

# Adapting to uncertainty

Global Product Solutions: Investment & Portfolio Solutions | April 2026

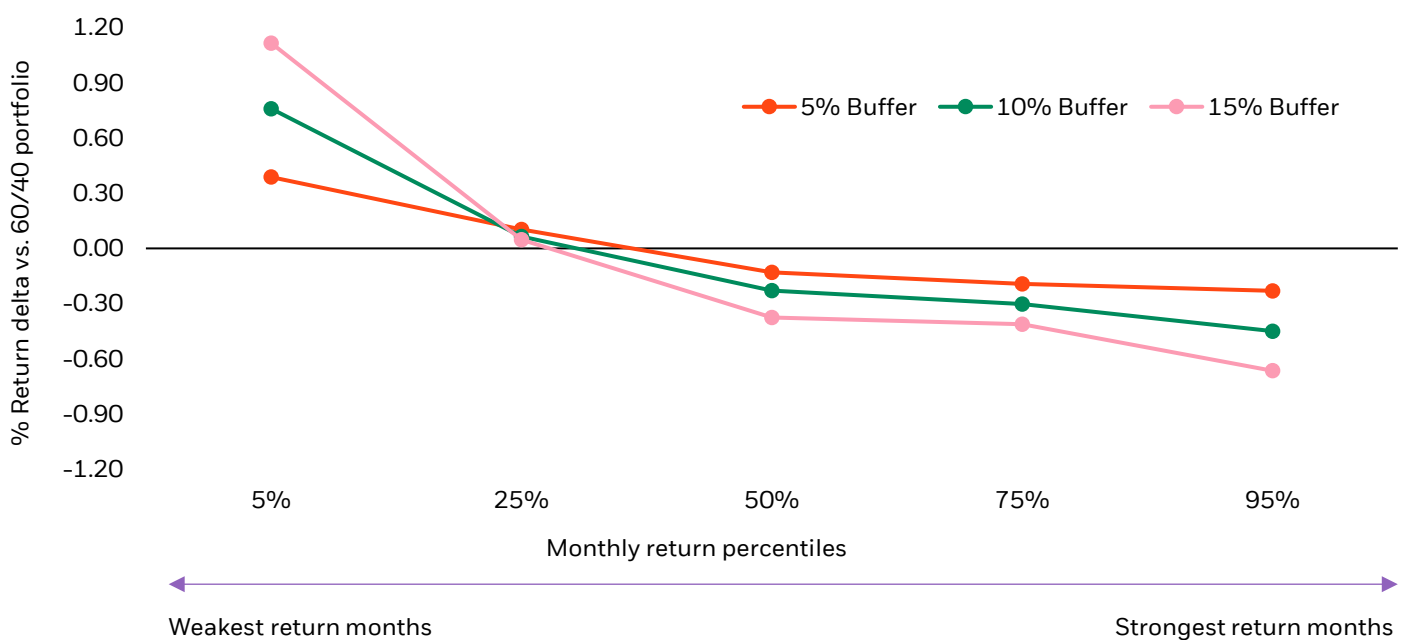
- **Conflict in the Middle East has created significant uncertainty for investors across markets and supply chains.** Risks have increased across geopolitics, growth and inflation.
- **We don't think now is the time to de-risk. We focus on staying invested,** while positioning portfolios for sustained uncertainty by diversifying diversifiers, anchoring durable sources of income and leaning into market dislocations.
- **Market dispersion creates opportunities to reallocate, in our view.** For clients based in the GCC, we highlight specific, relevant exposures across both public and private markets.

## Selective risk-taking

**Cross-asset volatility has increased, but we continue to see opportunities in equities, leaning into markets with stronger fundamentals and looking for tactical dislocations** amid the volatility. With Q1 earnings season underway, consensus expectations point to 15% quarter-on-quarter EPS growth in the US and 17% across the full year.<sup>1</sup> Earnings strength has been broadening and the US market is naturally higher quality versus global peers. We see merit in a minimum benchmark allocation to US equities to capture this, through a high-tracking-error active fundamental approach, a systematic lens, or adding downside protection via buffer ETF strategies. Equity buffer strategies can improve downside protection while allowing investors to stay invested, offering an alternative to fixed income amid less reliable stock-bond correlations. Allocating to broader global equities with an active lens via either fundamental or systematic strategies can also provide access to longer-term structural winners.

