

Implementation guide Q2 2024

Seizing opportunities
with nimble allocations

BlackRock

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Spring forward.

We see further room to run for market optimism in Q2, as inflation cools and developed market (DM) central banks move towards cutting rates, but we stay nimble and selective in the new regime of greater macro volatility. This environment is not conducive to static exposures across broad asset classes, in our view, as instead it is creating more space for alpha opportunities. Greater volatility and dispersion of returns in the new regime increase the reward for deliberate, well-timed allocations, we think.

Macro insight is also likely to be more rewarded in the new regime, in our view – yet there is a need to be alert to risks such as upside inflation surprises, escalating geopolitical uncertainty and the potential for sudden and protracted growth slowdowns. Against this backdrop, we keep quality exposures at the core of portfolios, but look to selectively add to risk to seize the opportunities on offer.

Over the following pages, we explore the key investment themes laid out in the BlackRock Investment Institute's [Global Outlook](#), with implementation ideas across index, alpha-seeking, private market, and money market funds.

In this environment, we're *managing macro risk* to build resilient portfolios with quality at the core, in a lower growth, higher interest rate environment. We're *steering portfolio outcomes* to put money to work and capture opportunities through a more dynamic approach to investing. We think one way to do this is by *harnessing mega forces*, the big structural drivers that affect investing now – and far in the future.

Our investment themes for Q2 2024

1.

Managing macro risk

What matters in the new regime: sticky inflation and structurally higher interest rates. Markets are still adjusting to this environment – and that's why context is key in managing macro risk.

2.

Steering portfolio outcomes

We think investors need to grab the investment wheel and take a more dynamic approach to their portfolios with both indexing and alpha-seeking strategies while staying selective.

3.

Harnessing mega forces

Mega forces are another way to steer portfolios – and think about portfolio building blocks that transcend traditional asset classes, in our view.

Any opinions and/or forecasts represent an assessment of the market environment at a specific time and are not intended to be a forecast of future events or a guarantee of future results. There is no guarantee that any forecasts made will come to pass.

In this guide, we list exchange-traded products (ETPs), index mutual funds (IMFs), money market funds (MMFs), alpha funds, and investment trusts that relate to our key themes. Please note that this list is non-exhaustive. Our full product range can be found on [BlackRock.com](#).

All figures are in US dollars, unless stated otherwise.

Investors should consider their time horizon when selecting investment instruments. Active investment funds may not be appropriate for short-term investment. References to specific investments are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such investments.

Key

| | |
|---|-------------------------|
|  | Exchange-traded product |
|  | Index mutual fund |
|  | Money market fund |
|  | Alpha fund |
|  | Investment trust |

● This symbol denotes a sustainable product, based on an SFDR classification of 8/9. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

UK assets in focus

The UK economy dipped into recession in late 2023, as expected, and we see few catalysts for it to meaningfully reaccelerate in the first half of 2024. With inflation poised to hit 2% in the middle of the year – but jumping right back up, per the Bank of England’s (BoE) own forecasts – we don’t expect the easing cycle to begin until Q3.

The positives are that wage growth has continued to ease and that headline inflation has been coming down in the short term, although services inflation remains sticky. Food inflation – which has been a persistent driver of UK price pressures – is continuing its downwards trajectory, but remains high. Growth remains challenged, with the manufacturing sector lagging in hard data, while activity indicators like PMIs have shown an improvement in manufacturing, after bottoming out in August. The UK consumer also looks to be improving, with retail sales on an upwards trajectory when cutting through the noise in the data.¹ Looking at colour from UK banks in the most recent earnings season (Q4 2023), deposit headwinds are starting to abate, but deposit drawdowns are still material.²

The Spring Budget passed uneventfully in March, given the relatively low fiscal headroom that Chancellor Jeremy Hunt had to work with for handouts to the public in a likely election year. The 2p cut to National Insurance was expected, as were the extensions of the fuel duty freeze (alongside the extension of the temporary 5p cut) and the alcohol duty freeze. Revenue-raising policies were also largely in line with expectations, though the sheer number of piecemeal measures introduced underscores the need to fund any tax cuts coming through.

So far this year, the BoE has maintained its cautious bias – looking for inflation to hit 2% ‘sustainably’. That sustainable element is key: we see little evidence of this in the BoE’s forecast, with the central bank’s expectations pointing to a structurally higher neutral rate.² The BoE kept rates on hold at the March Monetary Policy Meeting, but what’s notable is the vote split, with hawks of the committee voting to keep rates on hold for the first time this cycle (versus further tightening). Our base case remains for the first cut to come in August, but the relatively dovish tilt raises the chance that it could be sooner.

2023 was a bumper year for UK rates flows, with yields at decade highs

Quarterly flows into UK rate ETPs, 2016-YTD



Source: BlackRock and Markit, as of 19 March 2024. **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. See appendix for 5Y data.**

1 Source: Bloomberg, as of 20 March 2024. **2** Source: Bank of England, March 2024.

Fixed income

Softer-than-expected February inflation has pushed pricing for the number of BoE rate cuts higher this year, up to three cuts by year-end, broadly in line with our outlook. We see more room to own UK gilts in this context, yet prefer to stick to the front end of the curve. This preference reflects term-premium risks on the fiscal outlook in a likely election year, as well as heavy supply issuance expected amid a changing structure of ownership geared towards foreign owners. Within our overall up-in-quality approach in credit, we continue to like sterling corporates, given the c.5.2% income available to GBP-based investors.³ There may be potential to generate excess carry from sterling corporates alongside a gilts allocation – and we think this could be a good entry point for longer-term allocations. We favour the front end of the curve in investment grade credit, with higher yields and lower duration risk versus the full index.⁴

Investors have lacked conviction in UK fixed income in 2024, after a very strong 2023 for global flows into gilts ETPs (\$4.3B) and sterling corporate ETPs. So far this year, rates flows are flat, with a slight pickup in activity coming through in March, predominantly at the front end of the curve. Meanwhile, there have been broad-based outflows from UK investment grade totalling -\$0.2B (following \$1.4B of inflows last year).⁵

Equities

We stay neutral UK equities heading into the middle of the year. Within DM, we prefer to allocate to the US (where we see market leadership broadening) and Japan – see p. 15. While FTSE UK 30-day implied volatility is at its lowest since pre-Covid, UK equities have lagged the DM risk-asset rally to date,⁶ with interest in the ETP space also remaining muted (-\$600m YTD).⁷ The drag on UK large cap performance is partly a function of weak commodity prices and the continued preference for growth, tech and AI stocks so far this year. Given that c.75% of FTSE 100 revenues are non-domestic,⁸ the stronger GBP has also been a drag. A brightening domestic growth outlook therefore won't necessarily be the catalyst for large caps to pick up, though it could be supportive of small and mid caps and UK-tilted firms – especially with consumer real incomes improving this year as inflation and energy prices fall.

UK fixed income

IGLT

[iShares Core UK Gilts UCITS ETF](#)

IS15

[iShares £ Corp Bond 0-5yr UCITS ETF](#)

[BlackRock Corporate Bond Fund](#)

Throughout this Guide, click on a product name to navigate to the relevant product page on [BlackRock.com](https://www.blackrock.com) or [iShares.com](https://www.ishares.com).

UK equity

ISF

[iShares Core FTSE 100 UCITS ETF](#)

[iShares UK Equity ESG Index Fund \(UK\)](#)

[BlackRock UK Income Fund](#)

3, 4 Source: BlackRock, as of 15 March. **5, 7** Source: BlackRock and Markit, as of 22 March 2024. **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. See appendix for 5Y data.** **6, 8** Source: Bloomberg, as of 21 March 2024. All figures are in US dollars, unless stated otherwise.

Managing macro risk

What matters in the new regime: sticky inflation and structurally higher interest rates. Markets are still adjusting to this environment – and that’s why context is key in managing macro risk.

Heightened economic uncertainty leaves DM central bankers with the difficult task of removing restrictive monetary policy while balancing inflation risks. Market participants have pared back easing bets this year as policymakers push back on early rate cuts, recalibrating expectations towards a higher-for-longer rate backdrop. Yet the US Federal Reserve (Fed) and European Central Bank (ECB) appear set to cut rates by mid-2024, with other DM peers like the BoE poised to follow by year-end.

Risks remain as sticky price pressures are accompanying uncertain and diverging growth outlooks – the US economy continues to show signs of resilience, while activity across the UK and eurozone struggles under the weight of restrictive monetary policy. Divergence is also dominating across emerging market (EM) outlooks, with several central banks already embarking on easing cycles – while stubbornly high inflation across core DM gauges raises doubts on the extent of policy easing ahead. This backdrop makes the macro outlook inherently more uncertain – a feature of the new regime, in our view.

Financial markets are gradually adjusting to structurally higher inflation and policy rates, but it is an uneven process.

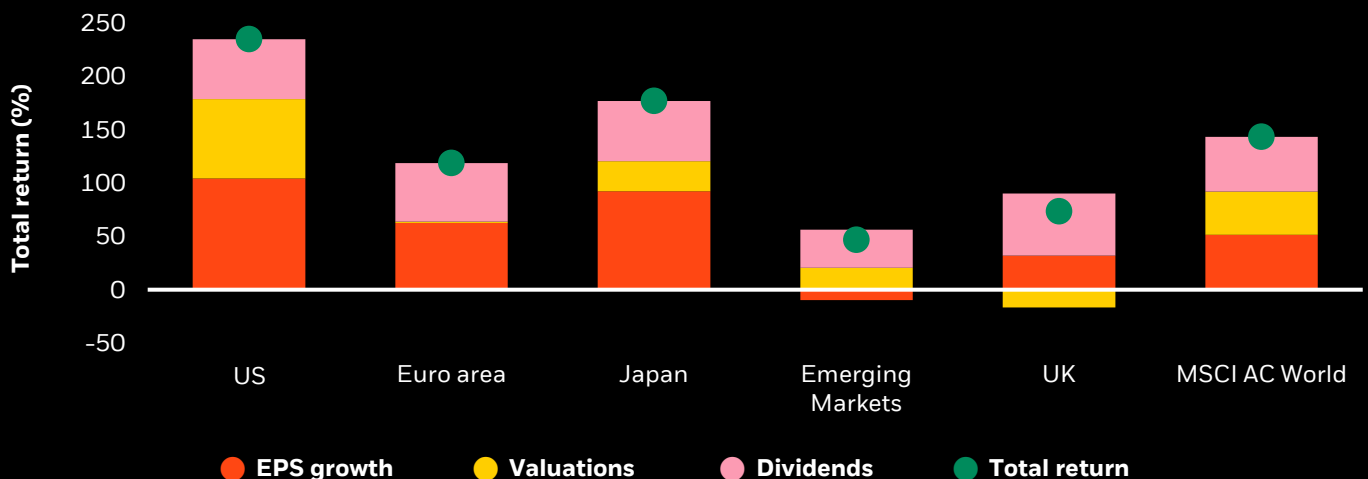
Yields on 10Y US Treasuries (USTs) surged to 16-year highs around 5% in 2023 before tumbling back below 4% through year-end and trading in a relatively tight range so far in 2024.⁹ Yet overall aggregate equity earnings yields have yet to adjust higher to the elevated yield backdrop in most DMs, keeping us cautious about broad, imprecise exposures given scope for further repricing ahead.

Structurally lower growth and higher rates pose a challenge for ballooning US government debt. If borrowing costs remain near 4-5% over the medium term, as we expect, the US government could be spending more on interest payments than on Medicare in a few years. This further increases the long-run risk of higher inflation as central banks become less hawkish. We also see it leading to a rise in term premium, or the compensation investors demand for the risk of holding long-term bonds.

The bottom line: we seek to manage macro risk and uncertainty by building portfolios with quality at the core across asset classes, and boost resilience through exposure to alternatives.

Earnings as a long-term driver of returns point us up in quality

Sources of return, March 2014 to March 2024



Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: LSEG Datastream, MSCI, as of 14 March 2024. Based on the following indices: US = MSCI USA Net Return USD; euro area = MSCI EMU Net Return USD; Japan = MSCI Japan Net Return USD; EM = MSCI Emerging Markets Net Return USD; UK = MSCI United Kingdom Net Return USD; MSCI AC World Net Return USD

⁹ Source: Bloomberg, as of 7 March 2024.

Quality at the core

2024 to date has supported our view that we're in a new regime of greater macro volatility, underpinning our constructive stance on high-quality equities. We look to put quality at the core of portfolios, while taking selective cyclical risks – see p. 17. We like the quality factor for its tilt to profitability, low earnings volatility and high efficiency. In global ETP flows, quality remains the most popular factor allocation YTD, with \$11.5B added.¹⁰

Earnings tend to be the key driver for equity markets over the long term, supporting our preference for quality across regions. As the chart on p. 6 shows, EPS growth has driven returns over the last 10 years across most major equity markets – dominating emphatically in Europe.¹¹ We prefer quality exposure in European equities: bottoming economic activity coupled with ECB rate cuts in the pipeline mean we're warming up to Europe in Q2 – but selectivity will be important this cycle, given the two-speed recovery taking place. Quality tends to benefit when the odds of either an EPS recovery or an earnings slowdown remain low with EPS instead expected to remain stable. In Europe, the broad equity market is expected to post 3.4% EPS growth this year – well below the five-year average of 9.8%.¹² This suggests a broad EPS recovery is still some ways away. While valuations for quality remain high, we see this as justified, due to the higher profitability tilt and efficiency versus the broad market.¹³

We also look to go up in quality through exposure to unconstrained equities. Unconstrained equity strategies aim to deliver alpha across economic cycles by employing a benchmark-agnostic approach. These strategies apply bottom-up analysis to construct high-conviction portfolios of superior companies exhibiting quality characteristics and hold them over the long term as their earnings growth compounds. They are designed to look through market volatility, rather than chasing short-term performance, and can serve as a way for investors to enhance portfolio resilience.

Diversification may not fully protect you from market risk.

Quality

IEFQ

**iShares Edge MSCI
Europe Quality Factor
UCITS ETF**



**BlackRock Global
Unconstrained Equity
Fund (UK)** ●

Read our full range of factors views in [Precision Insights: Factors](#).

