

BlackRock

December 2025

2026 Global Outlook

Pushing limits

BlackRock
Investment
Institute

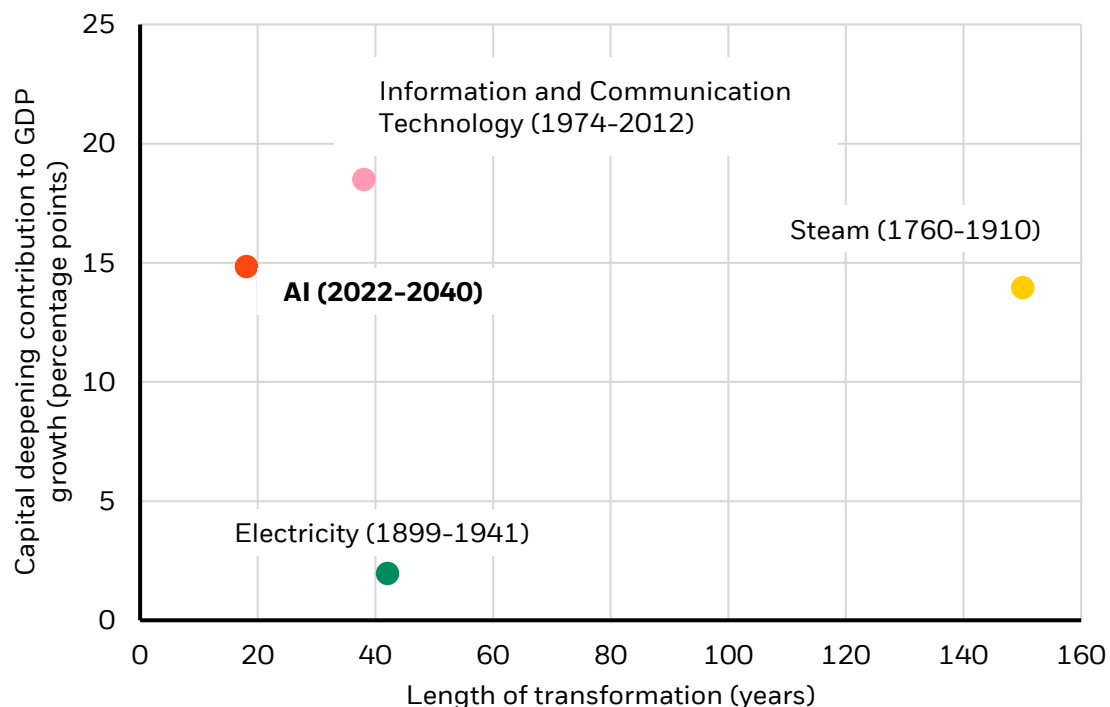
CAPITAL AT RISK. INVESTMENTS CAN RISE OR FALL IN VALUE. FOR PUBLIC DISTRIBUTION IN THE U.S., CANADA, LATIN AMERICA, SELECT COUNTRIES IN EUROPE (SEE THE FULL DISCLAIMER), ISRAEL, SOUTH AFRICA, HONG KONG, SINGAPORE AND AUSTRALIA. FOR INSTITUTIONAL, PROFESSIONAL, AND QUALIFIED INVESTORS AND CLIENTS IN OTHER PERMITTED COUNTRIES.

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Clashing orders of magnitude

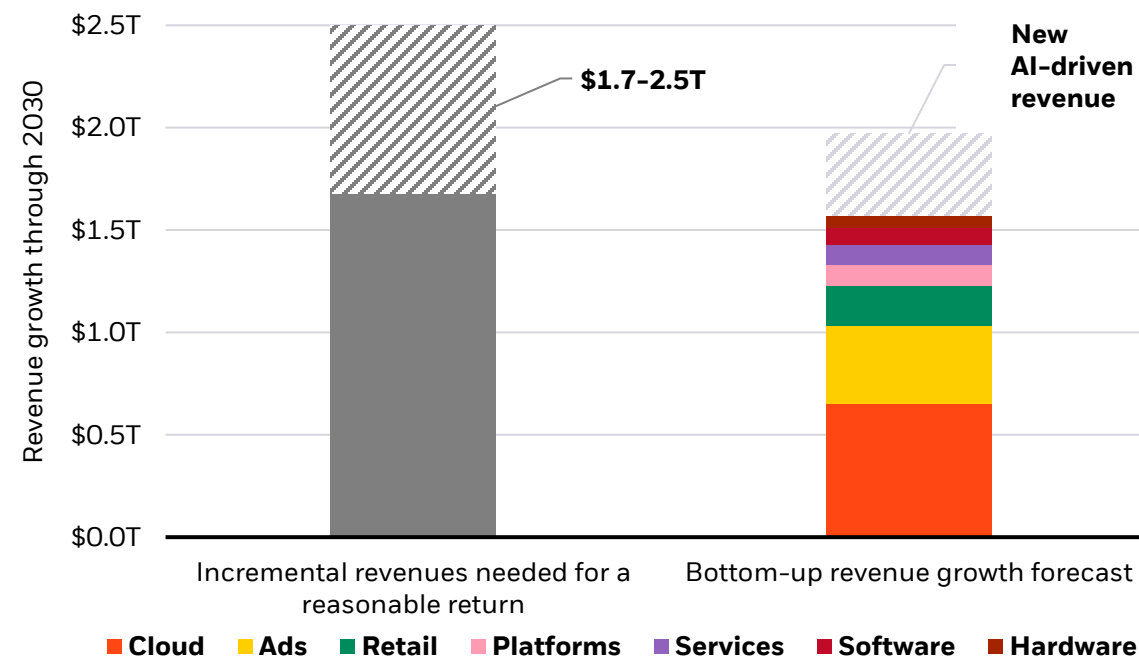
The AI buildout could be faster and greater than past technological revolutions. It's dominated by a few companies spending massive amounts. We think big tech will need to grow revenues faster for AI-driven investment to pay off.

Notable innovations, 1760-2040



Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute with data from Crafts (2021), December 2025. Notes: The chart shows the average annual contribution of capital spending to GDP growth for previous U.S. technologies (except "steam," for the UK) against the length of time the capital was spent. Estimates for steam, electricity and ICT are taken from Crafts (2021). The spend needed for artificial intelligence (AI) is calculated using realized capital spending between 2022-2024, the upper end of the U.S.\$5-8 trillion range of total capital spending intentions spanning the period 2025-2030, and an assumption that capex intensity continues at a similar rate through 2030-2040.

