting portfolio (Average EMEA Fixed Income Sleeve) allocation is based on Portfolio average allocation 178 Europe-domiciled moderate-risk multi-asset portfolios, reviewed quarterly, as of 30 June 2026 positioning. For Illustrative purposes only.

5 Source: BlackRock, as of 2 September 2026. 'Yield' based on weighted average yield to maturity. 'Short duration EMD' based on JP Morgan EMBI Global Diversified 1-3 year Index (USD).

6 Source: BlackRock and Markit, as of 2 September 2026.

8 Source: 'How is war in the Middle East reshaping Asia's energy transition?', World Economic Forum, May 2026.

Figure 1. Source: BlackRock Aladdin, as of 2 September 2026.

Figure 2. Source: BlackRock and iShares, as of 26 August 2026. Notes: € Ultrashort = iBoxx EUR Liquid Investment Grade Ultrashort Index (EUR); 0-3Y EUR IG = Bloomberg MSCI Euro Corporate 0-3 ESG SRI Index (EUR); EUR IG Corp = Bloomberg Euro Corporate Index (EUR); Euro government bonds = Bloomberg Euro Treasury Bond Index.

Figure 3. Source: LSEG Datastream, JPMorgan and BlackRock Investment Institute, as of 2 September 2026. Note: Lines show yield based on JP Morgan GBI-EM Index of each region.

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Appendix

Annual flows into global ETPs by exposure type, 2021-2026 YTD

	2021	2022	2023	2024	2025	2026 YTD
All (across asset classes)	$1,391.2B	$633.8B	$676.4B	$1,650.9B	$2,340.7B	$1,927.1B
Equity	$1,012.3B	$572.1B	$664.4B	$1,290.2B	$1,464.2B	$1,287.6B
Fixed income	$285.3B	$257.2B	$336.7B	$448.2B	$691.2B	$563.7B
Commodity	$31.1B	-$10.5B	-$16.2B	-$1.4B	$102.5B	$34.6B
Sector-focused	$164.2B	$44.8B	$64.8B	$108.3B	$190.9B	$167.3B
Factor-focused	$47.8B	$65.4B	$43.3B	$95.7B	$74.9B	$82.9B
Technology sector	$56.2B	$32.1B	$44.7B	$49.5B	$113.4B	$163.8B
Energy sector	$15.8B	-$2.2B	-$9.9B	-$15.1B	-$5.4B	$14.4B
EM debt	$21.3B	-$12.0B	$14.9B	$14.4B	$116.1B	$20.9B

Source: BlackRock and Markit, as of 2 September 2026. **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.**

Five-year annualised performance

	2021	2022	2023	2024	2025	2026 YTD
MSCI World Index	21.82%	-18.14%	23.79%	18.67%	21.09%	13.57%
MSCI All-Country World Index (ACWI)	18.54%	-18.36%	22.20%	17.49%	22.34%	14.78%
S&P 500 Index	28.71%	-18.11%	26.29%	25.02%	17.88%	13.65%
MSCI Europe Index	25.13%	-9.49%	15.83%	8.59%	19.39%	12.19%
MSCI Japan Index	1.71%	-16.65%	20.32%	8.31%	24.60%	22.23%
MSCI EM Index	-2.54%	-20.09%	9.83%	7.50%	33.57%	24.61%
MSCI India Index	26.23%	-7.95%	20.81%	11.21%	2.62%	-8.94%
S&P 500 Information Technology Index	34.17%	-28.41%	57.41%	36.33%	23.82%	23.72%
S&P 500 Semiconductors & Semiconductor Equipment (Industry Group) Index	49.95%	-36.21%	99.08%	76.04%	46.19%	38.52%
S&P 500 Application Software Sub-Industry Index	19.75%	-37.19%	67.08%	10.18%	7.20%	-15.77%
Bloomberg Global Aggregate Index	-4.71%	-16.25%	5.72%	-1.69%	8.17%	-0.13%
Bloomberg Euro Aggregate Treasury Index	-3.46%	-18.46%	7.13%	1.88%	0.56%	-1.16%
Bloomberg Intermediate Treasury Index	-1.72%	-7.77%	4.28%	2.42%	6.51%	-0.03%
HFRI Global Macro Index	15.9%	16.1%	-3.7%	12.5%	-5.6%	6.8%*
HFRI Equity Hedge Index	20.2%	-4.2%	7.6%	19.3%	3.1%	6.9%*
HFRI Multi Strategy Index	16.8%	6.4%	1.5%	14.1%	-3.1%	1.4%*
HFRI Event Driven Index	21.0%	1.4%	6.7%	17.1%	-2.2%	4.9%*
HFRI Relative Value Index	15.8%	5.8%	3.3%	15.9%	-5.2%	3.6%*
Gold spot price	-3.64%	-0.28%	13.10%	27.22%	64.58%	1.71%
Bloomberg Enhanced Roll Yield USD Index	32.89%	17.11%	-2.60%	5.69%	16.52%	36.70%
GLIO VettaFi Global Listed Infrastructure Index	16.93%	-5.96%	2.61%	8.99%	17.14%	11.30%
Bloomberg Global EQ:FI 60:40 Index	10.78%	-17.02%	16.67%	10.55%	16.10%	8.15%