10 Source: BlackRock and Markit, as of 22 March 2023. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

11, 12 Source: LSEG Datastream, as of 7 March 2024.

13 Source: BlackRock, as of 22 March 2024.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Quality income

We also look up in quality in equity income. With interest rates expected to fall, we look to diversify quality income exposure beyond government bonds, taking a whole-portfolio approach that can help to reduce exposure to rates volatility in a year when central bank policy is likely to remain a key driver. We see three key benefits of integrating equity income in portfolios: capital appreciation, potential to boost portfolio resilience, and a consistent income stream. Quality income strategies target well-established companies with strong balance sheets, consistent earnings growth, and a history of paying regular dividends. These companies tend to be less volatile than the broader equity market, providing a defensive tilt to increase portfolio diversification and resilience.

The fundamental picture also looks attractive, with valuations for dividend stocks currently significantly depressed versus their own history and the broader market.¹⁴

We believe an active approach can help in constructing an equity income portfolio that maintains high yields, while reducing style and sector bias inherent in income stocks. Systematic equity income strategies – including those wrapped in ETFs – take an innovative and differentiated approach to generating income by combining human insight, big data and AI/machine learning to modernise the way we invest and provide new sources of diversification. By focusing on companies able to generate sustainable and growing free cash flow, quality income strategies may also be well-positioned to navigate times of market stress.

Diversification may not fully protect you from market risk.

Quality income

WINC

iShares World Equity High Income UCITS ETF

BlackRock UK Income Fund

“

We think it's time for the next generation of ETFs in Europe. As changing business models in Europe catalyse the need for a 'whole portfolio' approach, our clients require a more comprehensive set of tools across index and active strategies, including the wrappers they're delivered in, to enable them to help their clients achieve specific goals.



Jane Sloan

Head of Global Product Solutions, EMEA

¹⁴ Source: BlackRock and Bloomberg, as of 23 February 2024. Based on forward P/E ratio of top decile of dividend-paying stocks in MSCI World Index, rebalancing monthly.

Sovereigns

With developed market central banks set to start cutting rates later this year, we expect sluggish growth, falling inflation and, eventually, easier DM policy to underpin a drift lower for yields in 2024. Even so, we have tempered our overweight position in European government bonds (EGBs) to neutral as market pricing already broadly reflects the policy path we anticipate for the ECB, with roughly four rate cuts (or 100bps worth) priced by markets by year-end.¹⁵ Widening peripheral bond spreads remain a risk, however – especially given upcoming quantitative tightening dynamics and EU parliamentary elections.

In the US, the yield surge of 2023 driven by expected policy rates has likely peaked, in our view, yet we think term premium – the additional compensation investors demand for bearing the risk that interest rates may change over the life of the bond – remains too low. We stay overweight front-end US Treasuries and look for opportunities to extend duration into the belly of the curve as we gain more clarity on the likely Fed policy path. Policymakers' data-dependence in determining that path has been a key driver of rates repricing so far this year, and we expect this to keep the rates environment volatile.

Overall, investors have shown a preference for longer duration US rates exposure in recent months: long duration ETPs have registered five consecutive months of global inflows (totalling \$23.0B), while the opposite has been true for short duration ETPs, with five consecutive months of outflows through March (-\$13.7B). European investors, however, have shown a preference for front end USTs – in contrast to the global trend.¹⁶ We think this could open an opportunity for European investors to start extending duration in USTs as we head into the cutting cycle.

In Europe, we expect the sluggish growth backdrop could mean that rate cuts are larger than in the US – activity data still points to a weak environment for growth, while the robust policy transmission and drop in energy prices have also contributed to falling eurozone inflation.¹⁷ As a result, we see value in peripheral bonds, with more stable spread volatility leading some investors to look at peripheral bonds for carry. In the ETP flows space globally, investors preferred broad and core EGB exposures in January and February; March is on track to be the highest inflow month for German bund ETPs since August 2023, with \$0.2B added – though it is worth noting that the limited number of peripheral bond ETPs on offer may impact the overall flow picture.¹⁸

Government bonds

CBU7

iShares \$ Treasury Bond
3-7yr UCITS ETF

IITB

iShares Italy Govt Bond
UCITS ETF

BGF Euro Bond Fund ●

15, 17 Source: Bloomberg, as of 7 March 2024.

16, 18 Source: BlackRock and Markit, as of 22 March 2024. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

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Fixed maturity bonds

For investors who have had to look elsewhere for income over the past decade, the great yield reset has transformed the strategic opportunity in fixed income. With DM rate cuts now on the horizon, we look to lock in yields at their current highs.

A blend of index and alpha-seeking exposures can offer investors transparency and the opportunity to be nimble in their fixed income allocation. Bond ETFs are made for these times, we think, enabling investors to make rapid tactical asset allocation changes, improve operational efficiency and enhance the liquidity of fixed income portfolios.

iShares iBonds ETFs are an innovative suite of fixed income funds that hold a diversified portfolio of bonds with similar maturity dates. Each iBonds ETF will distribute a final pay-out in its stated maturity year. Like individual bonds, these exposures have a fixed maturity date – the point at which the principal is repaid. However, they offer additional benefits in terms of diversification and smaller minimum denominations. Bonds are often denominated in \$100k tranches, so it can be challenging to maintain diversification in smaller trades. Fixed-maturity bond ETFs track an index, providing exposure to hundreds of bonds across various sectors and countries in a single wrapper. They also uniquely allow investors to target a point along the yield curve and hold that position until maturity, receiving regular income along the way.

Over 2024, BlackRock will also be activating a suite of actively-managed fixed maturity products under the BlackRock Global Funds (BGF) umbrella. This range will include both euro and US dollar investment grade exposures, as well as high yield and emerging market debt (EMD).

Fixed maturity bonds

IB28

**iShares iBonds Dec 2028
Term € Corp UCITS ETF**

Visit [BlackRock.com](https://www.blackrock.com) for our full range of fixed maturity bond funds.

All figures are in US dollars, unless stated otherwise.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Cash and short duration solutions


The current interest rate climate poses opportunities as well as challenges for cash investors. It's important to understand how to optimise cash allocations based on liquidity demands, intended investment horizons and appetite for flexing the risk-return profile of cash investments. We see an opportunity from a cash portfolio management perspective to stay ahead of cash alternatives for investors and seek attractive yields while mitigating market loss in an environment still rife with economic risks and uncertainty.

For clients looking to optimise their cash allocation, we suggest a segmented approach, broadening the use of different strategies when considering liquidity solutions. This involves sizing cash allocations appropriately.

Investors seeking higher yields and willing to tolerate slightly higher risk may want to put cash to work through ultrashort bond funds – one option should they want to manage the risk of volatility that may arise when venturing further out into fixed income products.

Diversification may not fully protect you from market risk.


Cash and short duration

 **BlackRock ICS Liquidity & Govt Funds** (£, €, \$)

 **BlackRock ICS Liquid Environmentally Aware Funds** (£, €, \$) ●

 **BlackRock ICS Ultra Short Bond Funds** (£, €, \$)

 **iShares € Ultrashort Bond ESG UCITS ETF** ●

 **BlackRock Sustainable Sterling Short Duration Credit Fund** ●

 **BlackRock Cash Fund**

Hedged share classes and other currencies are also available at [BlackRock.com](https://www.blackrock.com)

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Infrastructure

We see infrastructure as a key asset class to address different portfolio requirements in 2024 and beyond. From a tactical view, we continue to favour infrastructure as an inflation hedge: infrastructure contracts tend to be inflation-linked, spanning decades. This offers investors the possibility to build inflation protection in portfolios, especially as we see inflation remaining on a bumpy path back to central bank targets. Risks remain – the cheap financing from previous years is unlikely to be seen again any time soon, and the macro backdrop could translate into a slower year of funding. Overall, however, we see this as an attractive environment for investors to build infrastructure exposure.

On a strategic horizon, infrastructure is well-positioned to benefit from mega forces such as the low-carbon transition, changing demographics, geopolitical fragmentation and digital disruption – see theme 3. Infrastructure is set to play a key role in increased digitisation: as the world's data needs grow, so too will demand for high-quality infrastructure such as fibre cables, wireless towers and data centres. Strategic competition and supply chain challenges are increasing attention on reshoring as well, which requires continued investment in domestic industrial infrastructure, providing further tailwinds for the asset class.

Alternatives

In an environment of greater macro uncertainty, we see a strong case for allocating to alternatives as a tool for diversification and managing volatility and inflation exposure, and as a potential source of income and returns.

Over recent months, we have seen some investors shift their liquid alternatives allocation in favour of fixed income. However, we believe that dynamic liquid alternatives can complement diversified portfolios, with the potential to provide strong risk-adjusted returns. Macro trading strategies, which can invest across regions and asset classes, are well-positioned to capitalise on broader themes such as inflation and interest rate volatility and have a positive outlook in the face of ongoing volatility. Additionally, strategies that target niche market segments have a strong outlook, in our view, due to their ability to generate durable alpha and an idiosyncratic return profile.

In addition to liquid alternatives, private markets are increasingly being incorporated as a core component of investors' strategic asset allocation, due to the unique investment opportunities available in this space. Technological and regulatory advancements have fuelled a rise in individual investors' exposure to private markets, with some estimates suggesting an increase of up to 20% over the coming years.¹⁹ With early signs suggesting an improving fundraising environment, we believe this trend will continue, with opportunities for individual investors to expand their allocations to private equity.

Diversification may not fully protect you from market risk.

¹⁹ Source: BlackRock, Bloomberg News, as of 9 March 2023.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Infrastructure

INFR

iShares Global Infrastructure UCITS ETF

BGF Sustainable Global Infrastructure Fund ●

Liquid alternatives

BSF Asia Pacific Absolute Return Fund

BlackRock Tactical Opportunities Fund ●

BlackRock UK Absolute Alpha Fund

Private markets

BlackRock Private Equity ELTIF

BlackRock Future Generations Private Equity Opportunities ELTIF ●

Unconstrained fixed income

Unconstrained fixed income strategies are well-suited for uncertain market conditions, in our view, as they aim to provide consistent returns across market cycles with low correlation to traditional assets. These strategies offer flexibility in portfolio composition while maintaining the characteristics of a core fixed income allocation, allowing investors to manage their exposures in any environment. The return drivers can be dynamically adjusted to capture investment opportunities and limit drawdowns. These strategies typically target a cash-plus return, meaning that return expectations fluctuate with the prevailing level of interest rates.

Our unconstrained alpha platform offers a dynamic approach to portfolio asset allocation, with a range of credit, aggregate and EMD exposures. Our EMD capabilities have been a key differentiator in the market this year. In the current environment, we favour flexible, dynamic strategies that aim to limit drawdowns, capture a significant portion of the beta upside, and exhibit lower annualised volatility than the benchmark index.

Multi-asset solutions

Heightened macro uncertainty over the past year has meant that investors have had to work harder to diversify their portfolios for all-weather situations. Yet markets are interconnected, and new information can impact more than one asset class – especially with mega forces at play. Fluctuations in economic activity and investor sentiment may not have an equal impact across various segments that can comprise an asset class, so portfolio resilience is key.

Multi-asset strategies can help investors achieve precision within investment outcomes, while managing both upside and downside risk and navigating a wide set of opportunities. A multi-asset strategy may enable investors to take a more holistic, long-term approach to their investments, while seeking to achieve both sustainable outcomes and potential market returns.

Diversification may not fully protect you from market risk.

Unconstrained FI

 **BlackRock Sustainable Sterling Strategic Bond Fund** ●

 **BSF Emerging Markets Flexi Dynamic Bond Fund**

Multi-asset

 **iShares ESG Multi-Asset Moderate Portfolio UCITS ETF** ●

 **BlackRock MyMap** ●

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Steering portfolio outcomes

We think investors need to grab the investment wheel and take a more dynamic approach to their portfolios with both indexing and alpha-seeking strategies while staying selective.

Financial markets are adjusting to the new regime of greater volatility, heightened uncertainty and divergence in market performance. Several assets had begun to reprice to a structurally higher rates regime through 2023, yet not all valuations have adjusted as pockets of opportunities remain.²⁰ For example, some equity allocations appear to be discounting a pessimistic degree of economic damage while others appear positioned for too much optimism amid the uncertainty.

Either way, these conditions underpin greater market volatility and call for a more dynamic portfolio approach that acts on insight and expertise more frequently. Static asset allocations – or set-and-forget portfolios – are a reasonable starting point but we don't think they will deliver as they have in the past. The era of ultra-low interest rates is behind us and future expected returns look less attractive. We believe excess returns over cash will be much lower for static exposures as a result. Getting the asset mix right matters much more now.