Estimated U.S. annual revenue growth through 2030

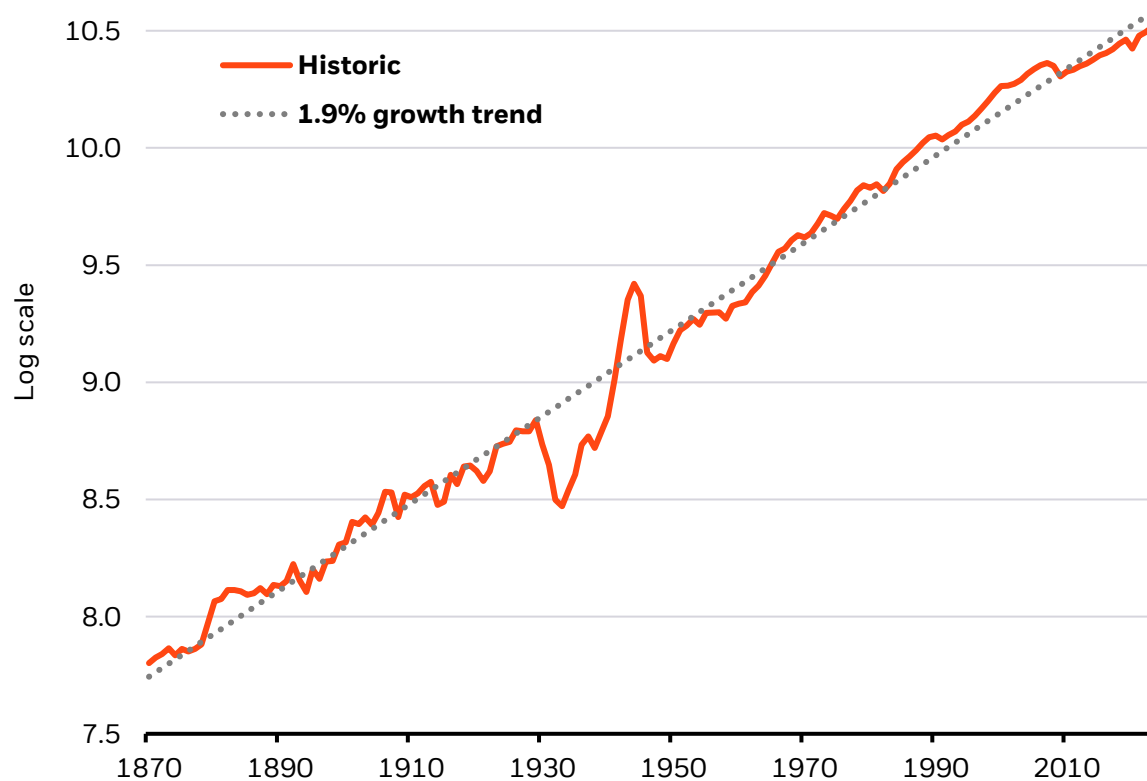


Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute, Bloomberg and others, December 2025. Notes: The left bar shows the necessary incremental revenues to be achieved 2025-2030 to reach a 9-12% lifetime internal rate of return. This is based on data center deployment estimates (gigawatt terms) and capex per gigawatt assumptions reflecting cost inflation, GPU life, phasing and hyperscaler market share. We cross-referenced with other sources including McKinsey & Company, Boston Consulting Group, Lawrence Berkeley National Laboratory, International Energy Agency, U.S. Department of Energy, BloombergNEF, Schneider Electric, Electric Power Research Institute and others. These calculations include retail revenue growth (Amazon) and other non-data center revenues according to Bloomberg consensus estimates. The right bar shows the Bloomberg consensus for the increase in annual revenues over 2025-2030 for U.S. hyperscalers including Microsoft, Meta and Google.

Growth breakout now conceivable

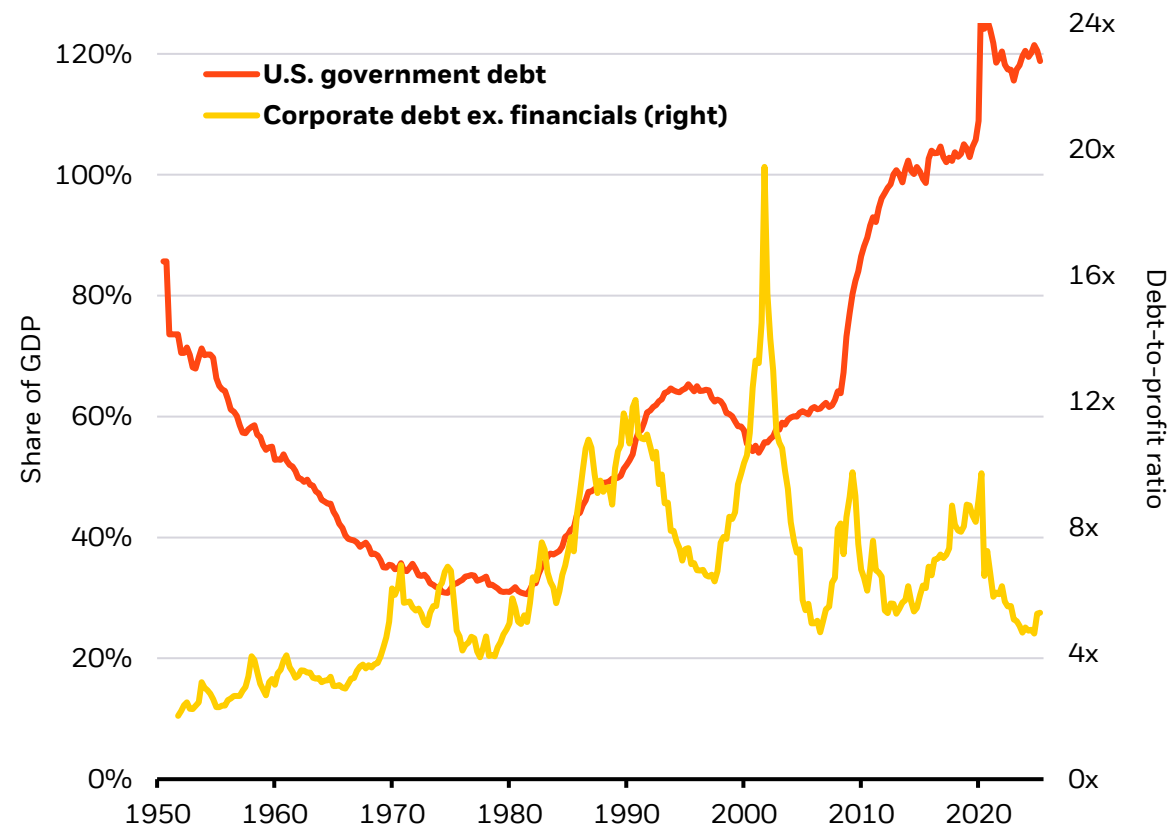
U.S. growth has stuck to a 2% trend for over 150 years. We think it's conceivable that accelerated AI-driven innovation could lift growth above that trend – and the corporate sector has room to borrow funds for the AI buildout.

U.S. GDP per capita and long-term trend, 1870-2024



Source: BlackRock Investment Institute and Macroeconomic History Database, December 2025. Note: Historical data compiled by Òscar Jordà, Moritz Schularick, and Alan M. Taylor. 2017. Macroeconomic History and the New Business Cycle Facts. in NBER Macroeconomics Annual 2016, volume 31, edited by Martin Eichenbaum and Jonathan A. Parker. Chicago: University of Chicago Press.

U.S. government and corporate debt, 1950-2025



Source: BlackRock Investment Institute, Congressional Budget Office, Bureau of Economic Analysis, Federal Reserve Board, with data from Haver Analytics and LSEG Datastream, December 2025. Notes: The chart shows U.S. federal debt as a share of nominal GDP, and debt of U.S. nonfinancial corporations as a share of pre-tax profits.

2026 Outlook themes

- 1. Micro is macro**

The capital spending ambitions tied to the AI buildout are so large that the micro is macro. The overall revenues could justify the spend – yet it’s unclear how much will accrue to the tech companies driving the buildout. We stay pro-risk and overweight U.S. stocks on the AI theme. We also see this as a great time for active investing.
- 2. Leveraging up**

The AI builders are leveraging up – investment is front-loaded while revenues are back-loaded. Along with highly indebted governments, this creates a more levered financial system vulnerable to shocks – including bond yield spikes. We see private credit and infrastructure supporting this financing and are tactically underweight long-term U.S. Treasuries.
- 3. Diversification mirage**

With a few mega forces driving markets, allocations made under the guise of diversification may now in fact be big active bets. We think investors should focus less on spreading risk indiscriminately and more on owning it more deliberately – a more active approach. We think portfolios require a clear plan B and a readiness to pivot quickly. We prefer idiosyncratic exposures in private markets and hedge funds.

The opinions expressed are as of December 2025 and are subject to change at any time due to changes in market or economic conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

Our big calls for 2026

Our highest conviction views on tactical (6-12 month) and strategic (long-term) horizons, December 2025