### Chart 1: Adding a buffer strategy into equity sleeves can cushion portfolio downside in risk-off episodes

Difference in return when implementing buffer strategies into a 60/40 portfolio (comprising MSCI ACWI Index & Bloomberg Global Aggregate Index)

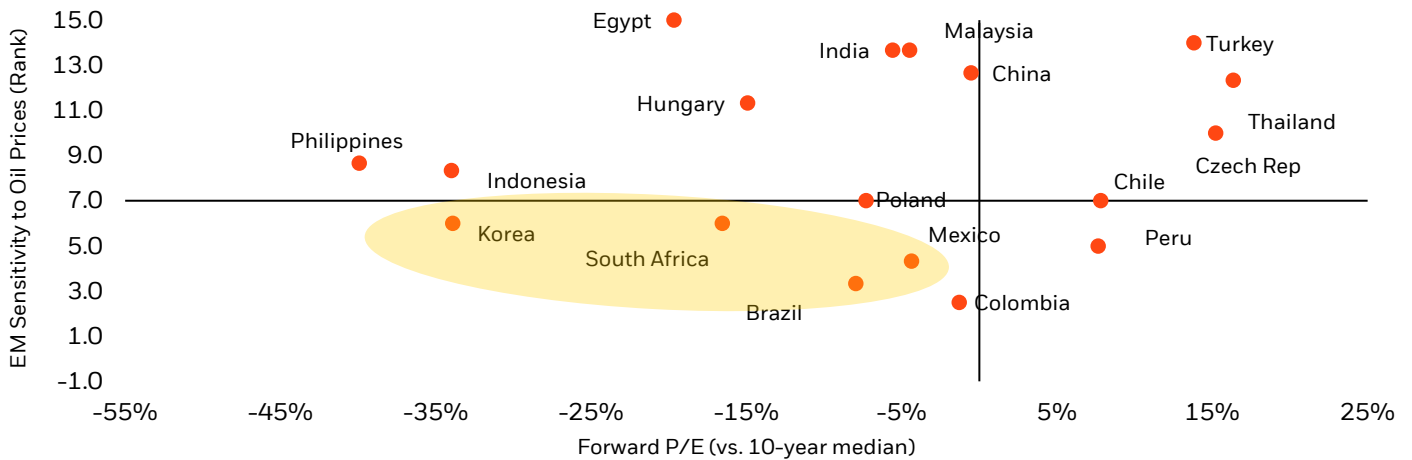


**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.** Source: BlackRock, MPI, Morningstar. Time Period: 01/05/15 - 29/08/25. Data Frequency: daily. Return Frequency: Monthly. Currency: EUR. Rebalance Frequency: Quarterly. 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.

Our client polling data points to investors consistently wanting to add to Emerging Market (EM) equities, including since the US-Iran escalation at the end of February.<sup>2</sup> We see room for EM equity returns to become more dispersed, across energy importers/exporters and those with floating/pegged currencies. A more targeted approach to EM equity allocation could be warranted, either via single country exposures, a systematic approach, or a high-conviction long/short strategy. We see opportunities in LatAm equities, given Brazil's diversified commodity exporter nature and solid fundamentals in Mexico.

**Chart 2: Brazil and Mexico rank among the cheapest and least oil-sensitive emerging markets**

EM sensitivity to oil prices (rank) and forward P/E ratio (vs. 10-year median)



Through an AI lens, China tech has derated significantly and is now trading at cheap levels, in our opinion: 15x forward P/E, versus 22.4x for global tech and 22x for US tech.<sup>3</sup> We see merit in holding both China and US AI exposure with the global innovation momentum behind AI. The rotation we've seen within AI and the rapid evolution of the ecosystem highlight the merits of a more active approach across the AI stack, spanning multiple geographies and sectors.