Deep insights into shifting underlying drivers of market moves – and the ability to act on them in a timely manner

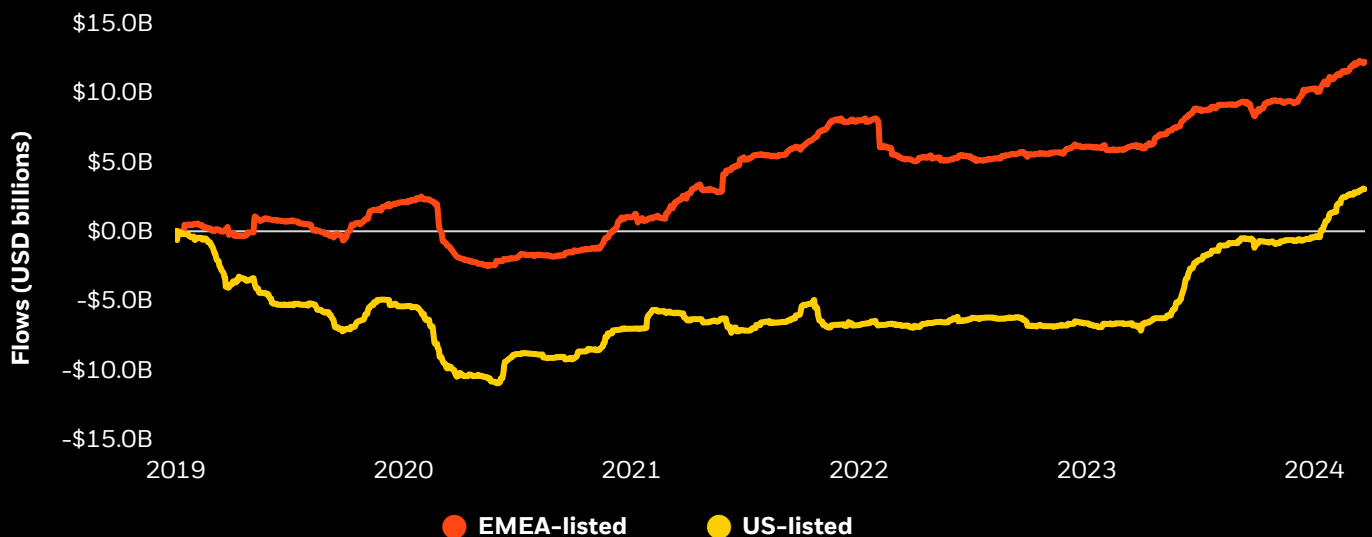
– are needed. Active returns can be generated in different ways. We think investors with the resources and skills to find top-performing managers could pivot portfolios towards active strategies and away from static broad market exposure, sometimes called beta. Being dynamic with index strategies is also a source of active returns. An active approach to indexing would allow investors to exploit their skill in timing markets and their ability to consistently pick exposure to the right sectors, regions and styles.

Investors can also thrive in the new regime by getting granular with portfolio allocations. Dispersion of returns has been greater in the new regime. This means security selection and appropriately sizing equity allocations are likely to be more impactful.

The bottom line: we look to add to risk through selective allocations in DM and EM assets as well as credit. In DM, we look to the US and Japan, and in EM, we favour LatAm equities. In credit, we see a tactical opportunity in both investment grade and high yield exposures.

International investors turn back to Japan

Cumulative flows into EMEA and US-listed Japanese equity ETPs, 2019 to 2024 YTD



Source: BlackRock and Markit, as of 22 March 2024. **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. See appendix for 5Y data.**

²⁰ Source: Bloomberg, as of 19 March 2024.

Developed market equities

We have high conviction in US and Japanese equities : we maintain our overweight, having recently upgraded the US amid cooling inflation and looming rate cuts. Our US view reflects a neutral index-level view and our AI overweight – see p. 22.

In the US, we expect market concentration to broaden out this year, following the Big Tech-led rally in 2023. This is already playing out: compared to last year, when 56% of S&P 500 returns were driven by Big Tech, so far this year they have contributed to just 41% of returns.²¹ The breadth of corporate earnings can expand beyond tech and AI, in our view. The inventory destocking cycle should flip from being a headwind in 2023 to a tailwind this year: a common theme among industrial-tilted companies in the semiconductor, manufacturing and chemical spaces is the need to replenish order books after inventories troughed in Q4. Capex – which has largely been tech-centric – is expected to increase in magnitude and scope. The latest reading of Bank of America’s capex tracker shows 55% of companies guiding for higher expenditure in 2024 – while not yet large in magnitude, this is an example of expanding breadth, which should pick up as the cost of capital comes down in H2.²² US equities have also been leading regional ETP flows, with \$116.8B added globally YTD.²³

Turning to DM Asia, foreign investors have been returning to Japanese equity ETPs with conviction this year: flows gathered by EMEA (\$1.9B) and US-listed ETPs (\$3.5B) in Q1 have already reached 50% of overall inflows in 2023.²⁴ While it’s true that Japanese stocks face the prospect of a firmer JPY as the Bank of Japan (BoJ) extends its rate hiking cycle, what’s important to recognise is that the BoJ – unlike its DM counterparts – is on a path of policy normalisation rather than tightening. Having exited negative interest rates at its March meeting via a dovish hike, we expect the journey back to neutral to be gradual. The inflation renaissance in Japan has prompted a change both in the mindset of firms towards passing on higher costs to consumers and in their pricing strategies – pricing power is back. This is reflected in the BoJ’s latest quarterly Tankan survey, which shows that while the diffusion index (DI) for input prices is trending downwards, output prices remain high for both the actual result and the forecast.²⁵ We think progress – and increasing conviction – on the Tokyo Stock Exchange’s structural changes on shareholder reforms will justify a higher valuation premium for Japanese equities. For more on Japan, look out for further research from the team over Q2.

DM equities

1500

iShares S&P 500 Swap UCITS ETF

IJPN

iShares MSCI Japan UCITS ETF

BlackRock US Dynamic Fund

BGF Japan Flexible Equity Fund ●

BSF BlackRock Systematic ESG World Equity Fund ●

21 Source: BlackRock and Bloomberg, as of 5 March 2024.

22 Source: BlackRock and Bank of America, as of 4 March 2024

23, 24 Source: BlackRock and Markit, as of 22 March 2024. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

25 Source: BlackRock and Bank of Japan, as of 8 March 2024.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Getting ‘active’ in portfolios

We believe the new regime of heightened uncertainty and performance dispersion will accelerate the evolution of portfolio construction practices. Investors seeking to take advantage of the investment regime to deliver long-term alpha may consider getting more ‘active’ in portfolios by:

- 1. Adopting a more dynamic approach** to long-term portfolio construction. This includes more granular, nimble asset allocation, blending index and active and public and private market strategies, coupled with frequent risk monitoring and stress testing.
- 2. Aiming to be more active with index strategies** and deliver alpha, and acting on insights, through flexible use of index building blocks.
- 3. Allocating more to highly skilled active managers** – investors who have confidence in their ability to pick good managers may be able to capture additional long-term alpha opportunities.

The chart below offers a hypothetical example, illustrating how varying risk levels and the inclusion of active strategies could impact the estimated real returns of a multi-asset portfolio. We show the estimated annualised returns in excess of estimated inflation for three hypothetical portfolios over five years, based on our latest capital market assumptions.²⁶ The first portfolio, ‘steady risk’, represents a risk target of 8% allocating to index products only. If an investor sought to boost real return by c.1% with this portfolio today, they could either:

- **Remain fully indexed** and increase the portfolio risk budget by changing the asset class mix to boost the real beta return estimate. In our example, that means allocating 15% more to DM equities at the expense of

fixed income, taking 2.5% more risk (portfolio 2).

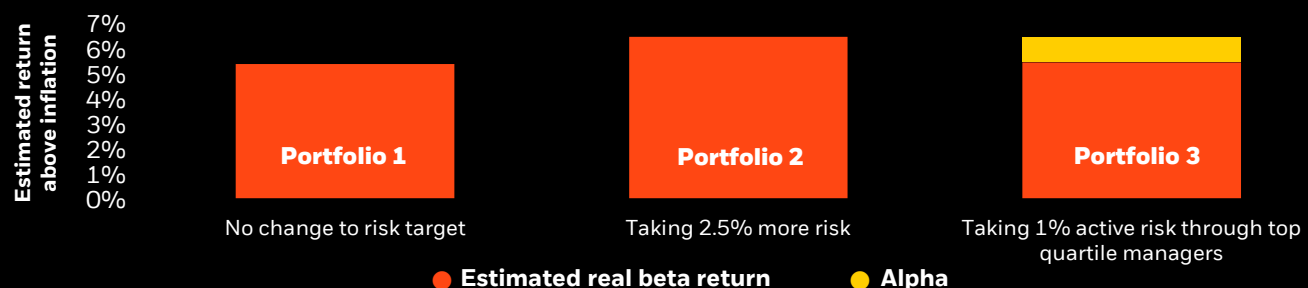
- **Increase allocation to carefully selected, top-quartile active managers**, introducing 1% active risk, while keeping broad beta risk unchanged to help fill the gap in excess returns. Here, we allocate to top-performing active strategies in the eVestment database on top of index-only products, preserving the overall hypothetical portfolio risk target at 8% (portfolio 3).

In the current environment, if we want to stick to lower levels of portfolio beta risk while targeting higher levels of real return, we see a greater role for active managers in the portfolio. Yet there are several considerations to highlight:

- **The role of beta.** Broad macro and style factor exposure continues to be a key driver of portfolio outcomes. It’s important to separate this source of return from any alpha manager’s excess return relative to a benchmark. Investors need to ensure that factor exposures are deliberate, diversified and scaled through ongoing risk monitoring and stress testing across different market scenarios.
- **Active managers impact the whole portfolio** and could have implications on strategic allocations. This means our asset allocation preferences could shift based on our views on index and alpha: if we have very high conviction on individual alpha managers in an asset class, they could be overweight in the portfolio.
- **Costs matter.** For example, product fees cut into returns and can reduce or even eliminate the alpha an investor receives. Investors should fully account for fees in portfolio construction. Manager selection and monitoring could incur significant governance costs.

Risk management cannot fully eliminate the risk of investment loss. There is no guarantee that stress testing will eliminate the risk of investing.

Take more risk with indexing, or blend with more top-quartile active strategies



There is no guarantee that any forecasts made will come to pass. 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 Investment Institute, January 2024. This visual representation is for illustrative purposes only and do not represent an actual portfolio. Regression analysis is backwards-looking with the benefit of hindsight and complex – it may not reliably predict the future relationship between manager performance and market conditions. We assume the following median fees: 0.6% for equities, 0.225% for government bonds, and investment grade credit, 0.45% for sub investment grade credit and 2.75% for private markets. Expert judgement from a manager research team on an individual fund managers could bring better clarity on how they performed. In-depth and practical manager research can improve on econometric techniques and analysis, like regressions, to build a better picture of how a fund manager might perform in the future. **26** See appendix for Capital Market Assumptions disclosures & methodology.

“

The new regime calls for a profound rethink of portfolio construction and asset allocation practices, in our view. We think we’ve entered a phase of portfolios’ alpha being delivered through more dynamic, granular asset allocation choices. The bar has been reset, and it’s much higher – calling for transformative innovation.



Ursula Marchioni
Head of Investment and Portfolio Solutions, EMEA



Selective cyclical

While we hold quality equities at the core of our portfolio approach, we incorporate cyclical where it makes sense. We look to add to the global financials sector, which provides diversified exposure to payments companies as well as large-cap banks, with a strong US tilt. Our base case of three-four rate cuts this year from the Fed, starting mid-2024, would likely allow for deposit costs to fall more than asset yields, especially for those banks with higher amounts of fixed rate loans – namely, US versus European banks. It also may mean some loan and deposit growth takes place in H2.

The continued relative resilience of the US labour market has kept default rates capped, with recent data beginning to normalise from a low base. In Q4 2023, 30+ day delinquencies on credit cards returned to normal levels as expected; meanwhile, net charge-offs (which were historically low in 2021 and 2022) started to normalise, picking up further in H1 before stabilising in H2.²⁷ Fundamentals also remain well-supported, in our view, with operating margins forecast to sequentially pick up from 14.6 currently to 20.3 and 21 in FY24 and FY25, respectively.²⁸

Positioning remains light: after strong buying of global financials ETPs in 2021 (\$48B), the sector recorded outflows in 2022 (-\$15.5B), followed by only muted buying in 2023 (\$3.8B) and 2024 YTD (\$0.4B).²⁹

Cyclicals

-  **WFNS** [iShares MSCI World Financials Sector ESG UCITS ETF](#) ●
-  **BGF World Financials Fund** ●

Read our full range of views across GICS Level 1 sectors in [Precision Insights: Sectors](#).

²⁷ Source: BlackRock, as of 5 March 2024.

²⁸ Source: BlackRock and Bloomberg, as of 8 March 2024.

²⁹ Source: BlackRock and Markit, as of 22 March 2024. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Small caps: too cheap to ignore?

Small caps appear cheap, and we believe we could see a snapback in performance on a technical basis. This has led us to close our underweight to the size factor, based on valuations. However, the uncertain macro backdrop remains unsupportive, in our view. Some investors have shown an appetite to take advantage of such opportunities, with \$6.6B added to small cap ETPs globally in February.³⁰ We expect these flows could be highly dependent on broad investor sentiment – should it remain strong, we would expect more interest in small caps to follow. However, any bumps on the road could see small cap flows suffer first, as doubts on economic growth are compounded by relatively weaker fundamentals.

From a top-down macro perspective, the outlook remains challenging. While a US recession may not be our base case, growth is moving sideways. This dynamic isn't supportive for a more growth-exposed set of companies like small (or mid) caps. The growth outlook also remains challenging in Europe, as highlighted by weak activity indicators such as PMIs.³¹

In the US, small caps have seen some periods of improving sentiment. However, fundamentals have not yet

improved, with low interest coverage ratios and leverage concerns amplifying sensitivity to rates.³² We also see the higher profitability of large cap equities as more attractive.

In Europe, we remain selective on small cap exposure. The region's growth and activity outlook lead us to look up in quality. European small caps are, on average, higher quality than their US peers, as measured by profitability: only 10% of European small caps operate at losses, compared to over 30% in the US.³³ However, they are typically more economically sensitive than large caps, and are sensitive to real yields, with a higher degree of floating rate and nearer-term debt.

Valuations may be cheap: US small caps trade at a 13.7% discount to their five-year average valuations, with European small caps registering a 23.6% discount. This contrasts with the respective large cap measures, which trade currently at a 4.2% premium to their five-year average valuations for the US, and a 7.3% discount for European large caps.³⁴ Yet looking at the broader picture, we see an unfavourable environment in Q2 for highly cyclical exposures such as small caps.

Cheap for a reason?

Spread between the S&P 500 and Russell 2000 indices, January 2010 – 2024 to date



Source: BlackRock and Bloomberg, as of 25 March 2024.

30 Source: BlackRock and Markit, as of 7 March 2023. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

31, 32, 33 Source: Bloomberg, as of 22 January 2024.