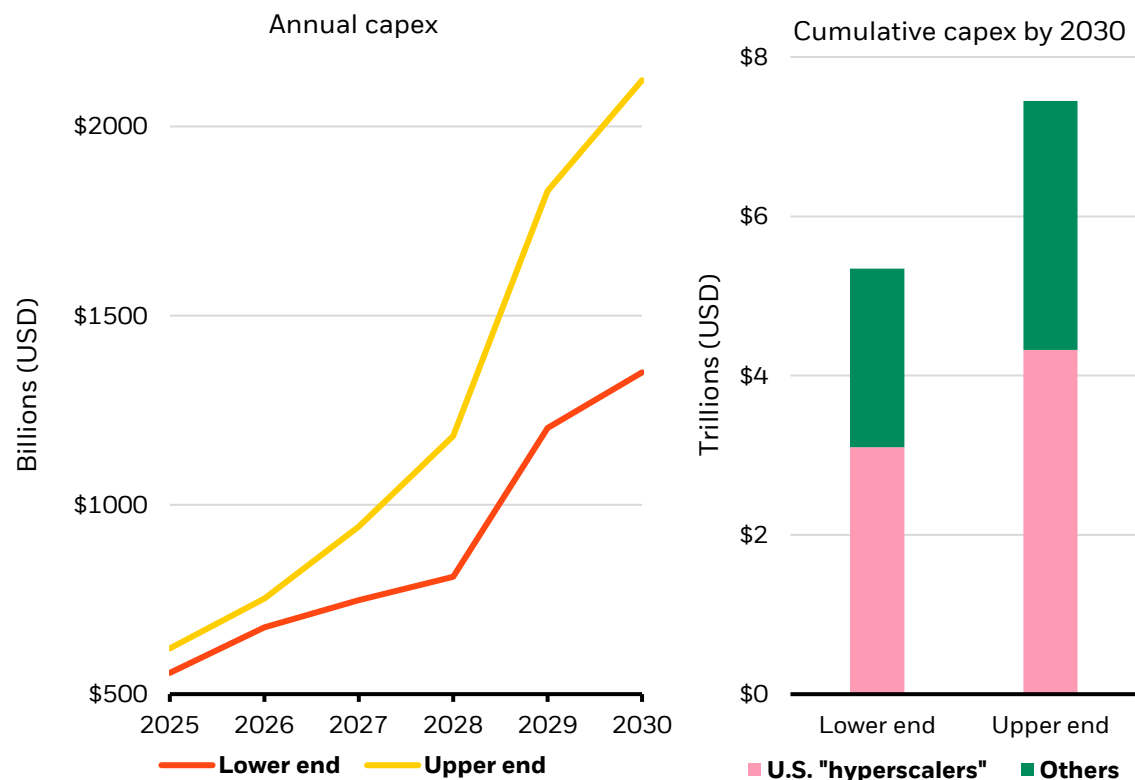
| Tactical | Reasons |
|--|---|
| Still favor AI | <ul style="list-style-type: none"> We see the AI theme supported by strong earnings, resilient profit margins and healthy balance sheets at large listed tech companies. Continued Fed easing into 2026 and reduced policy uncertainty underpin our overweight to U.S. equities. |
| Select international exposures | <ul style="list-style-type: none"> We like Japanese equities on strong nominal growth and corporate governance reforms. We stay selective in European equities, favoring financials, utilities and healthcare. In fixed income, we prefer EM due to improved economic resilience and disciplined fiscal and monetary policy. |
| Evolving diversifiers | <ul style="list-style-type: none"> We suggest looking for a “plan B” portfolio hedge as long-dated U.S. Treasuries no longer provide portfolio ballast – and to mind potential sentiment shifts. We like gold as a tactical play with idiosyncratic drivers but don’t see it as a long-term portfolio hedge. |
| Strategic | Reasons |
| Portfolio construction | <ul style="list-style-type: none"> We favor a scenario-based approach as we learn more about AI winners and losers. We lean on private markets and hedge funds for idiosyncratic return and to anchor portfolios in mega forces. |
| Infrastructure equity and private credit | <ul style="list-style-type: none"> We find infrastructure equity valuations attractive and mega forces underpinning structural demand. We still like private credit but see dispersion ahead – highlighting the importance of manager selection. |
| Beyond market cap benchmarks | <ul style="list-style-type: none"> We get granular in public markets. We favor DM government bonds outside the U.S. Within equities, we favor EM over DM yet get selective in both. In EM, we like India which sits at the intersection of mega forces. In DM, we like Japan as mild inflation and corporate reforms brighten the outlook. |

Note: Views are from a U.S. dollar perspective, December 2025. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

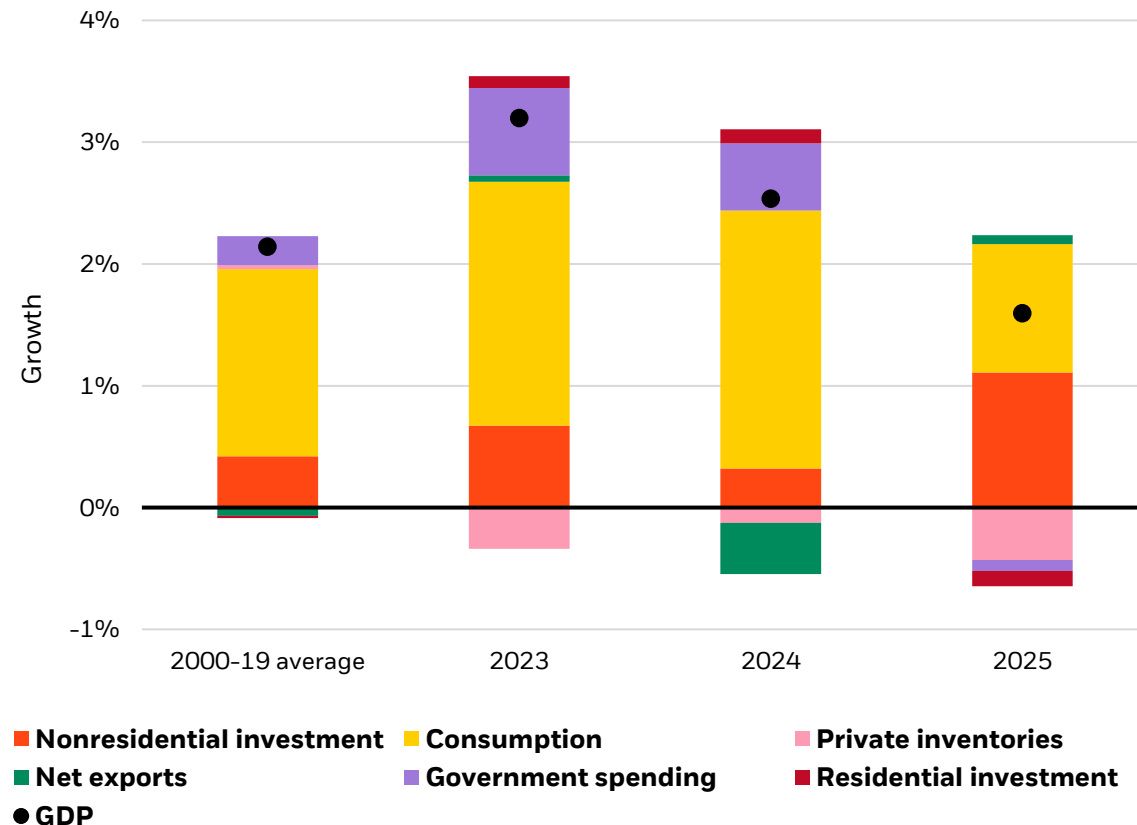
AI tops trade tensions, setting up a potentially historic buildout

Resilient corporate investment in AI-related infrastructure – potentially U.S. \$5–8 trillion through 2030 – is propping up U.S. activity, underscoring how mega forces are the new anchor of the economy and a key driver of returns.

External estimates of AI capex, 2025–2030



Contributions to annual U.S. GDP growth, 2000–2025



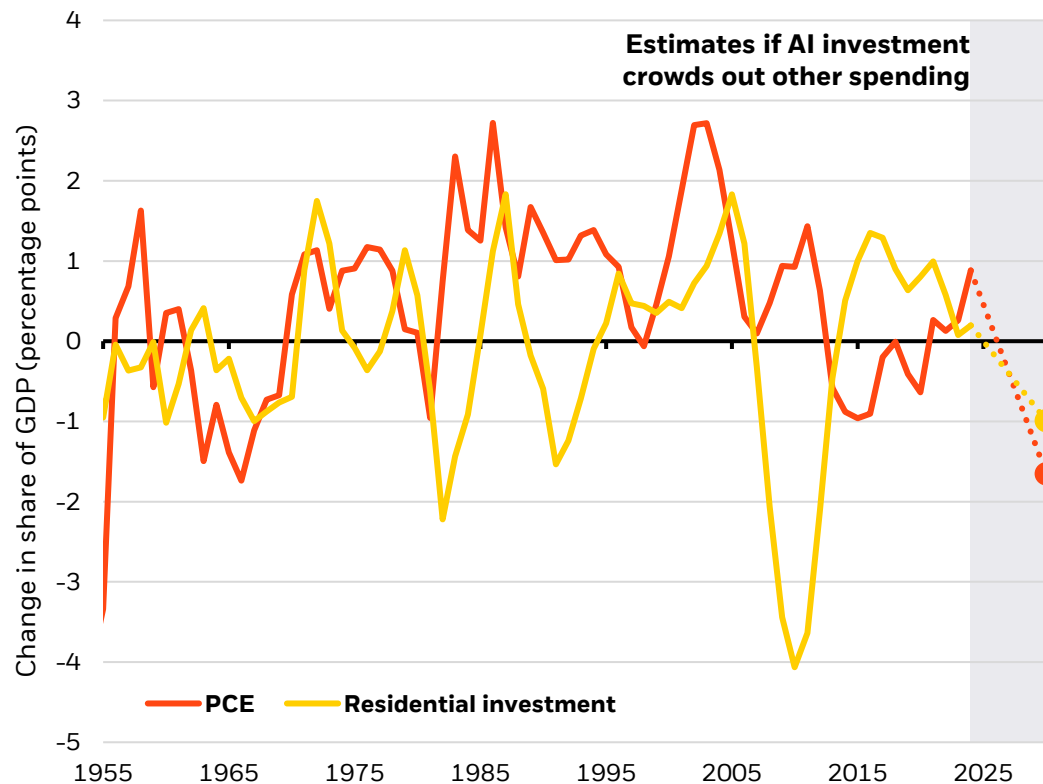
Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute, Bloomberg, December 2025. Note: The chart shows the lower/upper-end of the range of estimates annual and cumulative global AI-related investment spending through 2030 from McKinsey & Company, Boston Consulting Group, Lawrence Berkeley National Laboratory, International Energy Agency, U.S. Department of Energy, BloombergNEF, Schneider Electric, Electric Power Research Institute and others.