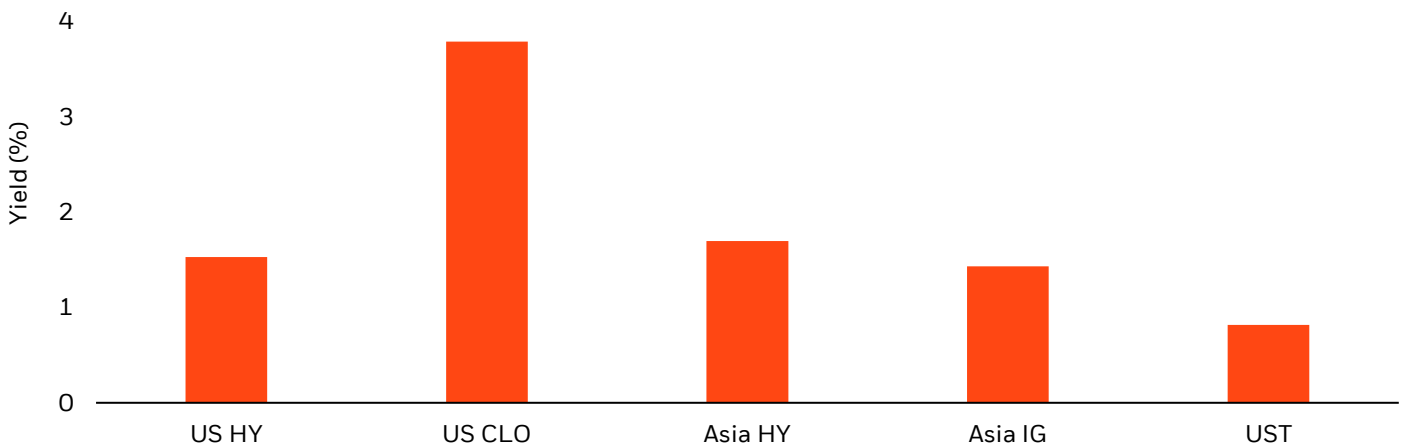
Beyond tech, geopolitics have brought national security back to the fore and with the structural tailwind of German fiscal infrastructure and defence spending, we see room for an active approach to investing across global defence and industrials.

For investors looking to diversify USD exposure, a modest allocation to Bitcoin could also be part of a broader diversification strategy. Our analysis shows a <0.5% correlation between bitcoin and the public and private investible universe.<sup>4</sup>

**Income opportunities**

**Duration has become a less reliable diversifier, with stock-bond correlations proving inconsistent.** Meanwhile, clients continue to rank income as a core portfolio objective. It's still the dominant driver of fixed income returns, with price moves flipping in recent years to become a net return detractor. We take a multi-asset approach to income, seeing opportunities for upside in exposures such as local currency EM debt and tapping into income sources that are high-quality, diversifiable and anchored in robust fundamentals, including in equities. We also lean into high-quality exposures that may reduce portfolio risk, such as CLOs.