34 Source: LSEG Datastream and MSCI, as of 29 February 2024.

Credit

Getting granular and more nimble in allocations is key to seizing opportunities in a new macro regime marked by greater volatility, we think. EUR investment grade (IG) credit has been resilient in the face of this year's backup in yields, with hopes of a US soft landing superseding headwinds, and yield-seeking inflows offering additional support. After January's bumper flows into global IG ETPs (\$14.6B), momentum slowed in February (\$3.2B) but has picked up month-on-month to \$3.8B in March.³⁵ However, we continue to see pockets of value in EUR IG, with wider spreads versus USD IG. EUR IG also looks attractive from a global perspective, with spreads meaningfully wider than post-financial crisis tights, currently sitting 52bps above early-2018 levels. In contrast, USD IG spreads are just 6bps above the tights set in February.³⁶

We also look to relative value trades within European credit, as valuations of EUR high yield (HY) and covered bonds screen as attractive. HY presents particularly strong income for owning beta risk, with yields at 6.4%, bolstered by its shorter duration profile relative to history.³⁷ We prefer broad EUR HY exposure, which offers potential diversification benefits, higher credit quality, and a favourable tilt to European banks. Covered bonds also offer an attractive risk-return profile, given a default rate of 0%, and the option-adjusted spread differential between EUR IG at the lowest level in over a year.³⁸

Credit

SUOE

[iShares € Corp Bond ESG UCITS ETF](#) ●

EH1Y

[iShares Broad € High Yield Corp Bond UCITS ETF](#)

[BlackRock Corporate Bond Fund](#)

[BGF European High Yield Bond Fund](#) ●

Visit [BlackRock.com](https://www.blackrock.com) for a full range of credit products.

35 Source: BlackRock and Markit, as of 22 March 2024. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

36, 37, 38 Source: Bloomberg, as of 7 March 2024.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Emerging market assets

We continue to like EM assets in Q2, supported by buoyant risk sentiment and mega forces – including geopolitical fragmentation, demographic divergence and the low-carbon transition.

Dispersion within EM equities in 2023 highlighted the importance of selectivity in the space. While we acknowledge the attractive valuations on offer in Chinese equities (the 12-month forward P/E ratios of the MSCI China and CSI 300 indices are 8.6x and 10.8x, respectively),³⁹ elevated volatility in the region and still-lacklustre policies to shore up growth prompt us to take above-benchmark risk elsewhere. We prefer a building block approach to EM equities, which allows investors to stay invested in emerging markets through EM ex-China exposure, while tactically dialling exposure to China – and other single regions – up or down in line with conviction.

Geopolitical fragmentation is one of five mega forces we see playing out now, as competing geopolitical and economic blocs harden – see p. 24. Multi aligned or ‘connector’ countries like Mexico are increasingly acting as intermediate trading partners between blocs. The near-shoring theme is already starting to play out: in 2023, the US imported more goods from Mexico than from China for the first time since the early 2000s.⁴⁰ Broadly, we favour LatAm equities for their tilt to commodity exporters, although elections this year – including in Mexico – introduce a layer of uncertainty. Brazil remains one of our highest-conviction calls within EM, given its easing monetary policy backdrop and diversified commodity exporter-tilted economy. Beyond LatAm, we see opportunity in Indian equities: while we maintain a mixed view, we favour India within Asia as a diversifier in EM allocations.

The case for India is clearer in the debt space, where we introduce a preference for Indian government bonds (IGBs). Index inclusion could provide key tailwinds for growth and foreign investment for IGBs in the next 12 months. Bloomberg has announced the inclusion of IGBs in its Bloomberg Emerging Market Local Currency Government Index, effective January 2025; this follows JP Morgan's announcement last year that IGBs would be included in its benchmark indices – with an expected 10% weighting in the local currency index – effective June 2024. Aside from the c.7% income available on the 10Y tenor,⁴¹ India's low foreign ownership means that there are diversification prospects when incorporating IGBs into portfolios. Indian government bonds are negatively correlated with Indian equities, global and EM equities, and broad bond indices, including the Bloomberg Global Aggregate Bond Index and broad EM debt.⁴²

Diversification may not fully protect you from market risk.

EM equities

EXCH

iShares MSCI EM ex-China UCITS ETF

LTAM

iShares MSCI EM Latin America UCITS ETF

BlackRock Frontiers Investment Trust plc

BGF Latin American Fund

EM debt

INGB

iShares India INR Govt Bond UCITS ETF

BGF Emerging Markets Bond Fund ●

Read our full range of granular views across EM equity and debt in [Precision Insights: Emerging markets](#).

39, 41 Source: Bloomberg, as of 13 March 2024.

40 Source: BlackRock, as of 8 March 2024.

42 Source: BlackRock and Bloomberg, as of 8 March 2024.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Harnessing mega forces

Mega forces are another way to steer portfolios – and think about portfolio building blocks that transcend traditional asset classes, in our view.

We believe mega forces offer another way to steer portfolios – and to think about building blocks that transcend traditional asset classes. They stand out as drivers of corporate profits on their own, in our view, and so can offer opportunities that may be uncorrelated to macro cycles. Over time, we think mega forces are set to make inflation more volatile – and we expect it to be on a rollercoaster journey, falling this year before resurging in 2025. Forecasters are less certain about what lies ahead – such is the uncertainty of the new regime.

These forces are already reshaping markets. Take **digital disruption and artificial intelligence (AI)**. While the rally has started to broaden out, tech has continued to drive equity markets this year, leading the S&P 500 to hit consecutive record highs. We think this reflects how quickly markets can embrace fundamental shifts in the outlook, even if they may be slower to fully price in their consequences. Incorporating this mega force into our return expectations brings our overall stance on US equities up to overweight, although we remain neutral at the benchmark level – see p. 15.

That's just one example of why we think harnessing mega forces will enable investors to outperform simple, static allocations. The far-reaching consequences of mega

forces create new investment opportunities – and markets can be slow to price them in.

For example, capital pressures on banks are opening a path for private credit and non-banks to fill the lending void – part of the **future of finance**. Private credit can be an illiquid asset class not suitable for all investors.

Ageing populations in major economies are poised to limit how much countries can produce and grow – depending on how they adapt in **demographic divergence**.

Climate resilience is emerging as a new investment theme within the **low-carbon transition**, in our view. As climate damages mount, we are seeing increased demand for solutions that help economies prepare for, adapt to and withstand climate hazards, and rebuild after damages. See our [low-carbon transition implementation guide](#) for more. We see **geopolitical fragmentation and economic competition** driving a surge of investment in strategic sectors like tech, energy and defence.

The bottom line: we're harnessing mega forces to drive portfolio outcomes on a tactical and strategic horizon. We see further room to run in the AI trade, and look to US exposures that may benefit in an election year to position for geopolitical fragmentation and uncertainty.

Tech fundamentals support continued optimism, we think

S&P 500 tech sector earnings and sales growth, Q4 2022 – Q4 2024 (estimated)



There is no guarantee that any forecasts made will come to pass.

Source: Bloomberg, as of 14 March 2024.

Digital disruption and AI

We maintain our overweight view on the digital disruption and AI mega force. Despite steep valuations for technology firms, with the P/E ratio for the global sector up 18.4% in the last six months and 46.9% in the last 12,⁴³ we think adoption is likely to accelerate as demand expands beyond early AI adopters, supporting earnings momentum. Despite AI being mentioned in over a third of US earnings calls in Q4, the five largest AI technologies – automated vehicles, machine learning, machine vision, expert systems and natural language processing – have been employed by fewer than 6% of US firms, concentrated in large caps.⁴⁴ We see this as a likely driver of global dispersion, skewed towards larger companies and substantially capitalised sectors in the near term, but providing uplift to broad equities as adoption accelerates.

The momentum behind AI and innovative tech remains strong, with global tech outpacing global equities over Q1, driven by software and semiconductor names.⁴⁵ This has been backed by robust fundamentals, particularly in US tech, which saw earnings growth of 23.5% in Q4 2023 as a significant majority of companies continued to beat already-buoyant EPS estimates.⁴⁶ We're also seeing signs of rising penetration across industries, with the share of US companies mentioning AI on earnings calls rising from 31% in Q3 to 36% in Q4.⁴⁷ The degree to which this guidance will materialise is heavily contested – as noted above, actual adoption remains far lower – but demand segments and revenue drivers for big tech underpin our conviction that the trade has room to run, over both tactical and strategic horizons.

Earnings have been a significant driver of US tech returns over the past year and we expect this to continue as second differential revenue points to an acceleration in demand. Sales per share and the book value of US tech have increased 9.9% and 7.8%, respectively, in the last six months, compared to 3.7% and 4.4% for US equities ex-tech.⁴⁸ Big tech is the largest consumer segment for semiconductors and AI, highlighting the self-sustaining nature of the sector. We view this as a tailwind, given strong forward guidance on reinvestment in the Q4 earnings season, particularly from mega cap names. AI-exposed equities have also been supported by early-adopter industries, including biotechnology.

Distinguishing between likely 'winners' and 'losers' in the opening stages of a strategic mega force poses challenges. However, key components of the AI tech stack can help to provide a roadmap. We continue to see the most compelling opportunities at the foundation of the stack – namely, processing chips and global semiconductors, where global industry sales totalled \$47.6B in January 2024, an increase of 15.2% YoY.⁴⁹ Over time, we believe the entire AI ecosystem stands to benefit: as we move further into the second year of the AI boom, we're also starting to look up the stack to cloud infrastructure providers, as well as firms that own – or store – the vast data sets that AI tools employ.

43, 44, 46, 47 Source: Bloomberg, as of 6 March 2024.

45 Source: Reuters, as of 15 February 2024.

48 Source: JP Morgan, as of 26 January 2024.

49 Source: Semiconductor Industry Association, as of 4 March 2024. All figures are in US dollars, unless stated otherwise.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

AI

SEMI

iShares MSCI Global Semiconductors UCITS ETF ●

WITS

iShares MSCI World Information Technology Sector ESG UCITS ETF ●

BGF World Technology Fund ●

BGF Next Generation Technology Fund ●

No dot-com redux: why we see room to run for tech

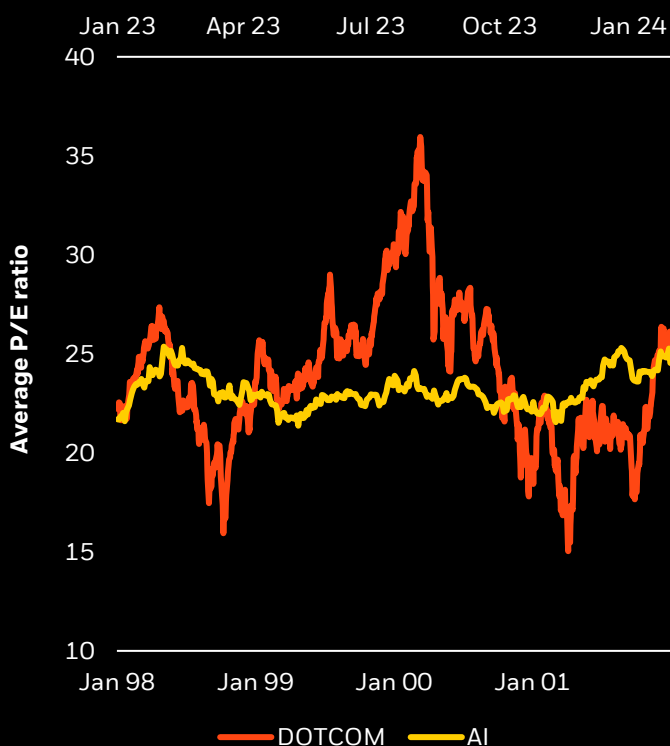
Tech stocks ushered in a strong close to 2023 as the seven largest tech names in the S&P 500 Index logged an impressive average return of 111%. Despite strong performance and consistently high returns among AI companies, this tech-driven stock rally still invites its share of sceptics, who have drawn comparisons to the dot-com bubble of the late 1990s.

To gain better perspective on any similarities between these two tech-driven periods, our Systematic investment team contrasted the features of the recent AI boom with the late '90s dot-com bubble to better calibrate current AI valuations. A comparison reveals significant differences between these two technology waves. The nature of companies that are gaining exposure to AI today differ from the speculative valuations during the dot-com bubble – see chart 1 below. In 1999-2000, declining earnings were paired with extraordinarily high valuations and high levels of volatility. In comparison, AI beneficiaries

today are characterised by steadier cash flows and higher quality earnings associated. In addition, current AI leaders tend to be a smaller and more concentrated set of established tech corporations, as opposed to the new IPOs that drove the dot-com bubble.

Other key aspects we take into consideration when evaluating AI investment opportunities are labour markets and hiring trends. Fears have mounted around AI's potential to gradually replace labour since its inception, but our data tells a different story – see chart 2. While AI has been cited for a marginal amount of job cuts since May 2023, it has created roughly 3.5 million job postings since 2020, and nearly 5 million job postings since 2013.⁵⁰ AI skills are quickly becoming highly sought after across a range of industries. This marks a significant turning point in labour markets, where our future workforce will demand a base-level of skills necessary to keep pace with rapid shifts in technology.

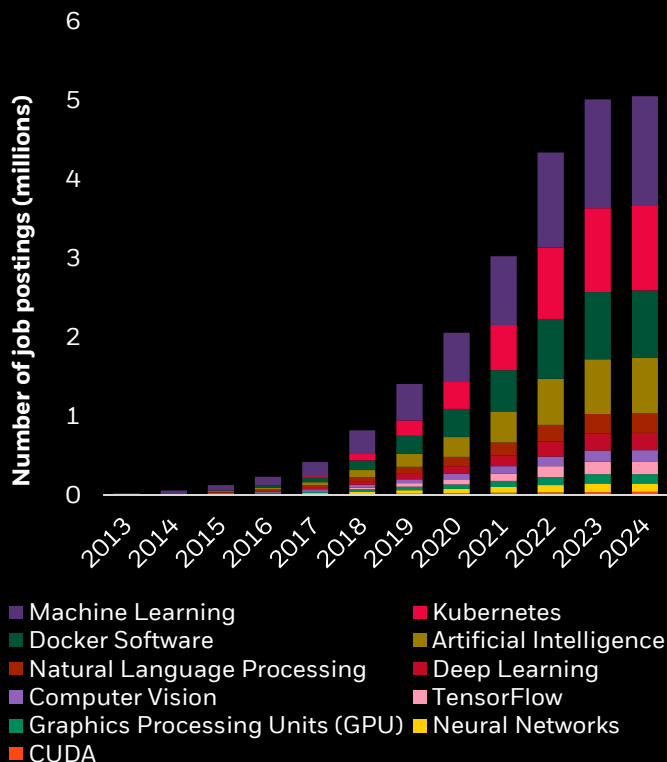
Chart 1: Average P/E ratio in systematic active equities US tech universe



Source: BlackRock Systematic, as of February 2024. This chart shows the average P/E ratio across investible AI stocks in comparison to the leading stocks of the dot-com bubble. The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

⁵⁰ Source: BlackRock Systematic, as of 13 March 2024.