Source: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, with data from Haver Analytics, September 2025. Note: The bars show the contribution of various factors to annual U.S. GDP growth. The bar for 2025 shows the contribution through the first half of 2025.

From buildout to payoff: big changes now, potential gains later

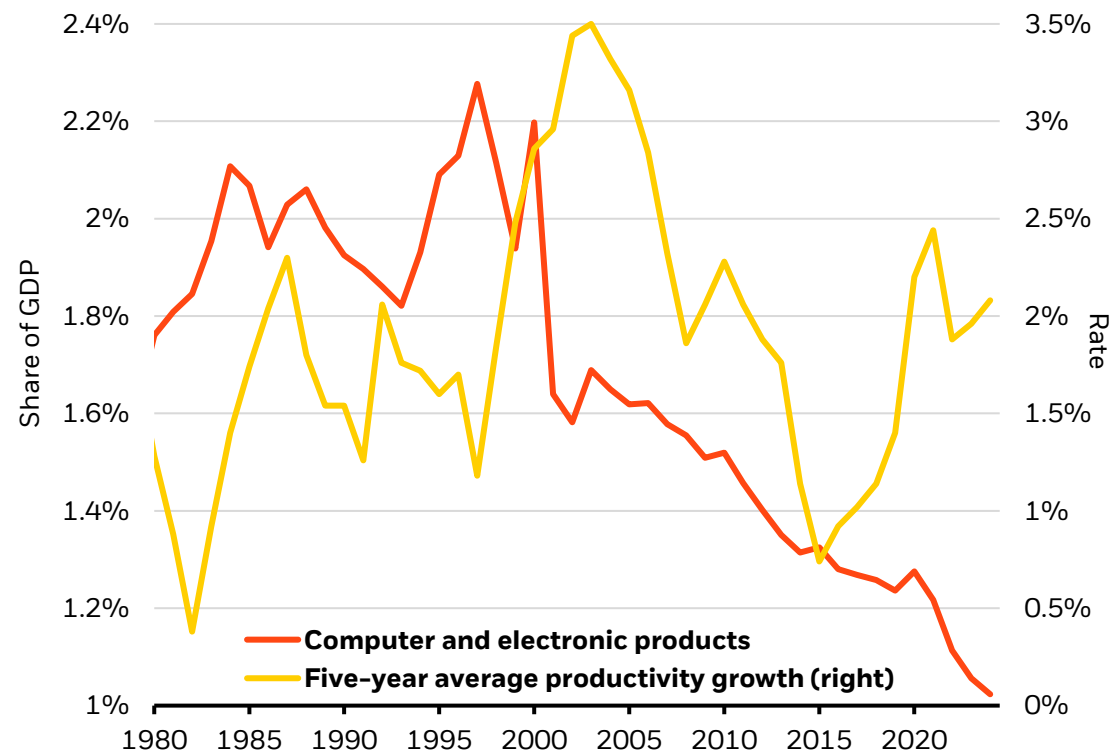
The scale of the economic adjustment driven by such large-scale capex risks crowding other spending – buildout will require an investment hump: front-loaded spending before the resulting revenue and productivity gains.

Five-year change in PCE and residential investment



Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, with data from Haver Analytics. Note: The chart shows the five-year change in the personal consumption expenditure (PCE) and residential investment shares of GDP. The shaded area shows our estimate of the five-year change in these shares if AI investment crowds out other spending, with U.S. growth in line with the IMF's estimates and investment growing at the uppermost estimates.

U.S. ICT hardware spend & productivity growth

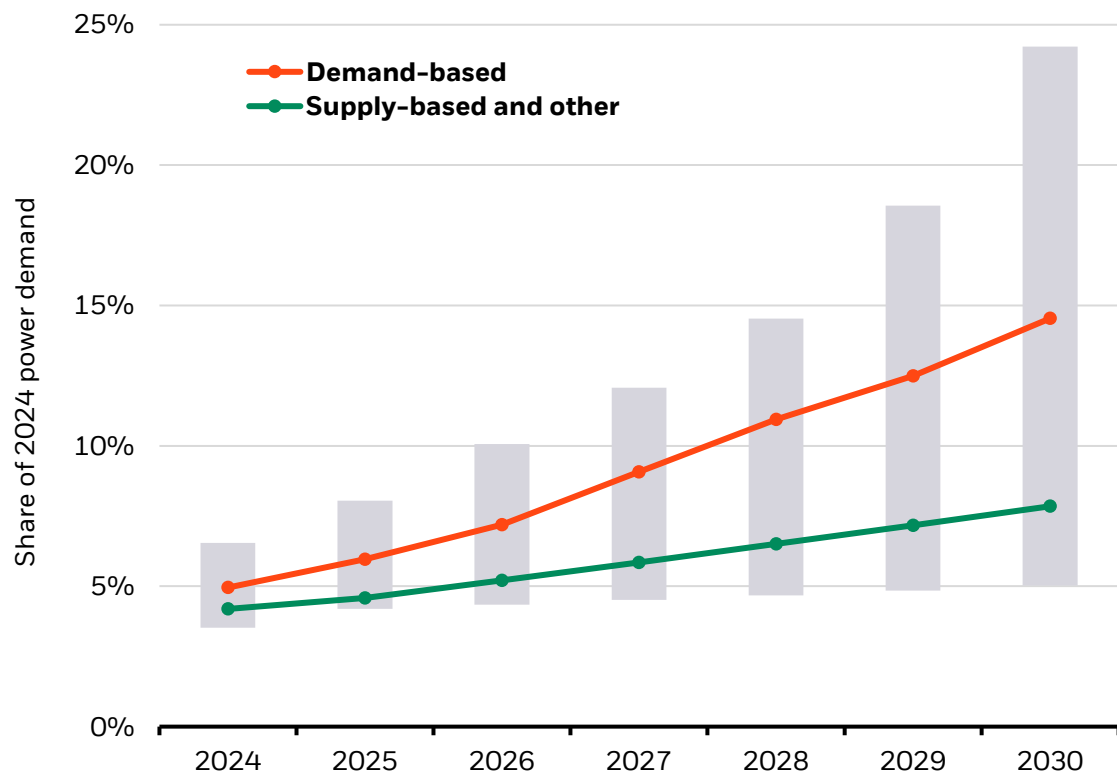


Source: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, with data from Haver Analytics. Note: The chart shows the U.S. spend on computer and electronic products, measured by value added as a share of GDP, and the five-year average change in output per hour worked as a measure of productivity growth.

An AI-fueled boost may face physical and financing constraints

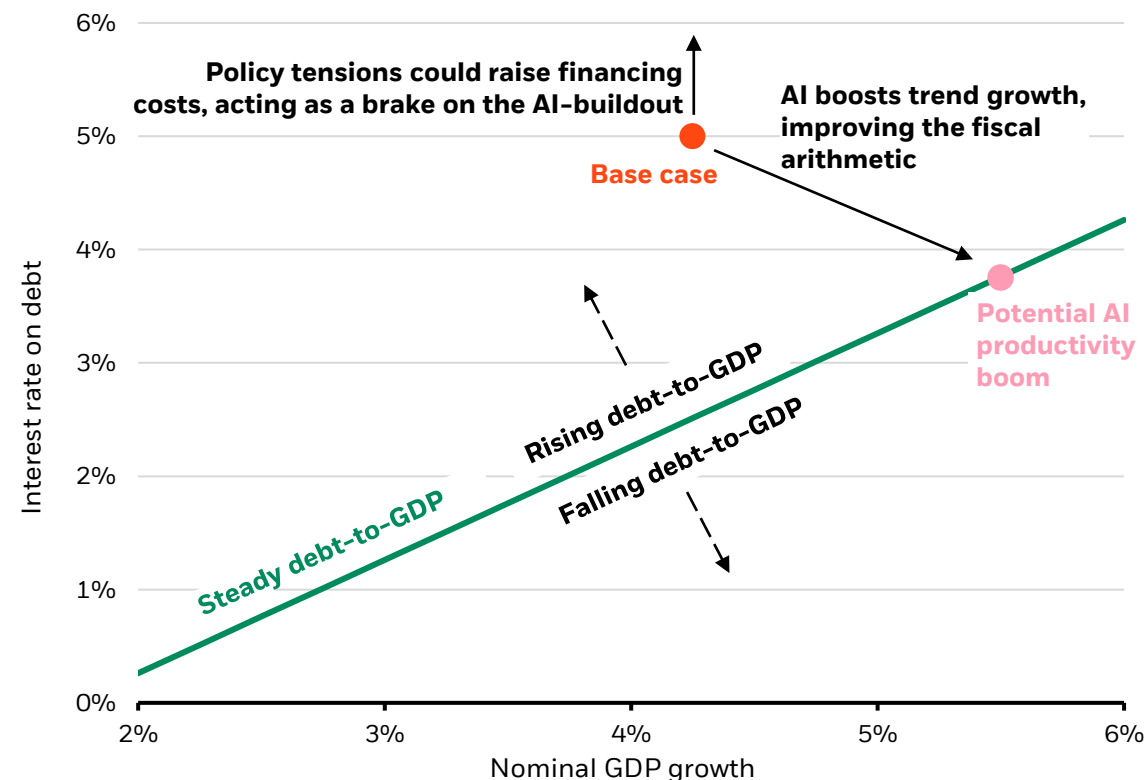
AI's buildout is colliding with hard resource limits – surging data center power demand, grid and permitting issues. Beyond physical bottlenecks, financing constraints may become an additional drag on AI's expansion.