**Chart 3: Yield per unit of risk**



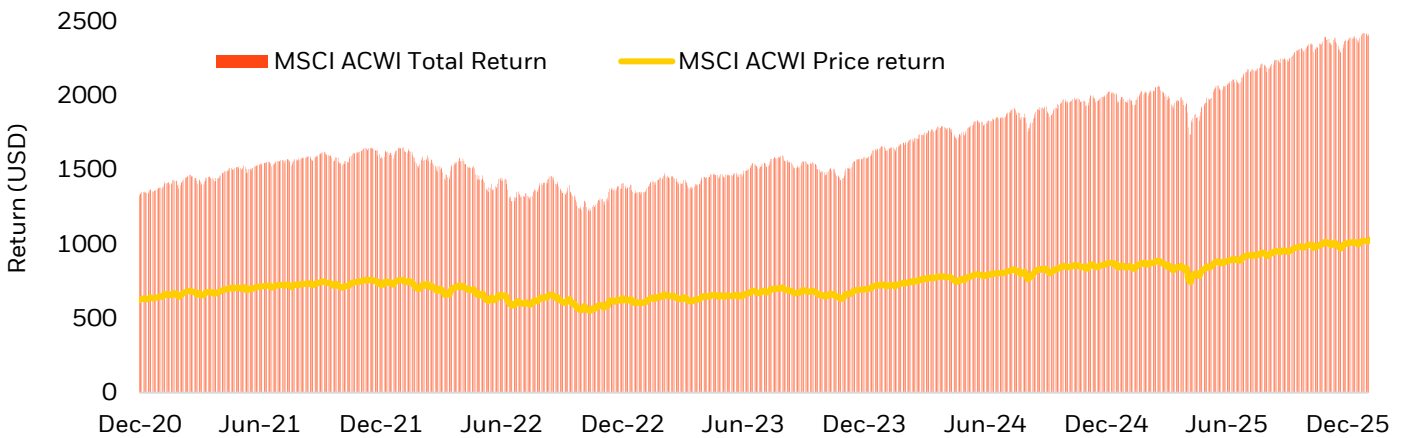
Source: BlackRock Aladdin, as of 31 March 2026.

EM local currency yield levels also remain above long-term medians and yield curves across multiple markets remain steep. As we continue to see EM FX as a driver of potential return – in line with both our Global Fixed Income and Multi-Asset teams – we look to markets with high real rates, we prefer taking the FX risk over hard currency for Middle East investors, offering diversification versus the local, primarily hard currency GCC rate backdrop.

Diversifying income allocations towards Asia credit also leans into regional opportunities. The divergence in central bank policy regimes globally has enhanced the diversification properties of Asian duration. Correlations between major Asian sovereign markets and the US Aggregate Index are now deeply negative,<sup>5</sup> reflecting not just differing inflation trends but differentiated economic structures. For global portfolios, that means a rare mix: higher real yields, lower correlation and a positively skewed distribution of outcomes.

**Chart 4: Dividends have accounted for more than 40% of total returns from global equities in the past five years**

MSCI ACWI total return vs. price return



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

**Resilience**

**Recent market moves reinforce our view that government bonds are now a source of volatility, not safety.** US Treasury volatility has stayed elevated.<sup>6</sup> We also still like gold as a complimentary allocation to hedge against broader geopolitical risk longer-term. We also see merit in building liquidity buffers with cash or cash-like exposures.

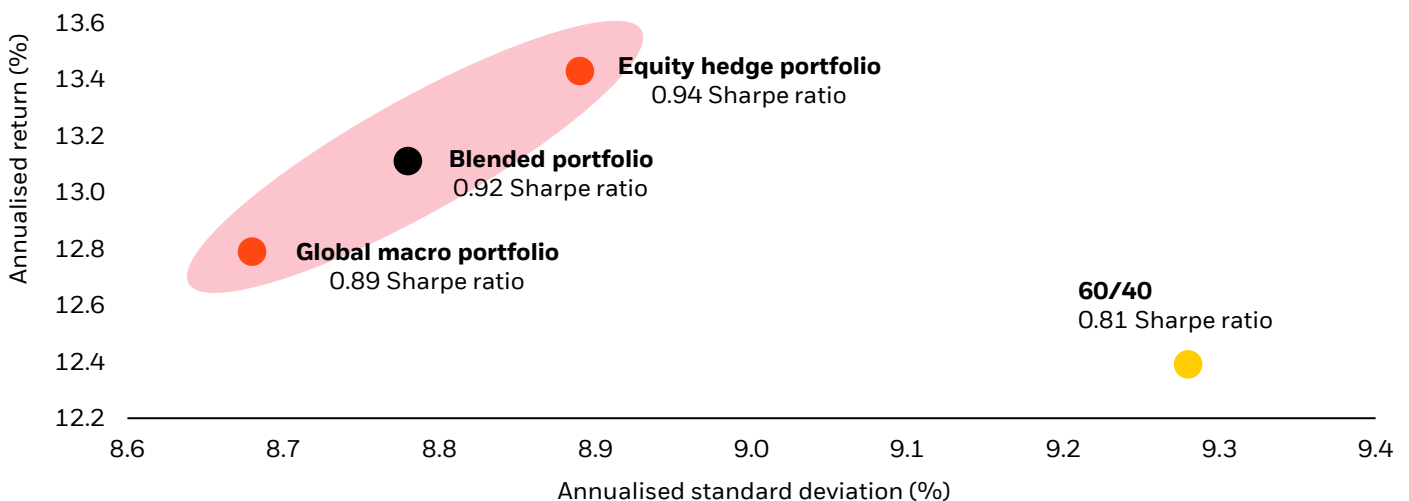
For energy-driven concerns, we favour assets with high beta and energy prices, like energy equities. Energy sector ETPs notched up their highest global inflow month on record in March (\$10.7B),<sup>7</sup> yet the sector still doesn't screen as expensive, even with valuations rising – it's the fourth-cheapest US sector and third-cheapest European sector, on a forward P/E basis.<sup>8</sup> We also favour liquid alternatives, such as listed infrastructure.