Total cumulative job postings for AI skills in dataset, 2013-2024



Source: BlackRock Systematic, as of February 2024. This chart measures the demand for a variety of AI skills based on job postings from 2013-2024.

Geopolitical fragmentation & economic competition

More than half of the global population, spanning 76 countries, heads to the ballot box in 2024, including the three largest democracies – India, Indonesia and the US. This introduces an unprecedented level of policy uncertainty, against a backdrop of structurally elevated geopolitical risk. For investors, the US elections in November are particularly in focus. The outcome could have profound implications for the global economy and geopolitics – including the trajectory of economic competition across emerging blocs.

In a typical US election year, we would start positioning for the vote in Q3, as clarity emerged around the candidates and their policy positions. Yet 2024 is not a typical year – and we think history may be less instructive. We know both presumptive candidates – President Joe Biden and former President Donald Trump – much earlier than in the past, and both have presidential track records, giving us greater insight into their likely priorities, though this may evolve over time. This opens the door to positioning earlier in the election cycle, we think.

In past election years, investors have often missed out on potential returns by chasing trades closer to the election date. For those positioning for the first leg of the election trade, selectivity is key. The range of S&P 500 returns in the first half of an election year (from 2004–2020) is c.19%, rising to as high as 55% for the energy sector (skewed by the Covid-disrupted H1 2020), with an average of 27.7% across GICS L1 sectors.⁵¹ This supports our view that the past may not reflect the future, but we think the frequency with which some sectors have led or lagged the broad market merits consideration. From 2004 to 2020, energy has come in first or last among sectors in four out of five elections; the same is true for tech for three elections, and communications services twice.⁵² We think dispersion could be greatest in these sectors again in 2024.

For Q2, we have the highest conviction in US banks, particularly large caps. This isn't just an election-driven trade, but that backdrop is a key factor. The sector looks cheap (c.15x P/E versus 20x for the broad S&P 500);⁵³ the valuation gap to European banks has narrowed, thanks to the latter appreciating; and the financials sector delivered above-trend 6% EPS growth in Q4 earnings.⁵⁴ While rate cuts will affect net interest income, we don't expect cuts until the end of the trade's lifecycle, given relatively solid US growth data YTD. In our framework, which analyses returns and volatility back to 1988, financials score highly on both an absolute and volatility-adjusted basis in election years.⁵⁵ Positioning also remains light, as gauged by global ETP flows.⁵⁶

We maintain our conviction in US energy in the first half of 2024: the sector can act as a potential inflation hedge, and currently looks both cheap and under-owned, with \$1.5B of outflows from US energy sector ETPs globally YTD, following \$9.7B out in 2023.⁵⁷ The upcoming election, in our view, adds to the tactical investment case.

Stepping back, with heightened concerns around elections and cyber risks – particularly given the rise of consumer-friendly AI tools – we also see opportunity to build exposure to digital security providers this year.

Past performance is not a reliable indicator of current or future results.

51, 52, 53, 55 Source: Bloomberg and BlackRock, as of 29 February 2024.

54 Source: JP Morgan, as of 1 March 2024.

56, 57 Source: BlackRock and Markit, as of 22 March 2024. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

US election

| | |
|-------------|--|
| BNKS | <u>iShares S&P U.S. Banks UCITS ETF</u> |
| IUES | <u>iShares S&P 500 Energy Sector UCITS ETF</u> |
| LOCK | <u>iShares Digital Security UCITS ETF</u> |
| | BGF FinTech Fund ● |
| | BGF Natural Resources Fund |
| | BlackRock Energy and Resources Income Trust plc |

Commodities

Mega forces – particularly geopolitical fragmentation and the transition to a low-carbon economy – continue to impact commodities, shaping both supply and demand as countries look to build more resilient supply chains, especially in areas such as critical minerals and energy. We continue to see a role for commodities and commodity equities in portfolios, as an inflation hedge, a diversifier, and a source of potential returns. Despite structurally higher geopolitical tensions off the back of conflicts in the Middle East and Ukraine, we have seen relatively limited disruption to commodity supply so far in 2024 – though this could change. We think commodity equities represent one way to hedge against this risk in portfolios.

In the materials space, we favour copper. Copper prices hit 12-month highs in late Q1,⁵⁸ amid tightening supply dynamics. While demand for copper is expected to increase, constraints to supply growth could prove an attractive backdrop for copper miners. Mine supply is expected to peak this year.⁵⁹ By the early 2030s, demand could outstrip the current supply by more than six million tonnes per year for three key reasons:⁶⁰ geographic concentration risk, with over one-third of global production located in Chile and Peru alone;⁶¹ long lead times from copper discovery to production;⁶² and looming production peaks for existing mines.⁶³ The limited global copper supply and the declining quality of existing copper deposits have prompted companies to seek acquisitions as a mean of securing future production. M&A activity allows companies to achieve economies of scale, optimise production processes and capitalise on synergies. Out of 18 deals specifically focused on copper in 2022, 10 were aimed at assets in the reserves-development stage.⁶⁴ This indicates that the acquisitions made by buyers are driven by long-term strategies rather than seeking immediate production boosts.

Another key theme this year, in our view, will be the growing importance of fiscal stimulus in spurring global economic growth, as inflationary pressures limit the extent to which central banks can cut interest rates. While debt burdens make new stimulus unlikely, in our view, we should see the impulse from previously announced, highly commodity-intensive infrastructure packages around the world come online, driving demand for a range of commodities for decades to come.

Commodities

| | |
|-------------|--|
| COPM | iShares Copper Miners UCITS ETF |
| | |
| | BGF Brown to Green Materials Fund ● |
| | |
| | BGF Sustainable Energy Fund ● |

58 Source: Bloomberg, as of 20 March 2024.

59 Source: Macquarie, April 2023.

60 Source: BloombergNEF, Sep 2022, 'Surging copper demand will complicate the clean energy boom'.

61 Source: US Geological Survey Data, April 2023.

62 Source: S&P Global Market Intelligence, "Copper discoveries – Declining trend continues" May 2022.

63 Source: IEA, May 2021. Period covered: 2010-2019.

64 Source: S&P Global Market Intelligence, "Mining M&A in 2022 - Copper targets favored over gold", March 2023.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

Rethinking haven assets

The traditional relationship between gold and the US dollar (USD) has decoupled of late, and we think investors may need to shift their perspective on safe-haven assets as a result. Gold and the USD have played a key role in asset allocation in recent years – notably following Russia’s invasion of Ukraine in early 2022, during 2023’s banking crisis, and amid rolling volatility since the Covid-19 pandemic. Gold has been used as a currency stabilising mechanism for centuries, and its ability to act as a store of value has helped to mitigate risk during times of market volatility and economic uncertainty, as a diversifier and a portfolio hedge. The US dollar is the world’s primary reserve currency and is widely used for purposes of international trade and financing operations. During recent bouts of market volatility, investors sought refuge in the dollar alongside gold allocations over other traditional sources of portfolio ballast, such as rates.

Gold and the US dollar have historically shared an inverse correlation.⁶⁵ When the value of the dollar increases relative to G10 currencies, the price of gold tends to fall in USD terms. However, this correlation has notably decoupled in recent years – and 2024 to date, with the dollar up 1.5% YTD⁶⁶ – as the US soft-landing narrative and move in US real rates becomes less of a driver of gold prices.⁶⁷

Net outflows from gold ETPs have mounted to \$6.1B YTD, on top of 2023’s net selling of \$13.5B, suggesting that investors are rotating out of the haven asset as risk

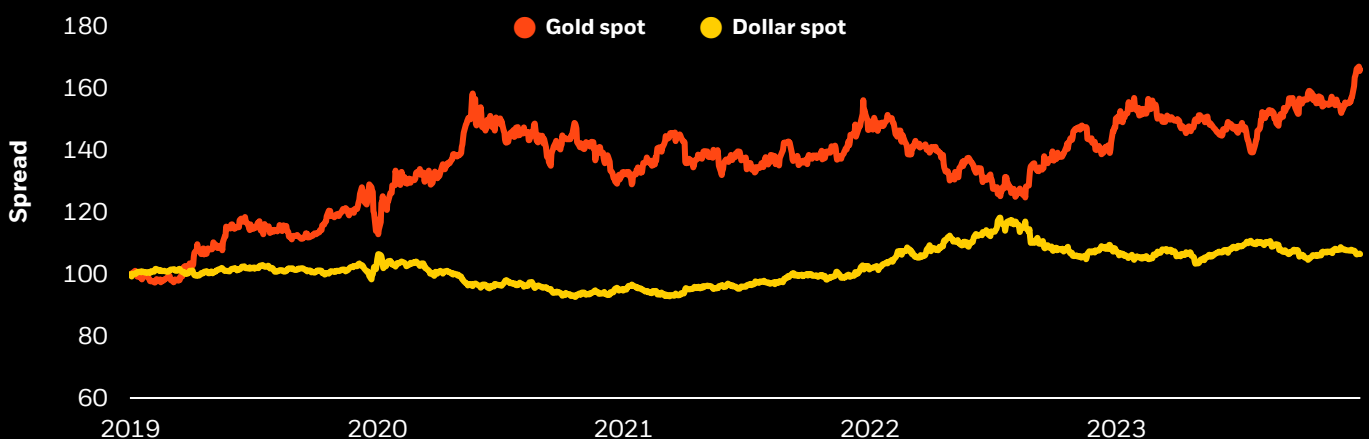
sentiment picks up.⁶⁸ Although investors have been selling gold, physical demand for the commodity has been sustained by central bank purchases and strong EM retail demand. Over 2022-23, central bank demand rose to an average of 1,060 tonnes (versus 509 tonnes over 2016-2019). This increase has been driven by steady purchases from China, Poland and Turkey as they diversify reserves away from the US dollar and deploy active reserve management strategies.⁶⁹ We think this is likely to sustain rising gold prices in the medium term, particularly amid persistent geopolitical tensions and strong retail demand from China, where property woes continue to dampen investor sentiment. Rising gold prices have also brought silver into focus: gold and silver tend to trade in tandem, but the spread between the two has been widening, with the five-year spread now at an all-time high. If the gold/silver ratio converges to historic averages, this could imply a tailwind for silver.

We expect modest USD depreciation in Q2. 10Y Treasury yields could run higher before attracting sufficient capital and the US looks unlikely to sustain its current growth path ahead of Fed rate cuts. As buying momentum for gold is sustained, we anticipate further decoupling between gold and traditional safe-haven currencies like the USD and Swiss Franc, signalling a nuanced shift in market dynamics and support for EM assets.

Diversification may not fully protect you from market risk.

A weakening correlation

Gold/US dollar spread over the last five years



Source: Bloomberg, as of 8 March 2024. Gold spot represented by XAU gold spot rate, and dollar spot by DXY US dollar spot index.

65, 66, 67, 69 Source: Bloomberg, as of 8 March 2024.

68 Source: BlackRock and Markit, as of 22 March 2023. **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. See appendix for 5Y data.** All figures are in US dollars, unless stated otherwise.

Demographic divergence

Economies globally are grappling with ageing populations, with the working-age population set to shrink over the next 20 years across many DMs and China. While strategies such as increased labour force participation (for example, among women or older workers) and migration can help offset declining domestic populations, they may not be enough to stop workforces from shrinking overall.⁷⁰ The global labour force also faces constraints on productivity due to reduced supply post-pandemic, impacting government finances as spending on retirement-related benefits rises while per-capita income tax revenue falls.

The demographic divergence mega force transcends the core issue of ageing populations. Declining populations within developed countries, stemming from urban shrinkage, carry far-reaching implications for economic activity and future infrastructure development. Urban shrinkage results in vacant properties, deteriorating infrastructure and a shrinking tax base, collectively posing challenges for local governments, businesses and residents. This has weighed on commercial real estate: in the US, the national office vacancy rate reached highs of 19.2% in Q3 2023 with \$1.2 trillion of US commercial real estate debt “potentially troubled” due to the slump in prices.⁷¹

Overall, we view this mega force as inflationary, and expect it to weigh on economic growth. Yet it also presents opportunities. Automation and robotics can help narrow the gap in labour force supply, increase worker safety and allow companies to reallocate resources. This is playing an increasing role in sectors like manufacturing and financial services; advances in AI could lead to further productivity gains, including in services-based industries. We also look to sectors catering to ageing populations, such as healthcare, with demand for healthcare and retirement-related services set to rise – alongside projected spending. These types of demographic-driven spending shifts are not always priced by markets, even if they can be anticipated years in advance: for example, over the past three decades, the value of Japanese healthcare stocks has risen broadly in line with the growth of its retired population.⁷² Efforts to address urban shrinkage could involve strategies to revitalise and repurpose vacant or underutilised spaces, expanding avenues for selective investment in real assets.

Demographic divergence

RBOT

iShares Automation & Robotics UCITS ETF ●

WHCS

iShares MSCI World Health Care Sector ESG UCITS ETF ●

BGF World Healthscience Fund ●

BGF Next Generation Health Care Fund ●

Forward-looking estimates may not come to pass.

70 Source: BlackRock Investment Institute, OECD, United Nations, with data from Haver, March 2024.

71 Source: JP Morgan, Moody's as of 26 January 2024. All figures are in US dollars, unless stated otherwise.

72 Source: BlackRock Investment Institute, United Nations, Reuters, with data from LSEG Datastream, March 2024.

● This symbol denotes a sustainable product. The specific methodology will vary by exposure. Visit your local BlackRock website for more information.