Estimated U.S. data center power demand, 2024–30



Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute, based on sources reviewed by BloombergNEF, December 2025. Note: Grey bars show the total range, while lines denote the median of data center power demand forecasts by method as a share of 2024 U.S. total power demand, including traditional data centers and artificial intelligence (AI) data centers and excluding cryptocurrency and data transmission networks demand. Supply-based forecasts were based on data center infrastructure i.e. data center supply growth estimates, while demand-based forecasts considered GPU sales growth estimates and their implied power demand.

U.S. debt-to-GDP and interest costs to GDP, 2030

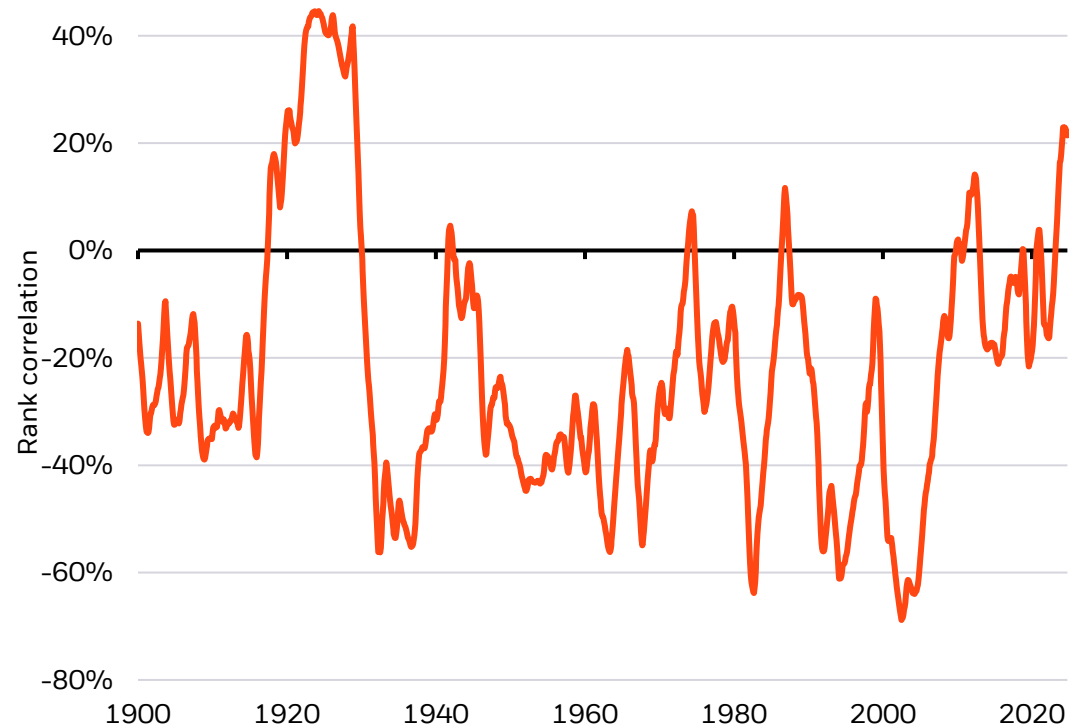


Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute, U.S. Congressional Budget Office (CBO), November 2025 Note: The chart shows our estimates of the U.S. nominal GDP growth and interest costs in five years' time. The green line shows the combinations of growth and interest costs that would neither raise or lower the debt-to-GDP ratio, assuming the primary balance stays at -2%, which is the CBO's estimate of the average primary balance over the next 10 years.

We spy more divergence ahead within the AI theme

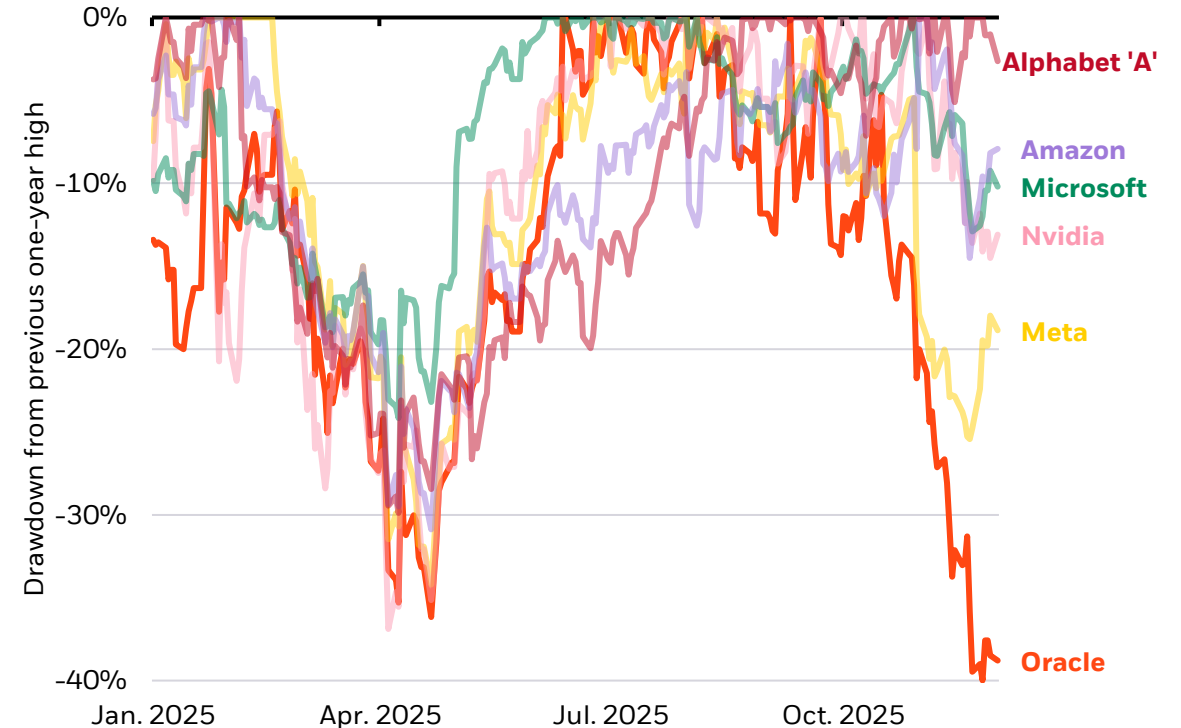
We find that valuations are positively correlated with future returns – an unusual setup. We expect more divergence within AI builders, but stay overweight U.S. stocks on strong earnings, Fed rate cuts and reduced policy uncertainty.

U.S. stock valuations & subsequent one-year returns



The figures shown relate to past performance. 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: BlackRock Investment Institute, with data from Shiller, December 2025. Note: The chart shows the rank correlation between the S&P 500 price-to-earnings ratio and the subsequent 1-year real total return, using monthly data over a 10-year rolling period. A correlation above zero suggests a positive relationship between the ranking of the two variables over the period i.e. within the window the periods of high valuation coincides with a high ranked subsequent 1-year return and vice versa.