Demand for private markets continues to rise as unreliable stock-bond correlations challenge the traditional 60/40 portfolio. Our Portfolio Consulting team highlights that allocating 20% to private markets funded from equity exposures can increase potential returns while maintaining overall portfolio risk characteristics.<sup>9</sup> Implementation also matters. Listed private market exposures may not capture the idiosyncratic return drivers of unlisted assets, which can be important sources of alpha.

We also look to macro and systematic hedge funds to reduce market beta – another key diversification aim. Our Global Tactical Asset Allocation team sees a rich opportunity set in geopolitical fragmentation and elevated macro uncertainty, given their emphasis on relative value over directional exposures. The team aims to capitalise on dislocations between macro fundamentals and market pricing.

**Blending hedge fund strategies for enhanced efficient returns**

Annualised risk vs. standard deviation, 60/40 equity/bond portfolio vs. Global Macro Hedge Fund Strategy (adding 10%), Systematic Absolute Return (10%) and Blended (5% Global Macro 5% Systematic Absolute Return) portfolios, December 2022 – December 2025.



Source: Morningstar, December 2025 for historical performance and risk data, with quarterly rebalancing. Currency: USD. Time period: December 2022 to December 2025, covering timeframe when all funds were launched. See overleaf for performance data. Hedge fund strategies are proxied by illustrative proprietary Global macro and Equity Hedge strategies.

## Notes

**1** Source: BlackRock and LSEG, as of 9 April 2026.

**2** Source: BlackRock, as of 15 April 2026. Results based on 12 client surveys since November 2025.

**3** Source: BlackRock and Bloomberg, as of 9 April 2026.

**4** Source: BlackRock, MPI, Morningstar. Time Period: 03/08/15 – 19/08/25. Data Frequency: daily. Currency: EUR. Rebalance: monthly.

**5** Source: BlackRock and Bloomberg, as of 14 April 2026.

**6** Source: BlackRock and Bloomberg, as of 14 April 2026. Based on the MOVE Index of Treasury volatility.

**7** Source: BlackRock and Markit, as of 31 March 2026.

**8** Source: BlackRock and Bloomberg, as of 8 April 2026.

**9** 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 March 2026, with CMA data as of December 2025 month-end; currency: EUR; time period: 10 years. 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.

## Performance data

5Y annualised returns	2021	2022	2023	2024	2025
60/40	9.0%	-17.6%	15.2%	9.1%	16.5%
Equity hedge	9.8%	-15.9%	15.7%	11.0%	17.0%
Global macro	9.5%	-15.4%	14.9%	10.4%	16.4%
Blended	9.7%	-15.6%	15.3%	10.7%	16.7%

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## Risk warnings

**Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

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