APPENDIX

Annual flows into global ETPs by exposure type, 2019 – 2024 to date

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 YTD |
|----------------------|---------|----------|----------|----------|----------|----------|
| Quality factor | \$11.2B | \$6.8B | \$7.7B | \$14.0B | \$36B | \$10.7B |
| German rates (bunds) | -\$1.8B | -\$0.1B | -\$0.2B | \$1.0B | \$1.2B | \$160M |
| Eurozone rates | \$21.7B | \$7.6B | \$12B | \$15.5B | \$29.9B | \$6.1B |
| US rates - short | \$10.3B | \$15.4B | \$12.9B | \$58B | \$43.5B | -\$4.8B |
| US rates - long | \$14.6B | \$2.5B | \$13.3B | \$42.4B | \$64.8B | \$8.5B |
| Investment grade | \$60.5B | \$64.2B | \$30.4B | \$46.2B | \$46.8B | \$21.7B |
| Financials sector | \$1.2B | \$10.7B | \$48.1B | -\$15.5B | \$3.8B | -\$3M |
| US energy sector | -\$3.6B | \$12.6B | \$12.2B | -\$1.25B | -\$9.7B | -\$1.5B |
| Technology sector | \$13.2B | \$58.3B | \$57.8B | \$26.0B | \$52.1B | \$14.9B |
| Small cap equities | \$7B | \$20.5B | \$50.5B | \$14.7B | \$39.7B | \$9.7B |
| Gold | \$19B | \$45.5B | -\$9.7B | -\$3.3B | -\$13.5B | -\$6.2B |
| US equity | \$162B | \$200B | \$578B | \$342B | \$361B | \$118B |
| Japanese equity | \$30.5B | \$64.5B | \$31.0B | \$1.5B | \$16.5B | \$9.5B |
| UK IG | \$1.02B | -\$0.32B | -\$0.20B | \$0.77B | \$1.4B | -\$220M |
| UK rates | \$0.49B | \$0.21B | \$0.14B | \$1.67B | \$4.3B | \$67M |
| | \$11.2B | \$6.8B | \$7.7B | \$14.0B | \$36B | \$10.7B |

Source: BlackRock and Markit, as of 21 March 2024. **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.**

BlackRock's Long-Term Capital Market Assumption Disclosures: This information is not intended as a recommendation to invest in any particular asset class or strategy or product or as a promise of future performance. Note that these asset class assumptions are passive, and do not consider the impact of active management. All estimates in this document are in US dollar terms unless noted otherwise. Given the complex risk-reward trade-offs involved, we advise clients to rely on their own judgment as well as quantitative optimisation approaches in setting strategic allocations to all the asset classes and strategies. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. If the reader chooses to rely on the information, it is at its own risk. This material has been prepared for information purposes only and is not intended to provide, and should not be relied on for, accounting, legal, or tax advice. The outputs of the assumptions are provided for illustration purposes only and are subject to significant limitations. "Expected" return estimates are subject to uncertainty and error. Expected returns for each asset class can be conditional on economic scenarios; in the event a particular scenario comes to pass, actual returns could be significantly higher or lower than forecasted. Because of the inherent limitations of all models, potential investors should not rely exclusively on the model when making an investment decision. The model cannot account for the impact that economic, market, and other factors may have on the implementation and ongoing management of an actual investment portfolio. Unlike actual portfolio outcomes, the model outcomes do not reflect actual trading, liquidity constraints, fees, expenses, taxes and other factors that could impact future returns.

Index Disclosures: Index returns are for illustrative purposes only and do not represent any actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

General disclosure: This material is intended for information purposes only, and does not constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. This material may contain estimates and forward-looking statements, which may include forecasts and do not represent a guarantee of future performance. This information is not intended to be complete or exhaustive. No representations or warranties, either express or implied, are made regarding the accuracy or completeness of the information contained herein. The opinions expressed are as of February 2024 and are subject to change without notice. Reliance upon information in this material is at the sole discretion of the reader. Investing involves risks.

BlackRock Global Unconstrained Equity Fund

The Fund is actively managed and the IM has discretion to select the Fund's investments. The Fund has an unconstrained investment style (i.e. it will not take a benchmark index into account when selecting the Fund's investments). However, the IM will refer to the MSCI World Index (the Index) for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy (including, in particular, its unconstrained investment style). The IM is not bound by the components or weighting of the Index and may use its discretion to invest in securities not included in the Index. The Fund's portfolio holdings are expected to deviate materially from the Index. The Index should be used by investors to compare the performance of the Fund.

BlackRock UK Income Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the FTSE All-Share Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the geographical scope of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by unitholders to compare the performance of the Fund.

BGF World Financials Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the MSCI ACWI Financials Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the sector requirements of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BlackRock Sustainable Sterling Short Duration Credit Fund

The Fund is actively managed. The IM has discretion to select the Fund's investments and is not constrained by any benchmark. 3 Month SONIA compounded in arrears +1.5% should be used by unitholders to compare the performance of the Fund. Compounding in arrears is a methodology that compounds daily values of the overnight rate throughout the relevant term period (i.e. 3 Months). The Fund's carbon emission intensity score is measured against the Index.

BlackRock Corporate Bond Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the ICE BofAML Sterling Corporate and Collateralized Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The Index should be used by unitholders to compare the performance of the Fund.

BlackRock Cash Fund

The Fund is actively managed and the investment adviser has discretion to select the Fund's investments and it is not constrained by any benchmark in this process. Sterling Overnight Index Average Rate (SONIA) should be used by unitholders to compare the performance of the Fund.

BSF BlackRock Systematic Asia Pacific Equity Absolute Return Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The 3 Month Secured Overnight Financing Rate (SOFR) compounded in arrears plus 26.1 basis point spread should be used by shareholders to compare the performance of the Fund. Compounding in arrears is a methodology that compounds daily values of the overnight rate throughout the relevant term period (i.e.3 Months).

BSF Emerging Markets Flexi Dynamic Bond Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments, and is not constrained by any benchmark in this process. The 3 Month Secured Overnight Financing Rate (SOFR) compounded in arrears and a composite benchmark comprising the JP Morgan EMBI Global Diversified Index (50%) and the JP Morgan GBI-EM Global Diversified Index (50%) should be used by shareholders to compare the performance of the Fund. Compounding in arrears is a methodology that compounds daily values of the overnight rate throughout the relevant term period (i.e.3 Months).

BlackRock US Dynamic Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the the Russell 1000 Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the geographical scope of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by unitholders to compare the performance of the Fund.

BGF World Technology Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA may take into consideration the MSCI AC World Information Technology Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the sector requirements of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BGF World Healthscience Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing, the IA will refer to the MSCI World Health Care Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the sector requirements of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BGF Euro Bond Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the Bloomberg Euro-Aggregate 500mm+ Bond Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the geographical scope of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BlackRock Natural Resources Growth & Income Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the S&P Global Natural Resources Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the industry sector requirements of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BGF Japan Flexible Equity Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the MSCI Japan Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the geographical scope of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BGF Emerging Markets Bond Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so the IA will refer to the J.P. Morgan Emerging Markets Bond Index Global Diversified Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the geographical scope of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BlackRock Sustainable Sterling Strategic Bond Fund

The Fund is actively managed. The IM has discretion to select the Fund's investments and is not constrained by any benchmark. 3-month SONIA should be used by unitholders to compare the performance of the Fund. The Fund's carbon emission intensity score is measured against the Index.

BlackRock Tactical Opportunities Fund

The Fund is actively managed. The IM (investment manager) has discretion to select the Fund's investments and is not constrained by any benchmark in this process.

BSF Asia Pacific Absolute Return Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The 3 Month Secured Overnight Financing Rate (SOFR) compounded in arrears plus 26.1 basis point spread should be used by shareholders to compare the performance of the Fund. Compounding in arrears is a methodology that compounds daily values of the overnight rate throughout the relevant term period (i.e.3 Months).

BlackRock Systematic ESG World Equity Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments. In doing so, the IA may refer to the MSCI World Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. The Fund's portfolio holdings are expected to deviate materially from the Index. The Index should be used by shareholders to compare the performance of the Fund.

BGF Natural Resources Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the S&P Global Natural Resources Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the industry sector requirements of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund

BlackRock UK Absolute Alpha Fund

The Fund is actively managed and the IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. 3 Month Sterling Overnight Index Average Rate (SONIA) compounded in arrears plus 11.9 basis points spread should be used by unitholders to compare the performance of the Fund. Compounding in arrears is a methodology that compounds daily values of the overnight rate throughout the relevant term period (i.e.3 Months).

BGF Next Generation Technology Fund

The Fund is actively managed. The IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The MSCI All Countries World Index should be used by investors to compare the performance of the Fund. The Index should be used by investors to compare the performance of the Fund.

BGF Sustainable Energy Fund

The Fund is actively managed. The IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The MSCI All Countries World Index should be used by investors to compare the performance of the Fund. The weighted average ESG rating of the Fund will be higher than the ESG rating of the MSCI ACWI after eliminating at least 20% of the least well-rated securities from the MSCI ACWI.

BGF Brown to Green Materials Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In the opinion of the IA, the MSCI All Countries World Index (the "Index") is a fair representation of the Fund's investment universe and should be used by investors to compare the performance of the Fund. The Index measures the performance of large and mid-capitalisation stocks across developed and emerging markets countries.

BGF FinTech Fund

The Fund is actively managed. The IA has discretion to select the Fund's investments. The IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The MSCI All Countries World Index should be used by investors to compare the performance of the Fund. The Index should be used by investors to compare the performance of the Fund.

MyMap 3 Select ESG Fund

The Fund is actively managed without reference to a benchmark, meaning the IM has absolute discretion to select the Fund's investments and is not constrained by any target, comparator or performance benchmark. The Fund's carbon emission intensity score is measured against the Index.

MyMap 5 Select ESG Fund

The Fund is actively managed without reference to a benchmark, meaning the IM has absolute discretion to select the Fund's investments and is not constrained by any target, comparator or performance benchmark. The Fund's carbon emission intensity score is measured against the Index.

MyMap 7 Select ESG Fund

The Fund is actively managed without reference to a benchmark, meaning the IM has absolute discretion to select the Fund's investments and is not constrained by any target, comparator or performance benchmark. The Fund's carbon emission intensity score is measured against the Index.

BlackRock ICS Euro Government Liquidity Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Euro Short-Term Rate (ESTR) should be used by investors to compare the performance of the Fund.

BlackRock ICS Sterling Government Liquidity Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Sterling Overnight Index Average Rate (SONIA) should be used by investors to compare the performance of the Fund.

BlackRock ICS US Dollar Government Liquidity Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Secured Overnight Financing Rate (SOFR) should be used by investors to compare the performance of the Fund.

BlackRock ICS Euro Liquidity Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Euro Short-Term Rate (ESTR) should be used by investors to compare the performance of the Fund.

BlackRock ICS Sterling Liquidity Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Sterling Overnight Index Average Rate (SONIA) should be used by investors to compare the performance of the Fund.

BlackRock ICS US Dollar Liquidity Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Secured Overnight Financing Rate (SOFR) should be used by investors to compare the performance of the Fund.

BlackRock ICS Euro Liquid Environmentally Aware Fund

The Fund is a "Short Term Variable NAV Money Market Fund" as defined by the EU Money Markets Funds Regulations. The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Euro Short-Term Rate (ESTR) should be used by investors to compare the performance of the Fund. The investments of this VNAV Fund are valued using the mark-to-market method (i.e. a valuation based on current market prices) where possible, and if not, the mark-to-model method (i.e. a valuation based on a financial model) is used. The NAV is calculated to four decimal places and forms the dealing NAV.

BlackRock ICS Sterling Liquid Environmentally Aware Fund

The Fund is a "Short Term Variable NAV Money Market Fund" as defined by the EU Money Markets Funds Regulations. The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Sterling Overnight Index Average Rate (SONIA) should be used by investors to compare the performance of the Fund. The investments of this VNAV Fund are valued using the mark-to-market method (i.e. a valuation based on current market prices) where possible, and if not, the mark-to-model method (i.e. a valuation based on a financial model) is used. The NAV is calculated to four decimal places and forms the dealing NAV.

BlackRock ICS US Dollar Liquid Environmentally Aware Fund

The Fund is a "Short Term Variable NAV Money Market Fund" as defined by the EU Money Markets Funds Regulations. The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The Secured Overnight Financing Rate (SOFR) should be used by investors to compare the performance of the Fund. The investments of this VNAV Fund are valued using the mark-to-market method (i.e. a valuation based on current market prices) where possible, and if not, the mark-to-model method (i.e. a valuation based on a financial model) is used. The NAV is calculated to four decimal places and forms the dealing NAV.

BlackRock ICS Euro Ultra Short Bond Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The 3 Month Euro Short Term Rate (ESTR) compounded in arrears should be used by investors to compare the performance of the Fund.

BlackRock ICS Sterling Ultra Short Bond Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The 3 Month Sterling Overnight Index Average Rate (SONIA) compounded in arrears should be used by investors to compare the performance of the Fund.

BlackRock ICS US Dollar Ultra Short Bond Fund

The Fund is actively managed. The investment manager has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The 3 Month Secured Overnight Financing Rate (SOFR) compounded in arrears should be used by investors to compare the performance of the Fund.

BGF Sustainable Global Infrastructure Fund

The Fund is actively managed the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the FTSE 50/50 Developed Core Infrastructure Index when constructing the Fund's portfolio, and also for performance comparison and risk management purposes.

BGF European High Yield Bond Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the Bloomberg Pan European High Yield 3% Issuer Constrained Index EUR Hedged (the "Index") when constructing the Fund's portfolio, and also for performance comparison and risk management purposes as further described in the prospectus. The IA is not bound by the components or weighting of the Index and may also use its discretion to invest in securities not included in the Index. However, the geographical scope and credit rating requirements of the investment objective and policy may limit the extent to which the portfolio holdings will deviate from the Index.

BlackRock Frontiers Investment Trust plc

The Fund is actively managed and the Investment Manager has discretion to select the Fund's investments.