Tech stock drawdowns, 2025

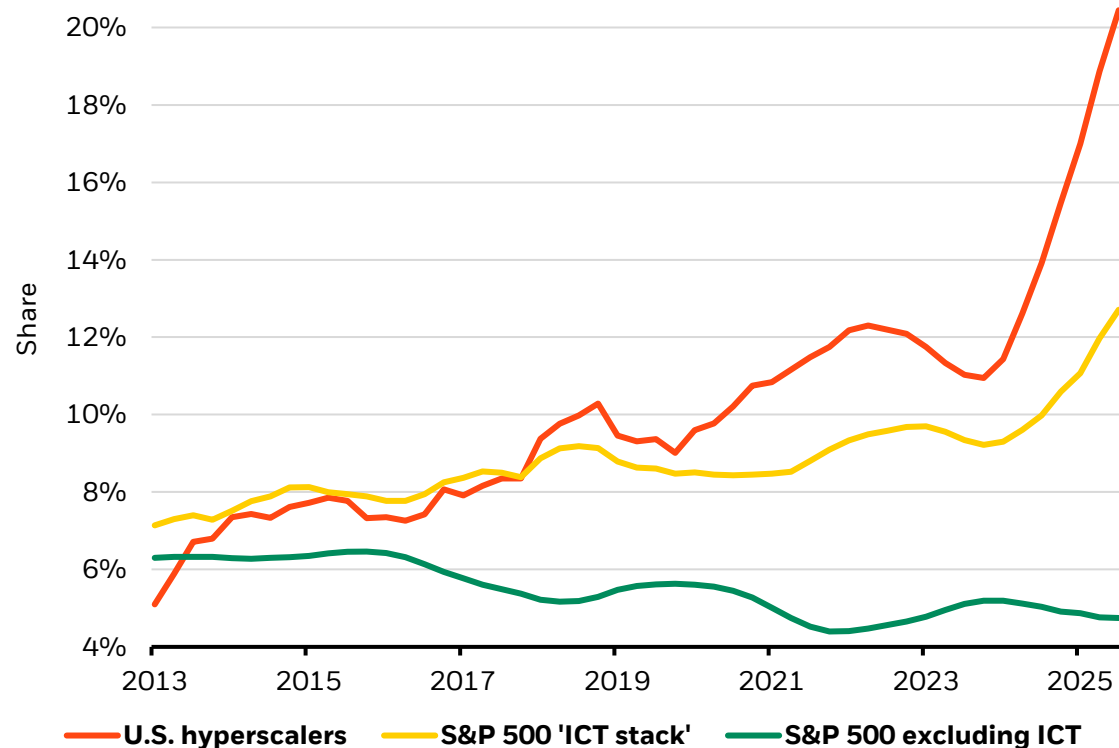


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Reference to individual companies mentioned in this communication is for illustrative purposes only and should not be construed as investment advice or investment recommendation. Source: BlackRock Investment Institute, with data from LSEG Datastream, December 2025. Data as of November 27, 2025. Note: The chart shows the fall in various tech stocks (Alphabet 'A', Amazon, Microsoft, Nvidia, Meta and Oracle), from their previous peak over the last year in 2025.

Tech companies shift to capital-intensive from capital-light

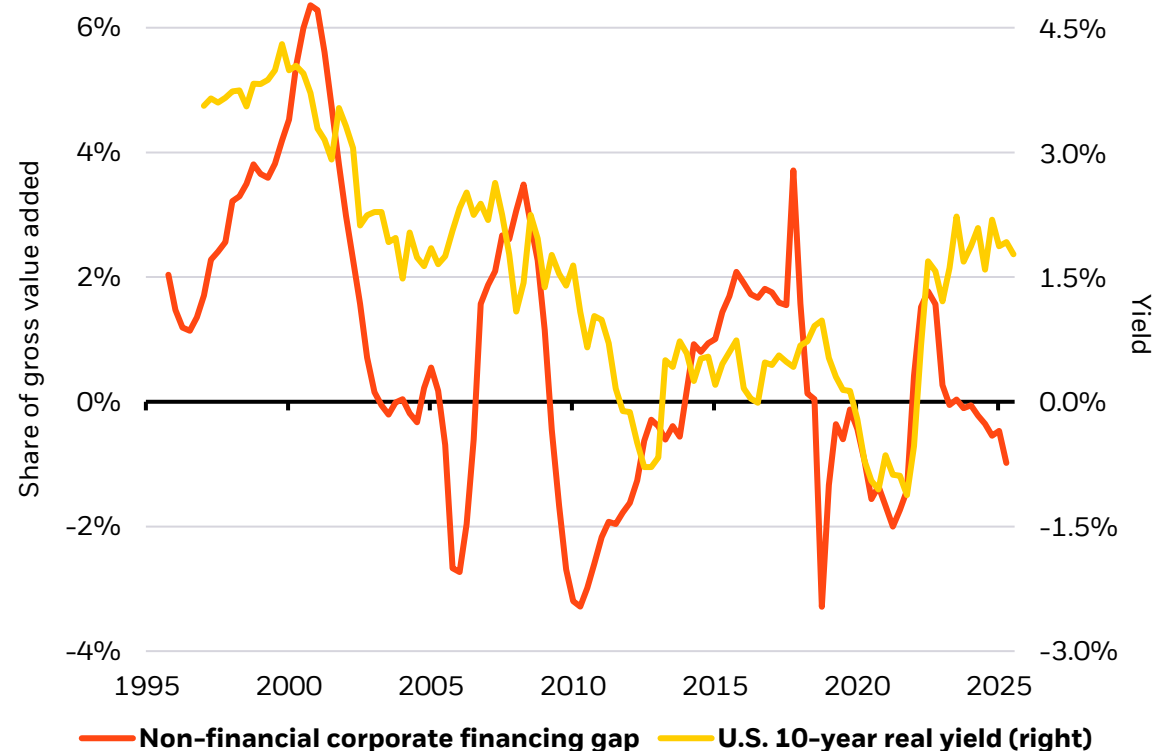
We think U.S. companies are well-placed to ramp up investment before stresses emerge. But capital-light companies have tended to outperform. Will that change as the companies driving the AI buildout become more capital intensive?

Capital spending as a share of revenue, 2013-2025



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U.S. corporate financing gap and 10-year real yields

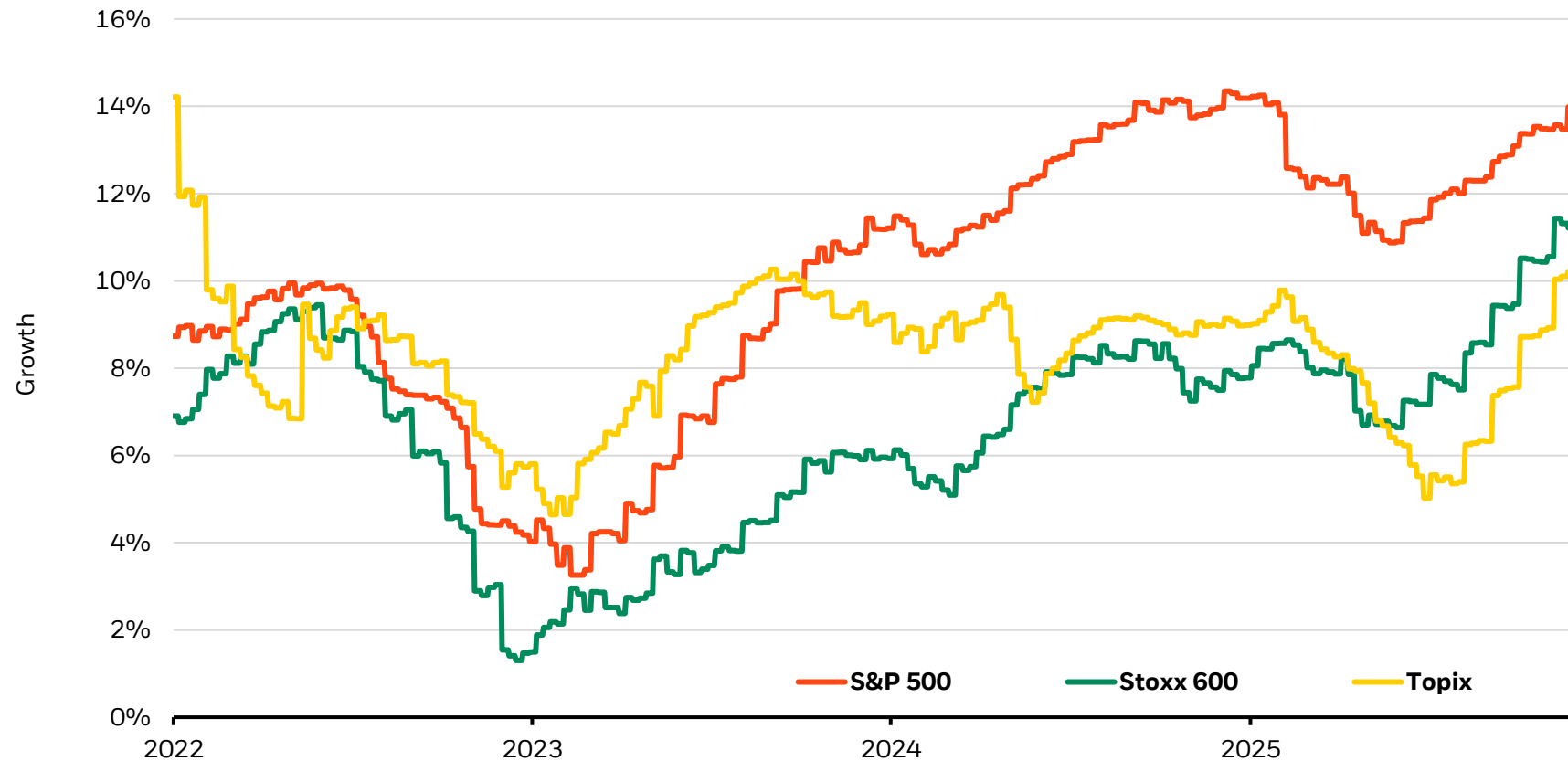


Source: BlackRock Investment Institute, Federal Reserve Board, with data from Haver Analytics and LSEG Datastream, December 2025. Note: The chart shows the financing gap – the difference between capital expenditures and gross savings – from non-financial U.S. companies as a share of gross value added and U.S. 10-year real yields.