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Equity: We put estimates of the equity risk premium (ERP) at the heart of our approach to setting return expectations. We calculate the equity risk premium using an implied cost of capital approach (Li et al, 2013). We use a discounted cashflow model and take today's market price and expectations of future dividends and growth and interest rates to arrive at an implied equity risk premium. Changes in equity valuations are driven by both expected cash flows – earnings and dividends – and the ERP. Forming expected returns by looking solely at valuations – typically the price-to-earnings ratio – can miss the full picture, in our view. Our work finds that linking expectations for future interest rates and the ERP can be more telling for expected returns rather than attempting to find a fair value for the price-to-earnings ratio alone. This allows us to incorporate our views of the structural drivers of interest rates into expected equity returns –as well as other asset class returns. We also use bottom-up analyst earnings forecasts and the relationship between margins and the economic cycle to formulate our earnings expectations (using an augmented discounted cash flow model). We find corporate profit margins not only converge to long-term averages but do so at a faster pace when an economy reaches full capacity. We assume in future the ERP will mean-revert to levels observed in the post-1995 period. Our projections for risk-free rate, or "long-run short rate", are described in the Interest rates methodology section.

Interest rates: We derive our expected returns for government bonds by mapping out the yield curve at multiple time horizons in the future. This is based on estimating the short rate, and model implied term premia. Estimates of short rates are based on market data in the near-term and on macroeconomic informed data in the long-term. More specifically, in the long-term, we assume investor views about long-run inflation and real growth, coupled with changing preferences as to savings and risk aversion, will determine expectations for short rates (the "long run short rate"). Model implied term premia are computed from a model based in the affine term structure class of models (Adrian, Crump and Moench, 2013) describing the yield curve using the first five principal components of yield. The model implied term premia from the affine term structure model are further calibrated to market implied term premia, with the relative weights dependent on the relevant time horizon.

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Credit: Our model for credit asset (excess) returns is anchored on two key elements: our estimate of credit spreads at a given horizon and our estimates of loss due to defaults and downgrades over the horizon. The first component is projected in a consistent manner with our view of real GDP growth, as implied by BlackRock's factor-augmented vector autoregressive macroeconomic model (Bernanke, Boivin and Eliasz, 2004) and the link between credit spreads and equity volatility. Our approach attempts to avoid overfitting, yet retains the ability to explain a high proportion of the variance in credit spreads and passing cross-validation tests against more complex approaches. The second component is estimated based on our outlook for spreads, the duration of the asset and an assumed credit rating transition matrix which captures rating migrations and defaults across multiple credit cycles. We currently base our transition matrix on Moody's long-run transition data. We aim to further develop our model by directly modelling transitions based on macroeconomic conditions in order to better capture cycle dynamics and the respective variation in losses due to credit events. In addition to making our estimates of credit spreads consistent with our macroeconomic views, the our new credit (excess) return model allows the flexibility of calibrating our expected returns to various credit rating compositions which may prevail over the entire time horizon.

Private markets: The private market return models can be grouped into two categories – equity and debt. The equity models – relevant for core real estate and private equity buyouts – are based on an accounting statement framework. We estimate earnings growth and future valuations, which are used in conjunction with observable private and public market data (current valuations, financing cost, leverage, etc.) to model the evolution of the capital structure over time and infer equity returns. Estimated earnings growth and future valuations are linked to components of our public market return expectations for equity, rates, and credit spreads. Crucially, they also consider the unique dynamics of each asset class, such as the changing occupancy rates for real estate. Returns for private market debt – infrastructure debt and direct lending – are estimated using a 'build up' approach. The total return is a build-up of underlying public market factors (interest rates) and private-market specific return drivers such as credit spreads, losses due to default and downgrades, leverage and borrowing costs. Unlike most public debt markets, direct lending is modelled as a 'buy and hold' investment, in line with how investors access the asset classes. The published returns are gross of fees and we net out representative client fees, accounting for management fees, carried interest, and hurdle rates, when creating and optimizing portfolios

Stochastic engine: We use Monte Carlo simulation to create random distributions informed by historical return distributions and centred on our expected returns. The engine simulates thousands of return pathways for each asset, representing the range of possible outcomes over a five-to 30-year time horizon. We leverage BlackRock's risk models to ensure we respect co-dependencies between asset returns. The range of scenarios incorporate our work on incorporating uncertainty in return expectations.

The Black-Littermanmodel (1990) –a well-known model for portfolio allocation -combines long-and medium-term views in a single-period setting. Our model uses a Kalman filter –an algorithm that extracts insights about potential future paths by bringing together a number of uncertain inputs -to extend this approach into a multi-period setting. This allows us to capture the variation of expected returns over time under various scenarios —from economy-related to market sentiment driven. A large part of these variations is not predictable. Constructing portfolios that are robust to, or can exploit, these variations is a major challenge for investors. The ability to calibrate the engine with asset class views with uncertainty at arbitrary time horizons, and to evolve this uncertainty stochastically, drives the dispersion of return outcomes. Highlighting the uncertainty that investors face when building portfolios helps ensure ostensibly precise return expectations do not lead investors to concentrated portfolios.

Simulated return paths support a broader range of applications, such as asset-liability modelling. Stochastically generated return scenarios enable investors to move with ease beyond mean-variance and optimise portfolios against their individual needs. Investors can place more emphasis on the tails of the distribution or focus on the path of returns rather than just the total return. They can incorporate flows in or out of the portfolio over the course of the investor's time horizon or place more emphasis on scenarios that are challenging for the investor's business beyond their portfolio. Investors with complex asset-liability matching requirements, such as insurers, typically rely on stochastic simulations of returns to assess and construct portfolios.

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