BGF Latin American Fund

The Fund is actively managed, and the IA has discretion to select the Fund's investments. In doing so, the IA will refer to the MSCI Emerging Markets Latin America 10/40 Index (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e. degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The IA is not bound by the components or weighting of the Index when selecting investments. The IA may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. However, the geographical scope of the investment objective and policy may have the effect of limiting the extent to which the portfolio holdings will deviate from the Index. The Index should be used by investors to compare the performance of the Fund.

BlackRock Energy and Resources Income Trust plc

The Fund is actively managed and the Investment Manager has discretion to select the Fund's investments.

BGF Next Generation Health Care Fund

The Fund is actively managed. The IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The MSCI All Countries World Index should be used by investors to compare the performance of the Fund.

Risk Warnings

Investors should refer to the prospectus or offering documentation for the funds full list of risks.

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.

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.

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.

BlackRock has not considered the suitability of this investment against your individual needs and risk tolerance. The data displayed provides summary information. Investment should be made on the basis of the relevant Prospectus which is available from the manager.

The products mentioned in this document are intended for information purposes only and do not constitute investment advice or an offer to sell or a solicitation of an offer to buy the securities described within. This document may not be distributed without authorisation from BlackRock.

Product Risks

iShares Edge MSCI Europe Quality Factor UCITS ETF EUR (Acc)

Counterparty Risk, Equity Risk, Factor Focus Risk, Index Methodology Risk

iShares World Equity High Income UCITS ETF USD (DIST)

Counterparty Risk, Equity Risk, Erosion of Capital Risk, ESG Risk, Quantative Model Risk

iShares \$ Treasury Bond 3-7yr UCITS ETF USD (Acc)

Concentration Risk, Counterparty Risk, Credit Risk, Liquidity Risk

iShares Italy Govt Bond UCITS ETF EUR (Dist)

Concentration Risk, Counterparty Risk, Credit Risk, Liquidity Risk

iShares iBonds Dec 2028 Term € Corp UCITS ETF EUR (Dist)

Counterparty Risk, Credit Risk, Defined Term Fund Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares Global Infrastructure UCITS ETF USD (Dist)

Concentration Risk, Counterparty Risk, Equity Risk, Investments in Infrastructure Securities Risk

iShares € Ultrashort Bond ESG UCITS ETF EUR (Dist)

Counterparty Risk, Credit Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares ESG Multi-Asset Moderate Portfolio UCITS ETF EUR (Acc)

Commodity Swaps Risk, Counterparty Risk, Credit Risk, Equity Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares S&P 500 Swap UCITS ETF USD (Acc)

Counterparty Risk, Currency Risk, Derivatives Risk, Equity Risk, Smaller Companies Risk

iShares MSCI Japan UCITS ETF USD (Dist)

Concentration Risk, Counterparty Risk, Equity Risk

iShares MSCI World Financials Sector ESG UCITS ETF USD (Dist)

Concentration Risk, Counterparty Risk, Credit Risk, Equity Risk

iShares € Corp Bond ESG UCITS ETF EUR (Dist)

Counterparty Risk, Credit Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares Broad € High Yield Corp Bond UCITS ETF EUR (Dist)

Counterparty Risk, Credit Risk, Liquidity Risk

iShares MSCI EM ex-China UCITS ETF USD (Acc)

Counterparty Risk, Currency Risk, Emerging Markets Risk, Equity Risk

iShares MSCI EM Latin America UCITS ETF USD (Dist)

Counterparty Risk, Currency Risk, Emerging Markets Risk, Equity Risk, Liquidity Risk

iShares India INR Govt Bond UCITS ETF USD (Dist)

Combined Credit and Non-investment Grade Risk, Concentration Risk, Counterparty Risk, Credit Risk, Emerging Market Government Fixed Income Securities Risk, Emerging Markets Risk, India Tax Law, Liquidity Risk

iShares MSCI Global Semiconductors UCITS ETF USD (Acc)

Concentration Risk, Counterparty Risk, Emerging Markets Risk, Equity Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares MSCI World Information Technology Sector ESG UCITS ETF USD (Dist)

Concentration Risk, Counterparty Risk, Equity Risk, Investment in Technology Securities Risk

iShares S&P U.S. Banks UCITS ETF USD (Acc)

Concentration Risk, Counterparty Risk, Credit Risk, Equity Risk

iShares S&P 500 Energy Sector UCITS ETF USD (Acc)

Concentration Risk, Counterparty Risk, Equity Risk, Investments in Energy Securities Risk

iShares Digital Security UCITS ETF

Concentration Risk, Counterparty Risk, Emerging Markets Risk, Equity Risk, Investment in Technology Securities Risk, Liquidity Risk, Smaller Companies Risk

iShares Copper Miners UCITS ETF USD (Acc)

Commodity Swaps Risk, Concentration Risk, Counterparty Risk, Equity Risk

iShares Automation & Robotics UCITS ETF USD (Acc)

Concentration Risk, Counterparty Risk, Derivatives Risk, Emerging Markets Risk, Equity Risk, Investment in Technology Securities Risk, Liquidity Risk, Non-Investment Grade Risk, Smaller Companies Risk

iShares MSCI World Health Care Sector ESG UCITS ETF USD (Dist)

Concentration Risk, Counterparty Risk, Equity Risk

iShares Core UK Gilts UCITS ETF GBP (Dist)

Counterparty Risk, Credit Risk, Liquidity Risk

iShares £ Corp Bond 0-5yr UCITS ETF GBP (Dist)

Concentration Risk, Counterparty Risk, Credit Bail in Risk, Liquidity Risk

iShares Core FTSE 100 UCITS ETF GBP (Dist)

Counterparty Risk, Equity Risk

BSF BlackRock Systematic ESG World Equity Fund

Counterparty Risk, Equity Risk, ESG Screening Risk

BGF Japan Flexible Equity Fund

Concentration Risk, Counterparty Risk, Equity Risk

BlackRock US Dynamic Fund

Counterparty Risk, Equity Risk

BGF World Financials Fund

Concentration Risk, Counterparty Risk, Equity Risk, ESG Screening Risk

BlackRock Corporate Bond Fund

Counterparty Risk, Credit Risk, Derivatives Risk, Liquidity Risk

BlackRock Frontiers Investment Trust plc

Counterparty Risk, Currency Risk, Emerging Markets, Frontier Markets, Gearing Risk

BGF Latin American Fund

Counterparty Risk, Currency Risk, Emerging Markets, Equity Risk, Liquidity Risk

BGF Emerging Markets Bond Fund

Combined Credit and Non-investment Grade Risk, Counterparty Risk, Credit Risk, Currency Risk, Derivatives Risk, Emerging Markets, Liquidity Risk

BGF Brown to Green Materials Fund

Concentration Risk, Counterparty Risk, Currency Risk, Equity Risk, ESG Screening Risk, Liquidity Risk

BGF Sustainable Energy Fund

Concentration Risk, Counterparty Risk, Equity Risk, Investments in the New Energy Securities Risk

BlackRock Global Unconstrained Equity Fund (UK)

Concentration Risk, Counterparty Risk, Equity Risk

BlackRock UK Income Fund

Concentration Risk, Counterparty Risk, Equity Risk

BGF Euro Bond Fund

Counterparty Risk, Credit Risk, Derivatives Risk, Liquidity Risk

BlackRock Sustainable Sterling Short Duration Credit Fund

Combined Credit and Non-investment Grade Risk, Counterparty Risk, Credit Risk, Derivatives Risk, ESG Screening Risk (ETF), Liquidity Risk

BlackRock Cash Fund

Counterparty Risk, Credit Risk, Short Term Money Market Funds

BSF BlackRock Asia Pacific Absolute Return Fund

Absolute Return Risk, Counterparty Risk, Currency Risk, Derivatives Risk, Emerging Markets, Equity Risk, Liquidity Risk

Tactical Opportunities Fund

Absolute Return Risk - Style Advantage, Combined Risks (Equity, Credit, ABS/MBS), Counterparty Risk, Credit Risk, Liquidity Risk

BlackRock UK Absolute Alpha Fund

Absolute Return Risk, Concentration Risk, Counterparty Risk, Derivatives Risk, Equity Risk

BSF BlackRock Systematic Asia Pacific Equity Absolute Return Fund

Absolute Return Risk - Style Advantage, Combined Risks (Equity, Credit), Counterparty Risk, Credit Risk, Currency Risk, ESG Screening Risk, Liquidity Risk, Quantitative model risk, Smaller Company Investments

BlackRock Private Equity ELTIF

Private Equity, Co-Investment, Company Risk, Non-controlling Investments, Availability of investments, Concentration/Lack of Diversification, Investments in securities, Restriction on withdrawal, Investments Longer than Term

BlackRock Future Generations Private Equity Opportunities ELTIF

Restriction on withdrawal, Lack of available investments, Concentration risk, Valuation risk, ESG, Sustainability, General Risks Related to the Outcome Objectives, Investments May Not Continue to Achieve the Outcome Objective.

MyMap

Counterparty Risk, Credit Risk, Currency Risk, Equity Risk, Liquidity Risk

BlackRock Sustainable Sterling Strategic Bond Fund

Counterparty Risk, Credit Bail-in Risk, Credit Risk, Derivatives Risk, Equity Risk, ESG Screening Risk (ETF), Liquidity Risk, Non-Investment Grade Risk

BSF Emerging Markets Flexi Dynamic Bond Fund

Counterparty Risk, Credit Risk, Currency Risk, Derivatives Risk, Emerging Markets, Emerging Market Government Fixed Income Securities, Liquidity Risk

BGF World Technology Fund

Concentration Risk, Counterparty Risk, Equity Risk, ESG Screening Risk

BGF Next Generation Technology Fund

Concentration Risk, Counterparty Risk, Equity Risk, ESG Screening Risk, Investment in the Technology Securities

BGF FinTech Fund

Concentration Risk, Counterparty Risk, Equity Risk, Investment in the Technology Securities

BlackRock Natural Resources Fund

Counterparty Risk, Equity Risk, Natural Resources, Risk to Capital Growth Through Derivative Use

BlackRock Energy and Resources Income Trust plc

Counterparty Risk, Currency Risk, Emerging Markets, Gearing Risk, Investments in Mining Securities

BGF World Healthscience Fund

Active Management of Currency Exposure, Concentration Risk, Counterparty Risk, Equity Risk, ESG Screening Risk

BGF Next Generation Health Care Fund

Concentration Risk, Counterparty Risk, Emerging Markets, Equity Risk, ESG Screening Risk

BlackRock UK Income Fund

Concentration Risk, Counterparty Risk, Equity Risk

BlackRock Income and Growth Investment Trust plc

Counterparty Risk, Gearing Risk, Liquidity Risk

BlackRock ICS Euro Government Liquidity Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS Euro Liquid Environmentally Aware Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS Euro Liquidity Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS Euro Ultra Short Bond Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Money Market Funds

BlackRock ICS Sterling Government Liquidity Fund

Accumulating Share Class Risk, Concentration Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS Sterling Liquid Environmentally Aware Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS Sterling Liquidity Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS Sterling Ultra Short Bond Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Money Market Funds

BlackRock ICS US Dollar Liquid Environmentally Aware Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS US Dollar Liquidity Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

BlackRock ICS US Dollar Ultra Short Bond Fund

Accumulating Share Class Risk, Counterparty Risk, Credit Risk, Money Market Funds

BlackRock ICS US Treasury Fund

Accumulating Share Class Risk, Concentration Risk, Counterparty Risk, Credit Risk, Short Term Money Market Funds

Description of Product Risks**Absolute Return Risk - Style Advantage**

'Absolute Return' funds may not move in line with market trends or fully benefit from a positive market environment. Emerging markets are generally more sensitive to economic and political conditions than developed markets.

Absolute Return Risk

Due to its investment strategy an 'Absolute Return' fund may not move in line with market trends or fully benefit from a positive market environment.

Active Management of Currency Exposure

Active management of currency exposure through derivatives may make the Fund more sensitive to changes in foreign exchange rates. If the currency exposures against which the Fund is hedged appreciates investors may not benefit from such appreciation.

Accumulating Share Class Risk

On any day where the net return (i.e. return less costs and expenses) of the Fund is negative an Accumulating Share Class of the fund will see a decrease in the NAV per Share.

Asset Backed Securities / Mortgage Backed Securities

Asset backed securities and mortgage backed securities are subject to the same risks described for fixed income securities. These instruments may be subject to 'Liquidity Risk', have high levels of borrowing and may not fully reflect the value of underlying assets.

Combined Credit and Non-investment Grade Risk

Changes to interest rates, credit risk and/or issuer defaults will have a significant impact on the performance of fixed income securities. Non-investment grade fixed income securities can be more sensitive to changes in these risks than higher rated fixed income securities. Potential or actual credit rating downgrades may increase the level of perceived risk.

Combined Risks (Equity, Credit)

Equities and equity-related securities can be affected by daily stock market movements. Fixed Income securities can be affected by changes to interest rates, credit risk and potential or actual credit rating downgrades. FDIs are highly sensitive to changes in the value of the asset they are based on. The impact is greater where FDIs are used in an extensive or complex way.

Combined Risks (Equity, Credit, ABS/MBS)

Equities and equity-related securities can be affected by daily stock market movements. Fixed Income securities can be affected by changes to interest rates, credit risk and potential or actual credit rating downgrades. Non-investment grade FI securities can be more sensitive to these events. ABS and MBS may have high levels of borrowing and not fully reflect the value of underlying assets. FDIs are highly sensitive to changes in the value of the asset they are based on. The impact is greater where FDIs are used in an extensive or complex way.

Commodity Swaps Risk

The prices of commodities tend to experience greater variations than other asset classes (e.g. equities or fixed income securities). Investments in commodities are therefore potentially riskier than other types of investments.

Concentration Risk

Investment risk is concentrated in specific sectors, countries, currencies or companies. This means the Fund is more sensitive to any localised economic, market, political or regulatory events.

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Share Class to financial loss.

Credit Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Credit Bail in Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due. If a financial institution is unable to meet its financial obligations, its financial assets may be subject to a write down in value or converted (i.e. "bail-in") by relevant authorities to rescue the institution.

Currency Risk

The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of the investment.