Corporate earnings are holding up

The outlook for future earnings across the globe is holding up as the AI buildout ramps up. We believe earnings growth could pick up as AI adoption grows.

Regional 12-month forward earnings growth, 2022-2025

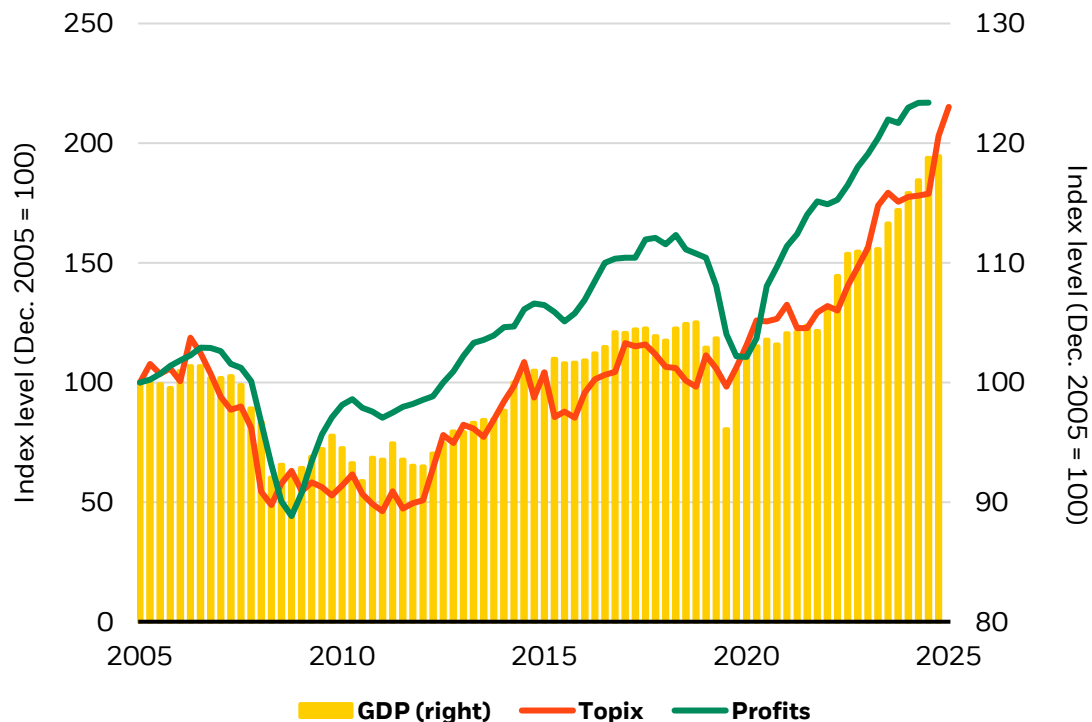


Forward-looking estimates may not come to pass. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from Bloomberg, December 2025. Note: The chart shows the change in 12-month forward earnings expectations at the index level for the S&P 500, Stoxx 600 and Topix.

Beyond the U.S., we favor Japan and stay selective in Europe

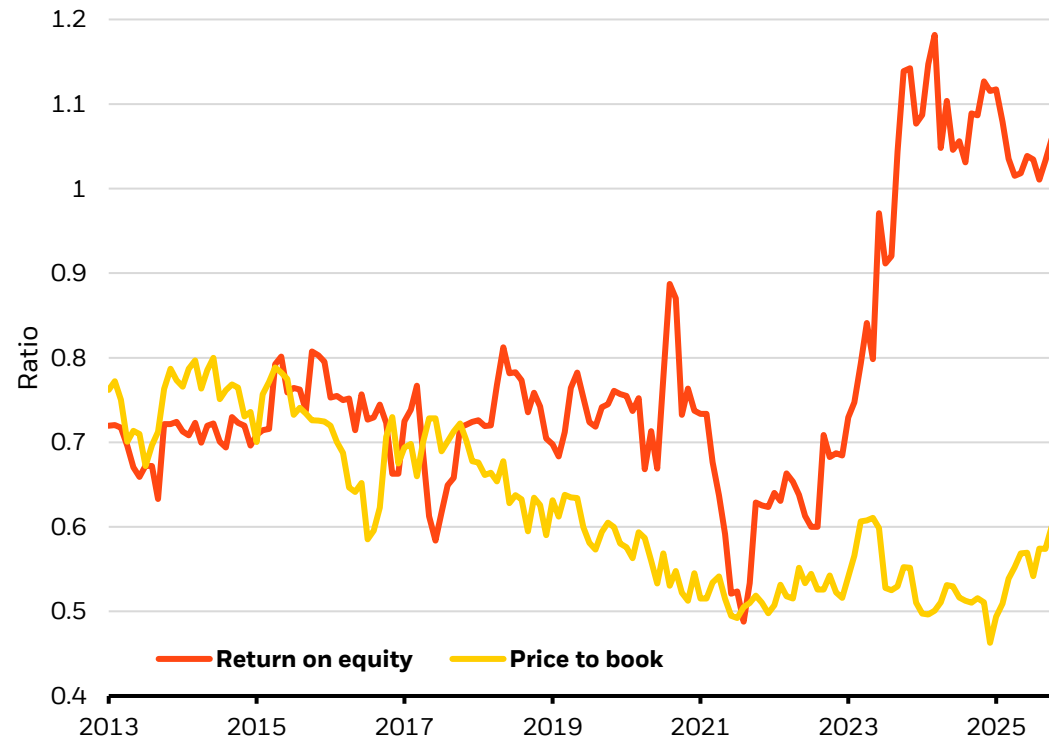
We like Japan, where strong growth and corporate governance reforms have been accompanied by rising profits. In Europe we stay selective, favoring financials, utilities and healthcare.

Japan's Topix, profits and GDP, 2005-2025



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Ratio of European financials over U.S. financials