Defined Term Fund Risk

The Fund may be more concentrated in certain industries or sectors than a fund that tracks a broader index. The composition and risk and reward profile of the Fund will be different during its last year as the corporate bonds mature. The Fund may not be suitable for new investment in its final year or in the period approaching its final year.

Derivatives Risk

Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

Emerging Market Government Fixed Income Securities Risk

Fixed income securities issued or guaranteed by government entities in emerging markets generally experience higher 'Credit Risk' than developed economies.

Emerging Markets Risk

Emerging markets are generally more sensitive to economic and political conditions than developed markets. Other factors include greater 'Liquidity Risk', restrictions on investment or transfer of assets and failed/delayed delivery of securities or payments to the Fund.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Erosion to Capital

This Share Class may pay dividends or take charges from capital. While this may allow more income to be distributed, it may reduce the value of your holdings and impact the potential for long term capital growth.

ESG Screening Risk (ETF)

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

ESG Screening Risk

The Fund seeks to exclude companies engaging in certain activities inconsistent with ESG criteria. Investors should therefore make a personal ethical assessment of the Fund's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Factor Focus Risk

Indices with a factor focus are less diversified than their parent index because they have predominant exposure to a single factor rather than the multiple factor exposure of most indices. Therefore they will be more exposed to factor related market movements. Investors should consider this fund as part of a broader investment strategy.

Frontier Markets

Frontier markets are generally more sensitive to economic and political conditions than developed and emerging markets. Other factors include greater 'Liquidity Risk', restrictions on investment or transfer of assets and failed/delayed delivery of securities or payments to the Fund. There may be larger fluctuations to the value of your investment and increased risk of losing your capital.

Gearing Risk

Investment strategies, such as borrowing, used by the Trust can result in even larger losses suffered when the value of the underlying investments fall.

Index Methodology Risk

Although the Benchmark Index was created to select securities within the Parent Index for their recent price increases on the assumption that such increases will continue, there is no guarantee this objective will be achieved.

India Tax Law

There is no assurance that uncertainties in Indian tax law will not negatively impact the Fund when they are clarified.

Investments in Energy Securities

Investments in energy securities are subject to environmental concerns, taxes, government regulation, price and supply changes.

Investments in Infrastructure Securities Risk

Investments in infrastructure securities are subject to environmental concerns, taxes, government regulation, price, supply and competition.

Investments in Mining Securities

Investments in mining securities are subject to sector-specific risks which include environmental concerns, government policy, supply concerns and taxation. The variation in returns from mining securities is typically above average compared to other equity securities.

Investment in Technology Securities Risk

Investments in the technology securities are subject to absence or loss of intellectual property protections, rapid changes in technology, government regulation and competition.

Investment Trust Disclaimers

Net Asset Value (NAV) performance is not the same as share price performance, and shareholders may realise returns that are lower or higher than NAV performance.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

Money Market Funds

Money Market Funds do not generally experience extreme price variations. Changes in interest rates will impact the Fund. Levels of credit risk are affected by longer weighted average maturity and weighted average life of the Fund.

Natural Resources

Investments in the natural resources securities are subject to environmental or sustainability concerns, taxes, government regulation, price and supply fluctuations.

Non-Investment Grade Risk

Non-investment grade fixed income securities are more sensitive to changes in interest rates and present greater 'Credit Risk' than higher rated fixed income securities.

Quantitative Model Risk

The Fund uses quantitative models in order to make investment decisions. As market dynamics shift over time, a quantitative model may become less efficient or may even present deficiencies under certain market conditions.

Risk to Capital Growth Through Derivative Use

The Fund may pursue investment strategies using derivatives in order to generate income which may have the effect of reducing capital and the potential for long-term capital growth as well as increasing any capital losses.

Short Term Money Market Funds

Short Term Money Market Funds do not generally experience extreme price variations. Changes in interest rates will impact the Fund.

Smaller Companies Risk

Shares in smaller companies typically trade in less volume and experience greater price variations than larger companies.

BlackRock Private Equity ELTIF – description of product risks

Restriction on withdrawal

The Funds are not intended to be short-term investments and have no certainty of returns. An investment in the Fund is a long-term commitment. It is anticipated that there may be a significant period of time (up to ten years or more) before all of the Fund's Portfolio Investments are fully realised. And Interests in the Fund nor any Fund investments are expected to be, freely assignable or transferable. Except in extremely limited circumstances, withdrawals from the Fund will not be permitted, and it is not anticipated that the Fund will be permitted to withdraw from its Investments. Investors must be prepared to bear the risks of owning Interests, including the obligation to make capital contributions, for an extended period of time.

Private Equity

Private Equity Funds invest exclusively or almost entirely in financial instruments issued by companies that are not listed (or that take-over publicly listed companies with a view to delisting them). Investment in private equity funds is typically by way of commitment (i.e. whereby an investor agrees to commit to invest a certain amount in the fund and this amount is drawn down by the fund as and when it is needed to make private equity investments). Interest in an underlying private equity fund will consist primarily of capital commitments to, and investments in private equity strategies and activities which involve a high level of risk and uncertainty. Except for certain secondary funds, private equity funds will have no operating history upon which to evaluate their likely performance. Historical performance of private equity funds is not a guarantee or prediction of their future performance. Investments in Private Equity are often illiquid and investors seeking to redeem their holdings can experience significant delays and fluctuations in value.

Co-Investment

The Fund may invest in Co-Investments alongside third-party co-investors. Third party co-investors may at any time take a different view than that of BlackRock as to the appropriate strategy for a Co-Investment and may be in a position to take action contrary to the Fund's investment objectives or may become bankrupt or otherwise default on their obligations. It is possible that no single co-investor will have a controlling interest in the investment, giving no party the ability to control the transaction and potentially resulting in increased costs, delays or even termination of the proposed investment. There may also be instances where the Fund (alone or together with other investors) may be deemed to have a control position with respect to some Co-investments, which could expose the Fund to liabilities in which the limited liability generally characteristic of business operations may be ignored. In connection with the disposition of an investment in a Direct Co-Investment, the Fund may be required to make representations and warranties about the business and financial affairs of the Co-Investment typical of those made in connection with the sale of any business and may be required to indemnify the purchasers of such investment to the extent that any such representations or warranties turn out to be inaccurate or misleading. These arrangements may result in liabilities for the Fund.

Company Risk

Direct Co-Investments – investments made directly into private equity assets alongside other financial, strategic or third party investors – may involve a high degree of risk. Direct Co-Investments may be in early stages of development, may have operating losses or significant variations in operating results, and may be engaged in rapidly changing businesses with products subject to a substantial risk of becoming out of date. Direct Co-Investments may also include companies which can experience financial difficulties, which may never be overcome. In addition, they may have weak financial conditions and may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive positions.

Non-controlling Investments.

The Fund will generally not be the lead sponsor for Investments, and will take non-controlling positions in Investments. It primarily will be the responsibility of the lead sponsor and/or a portfolio company's management to operate the Fund's Investments on a day-to-day basis. The success of the Fund's Investments will depend in substantial part on the skill and expertise of the lead sponsor and/or the portfolio companies' management.

Availability of investments.

The success of the Fund depends on the ability of the Investment Team to identify direct Co-Investments that they believe can help the Fund achieve its return objective, to develop and invest in such Co-Investments. The availability of such investment opportunities will depend in part on general market conditions, competition for investments and the continued availability of Co-Investment opportunities from the lead sponsors of direct Co-Investments. This may result in a drag on performance as there is no assurance that the Fund will be able to fully invest its committed capital.

Concentration/Lack of Diversification.

Although the Investment Manager will seek to diversify the Fund's portfolio across different investments, the Fund may invest a significant percentage of its capital in one investment or class of investments, or in a relatively small number of investments. One risk of having a limited number of investments is that the overall returns realized by the Investors may be substantially negatively affected by the negative performance of a small number of such investments.

Investments in securities.

Among the investments the Fund may consider are interests in investments which may invest in debt or equity securities of companies which may be undergoing restructuring or require additional capital and active management. These securities are subject to various inherent risks, including that (i) equity and debt securities fluctuate in value, often based on factors unrelated to the issuer of the securities, and such fluctuations can be pronounced, (ii) such investments generally may be subject to risks with respect to the issuer, (iii) the market for these securities may be less liquid than that for other higher rated or more widely followed securities, (iv) securities of some foreign issuers are less liquid and more volatile than securities of comparable U.S. issuers, and (v) securities markets in some countries are fragmented, small, and less liquid than the securities markets of the U.S. and certain other developed countries.

Restriction on withdrawal.

The Fund is not intended to be a short-term investment and has no certainty of returns. An investment in the Fund is a long-term commitment. It is anticipated that there may be a significant period of time (up to eight years or more) before all of the Fund's Portfolio Investments are fully realized. Interests in the Fund nor any Fund investments are expected to be, freely assignable or transferable. Except in extremely limited circumstances, withdrawals from the Fund will not be permitted, and it is not anticipated that the Fund will be permitted to withdraw from its Investments. Investors must be prepared to bear the risks of owning Interests.

Investments Longer than Term.

The Fund is able to invest in investments where it may not be advantageous to dispose of them prior to the date that the Fund commences dissolution, either by expiration of their term or otherwise. The Fund could potentially have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of its dissolution. In addition, the dissolution of the Fund Compartment may be delayed to enable the Fund to dispose of these investments at an advantageous time.

BlackRock Future Generations Private Equity Opportunities ELTIF – description of product risks**Lack of available investments.**

The Fund will be competing for exposure to investments in a highly competitive market, against other funds, as well as individuals, financial institutions, strategic players and other investors, some of which may have greater resources than the Investment Manager. The availability of investment opportunities generally will be subject to market conditions. There can be no assurance that the Fund will be able to locate, attain and exit investments that satisfy their investment objectives, or that the Fund will be able to fully invest their committed capital.

Concentration risk.

The Fund may participate in a limited number of investments and so the return of the Fund may be materially and adversely affected by any unfavourable performance of even a single investment. In addition, investors have no assurance as to the degree of diversification of the Fund's investments, either by geographic region or transaction type. To the extent the Fund has concentrated investments in a particular industry, geography, vintage or any other characteristic, their investments will become more susceptible to fluctuations in value resulting from adverse economic and business conditions.

Valuation risk.

The Fund will be exposed to securities and other assets that will not have readily assessable market values. The valuation of such securities and other assets is inherently subjective and subject to increased risk that the information utilised to value such assets or to create the price models may be inaccurate or subject to other error. Due to a wide variety of market factors and the nature of the securities and assets to which the Fund will be exposed, there is no guarantee that any value determined will

represent the value that will be realised on the eventual disposition of the Fund's investments or that would, in fact, be realised upon an immediate disposition of such investment.

ESG.

Investment Opportunity Selection. When evaluating and managing investments, the AIFM and/or the Investment Manager will take into account certain economic, social and governance (ESG) principles (please refer to the fund documentation for further details on the Fund ESG Policy). This may mean that the Fund foregoes opportunities to purchase, or otherwise reducing exposure to, certain investments due to their ESG characteristics. As such, the Fund's ESG Policy may affect its investment performance and so it may perform differently compared to funds that do not apply such criteria.

Sustainability.

Sustainability risk is an inclusive term to designate investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to economic, social and governance (ESG) issues. Sustainability risk around environmental issues may include (but are not limited to), climate risk both physical and transition risk. Physical risk may arise from the physical effects of climate change. For example, frequent and severe climate-related events can impact products and services and supply chains. Transition risk (whether policy, technology, market or reputation risk) may arise from the adjustment to a low-carbon economy in order to mitigate climate change. Risks related to social issues can include but are not limited to labour rights and community relations. Governance related risks can include but are not limited to risks around board independence, ownership and control, or audit & tax management. These risks can impact an issuer's operational effectiveness and resilience as well as its reputation which may affect its profitability and in turn, its capital growth, ultimately impacting the value of holdings in the Fund. Sustainability risk can also manifest itself through different existing risk types (including, but not limited to, market, liquidity, concentration, credit etc.). Sustainability risk factors may have a material impact on an investment and may also increase the volatility, affect liquidity and may result in a loss to the value of shares or other interests in the investment. All or a combination of these factors may have an unpredictable impact on the Fund's investments. Under normal market conditions such events could have a material impact on the value of an investor's shares or other interests in the Fund.

General Risks Related to the Outcome Objectives.

The Fund aims to achieve long-term capital growth on its investments, while generating positive contributions toward environment and society alongside private equity financial returns. Due the Fund's positive outcome objectives, there may be circumstances in which the Fund may opt to structure certain investments using non-standard terms that are less favorable than those traditionally found in the marketplace for investment strategies that do not link economic and social positive contributions to financial returns. However, if at any time during the life of any investment, including at exit, the Manager is unable to further the outcome objectives of the Fund without sacrificing investment returns, or is

presented with an opportunity to maximize investment returns at the expense of the outcome objectives, the Manager will make a decision in good faith and taking into account the overall objectives of the Fund, which may include prioritizing investment returns over the outcome objectives of the Fund. However, if the Fund is seeking to dispose of an investment and they have an opportunity to sell the investment to a buyer who is expected to maintain or further the Fund's outcome objectives for less, but not substantially less, than the amount the Fund could sell the investment for to another buyer who is not expected to do the same, it is possible that the Fund may choose to sell to the buyer who is expected to maintain or further the Fund's outcome objectives. As a result, investors' returns could be less than they would have been had the Fund had an investment objective without a positive outcome objective.

Investments May Not Continue to Achieve the Outcome Objective.

The Manager's determination of whether an investment satisfies the outcome objectives of the Fund will be made only at the time the Fund makes its initial commitment to the investment. There can be no assurance that an investment will continue to satisfy such outcome objectives after such time or that such outcome objective will be furthered in connection with, or following, the disposition of an investment. In particular, when determining the time at which an investment of the Fund should be sold, or the buyer to whom it should be sold, the Manager expects to primarily consider whether such sale will help the Fund achieve its investment objective, including financial objectives, although it may also consider whether such sale is consistent with the outcome objective.

Regulatory Information

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

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In the UK and Non-European Economic Area (EEA)

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