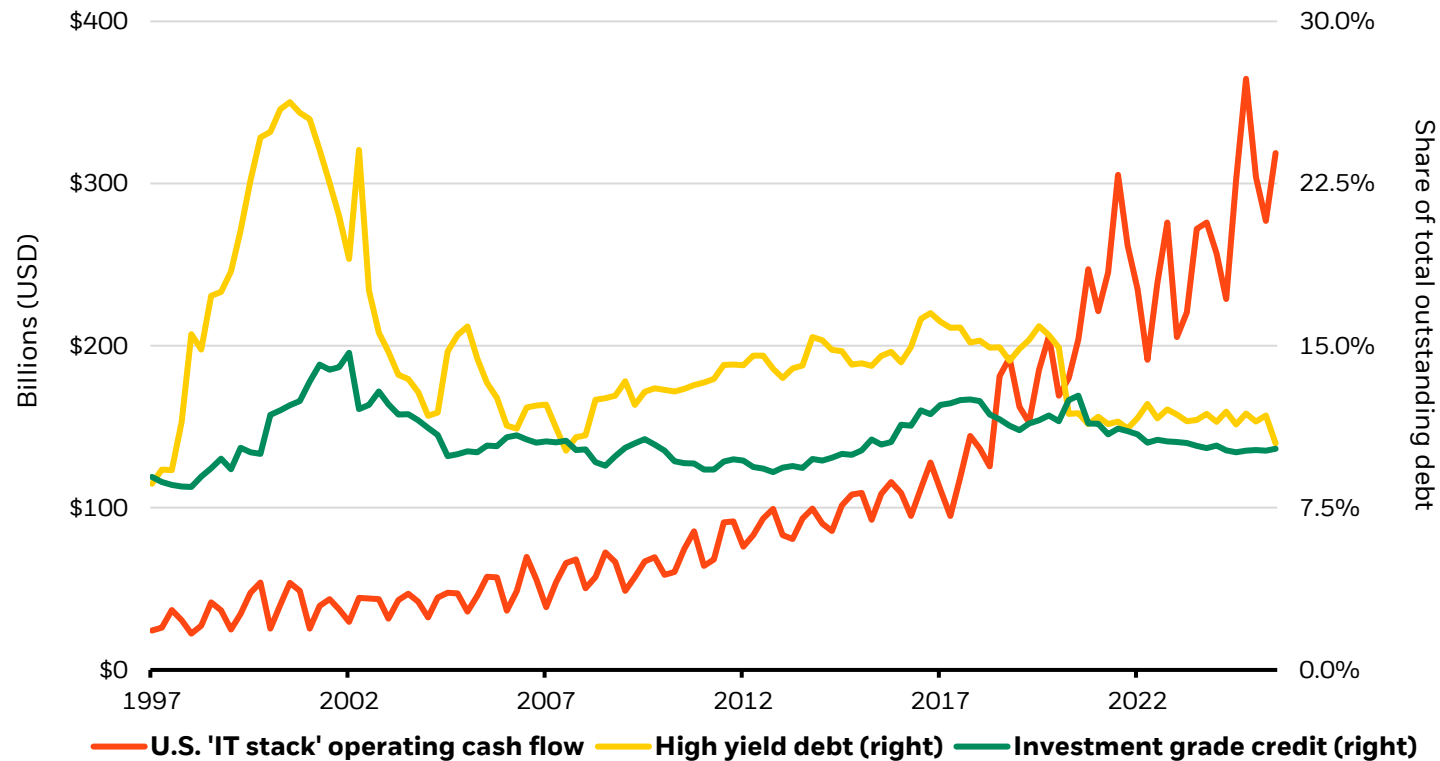


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, MSCI, with data from LSEG Datastream, December 2025. Note: The lines show the ratio of the return on equity and price to book of European financial companies over U.S. financial companies. A ratio of one means equal performance between the Europe and U.S., greater than one means European financials are outperforming and less than one means U.S. financials are outperforming. Index proxies used: MSCI Europe Financials Index, MSCI USA Financials.

We see room for credit spreads to rise from here

U.S. non-financial companies are less indebted than the public sector, giving them room to borrow more and fund the AI buildout. Debt issuance from tech companies has risen but is still a small share of overall U.S. corporate debt.

U.S. tech debt issuance and operating cash flow, 1997-2025

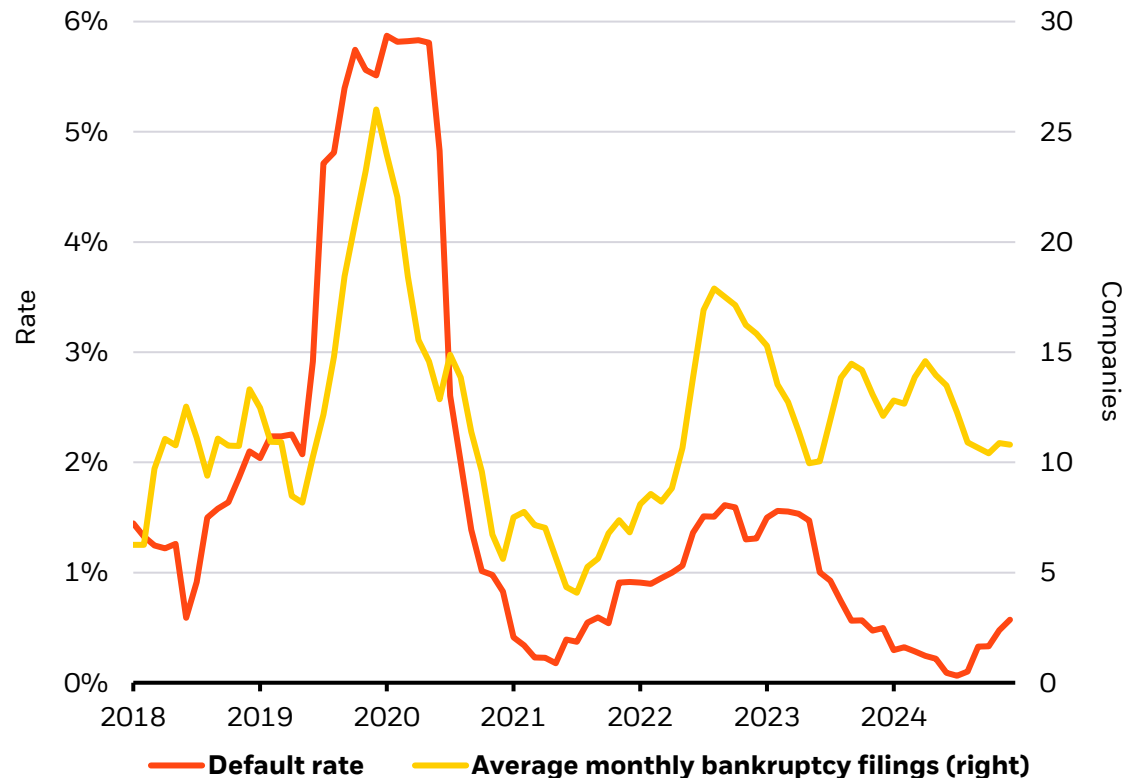


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from Bloomberg, December 2025. Note: The chart shows the value of the bonds issued by U.S. IT and Telecommunications companies as a share of total bonds outstanding. Index proxies used: ICE BofA US High Yield Telecommunications, ICE BofA US High Yield Technology Index, ICE BofA US High Yield Index, ICE BofA US Telecommunications Index, ICE BofA US Technology & Electronics Index, ICE BofA US Corporate Index. The S&P 500 'ICT stack' includes the S&P 500 IT and Communications indexes plus Amazon and Tesla.

An increasingly “K-shaped” world

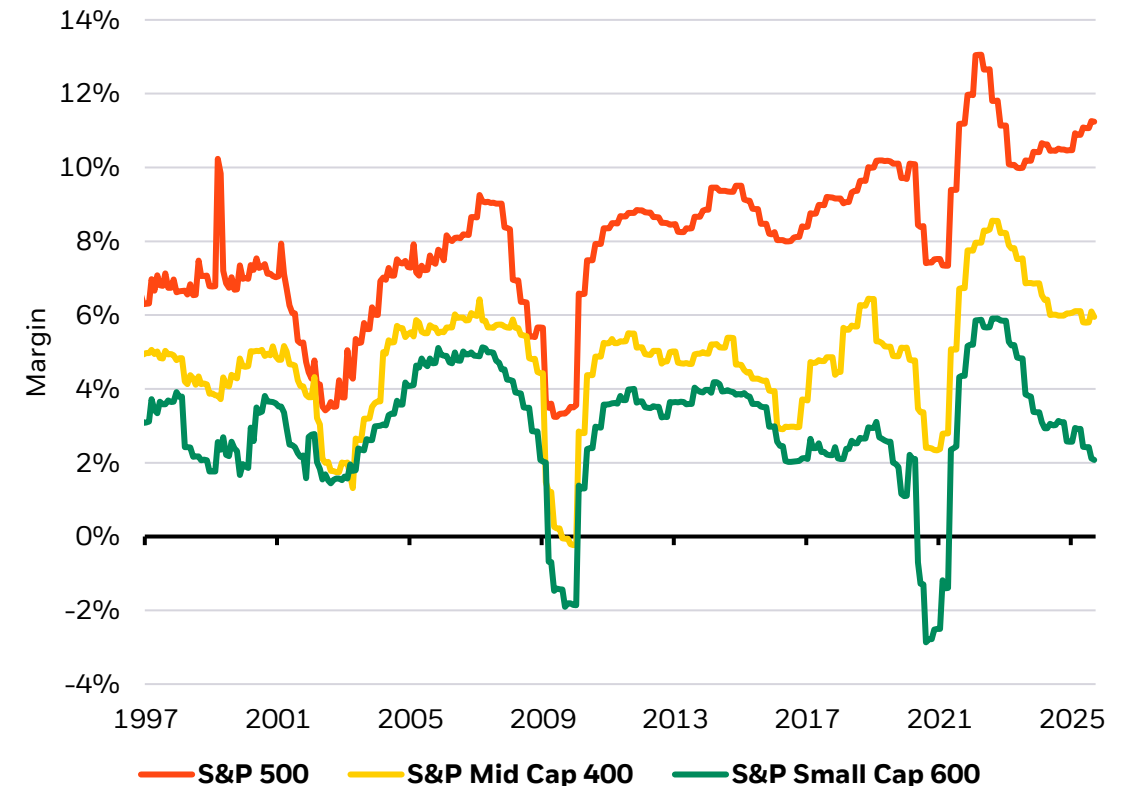
We find that markets are increasingly becoming “K-shaped”, with larger cohorts outperforming as smaller companies lag. The divergence in corporate bond defaults and company profit margins are two such examples.

U.S. corporate bond defaults and bankruptcies



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Source: BlackRock Investment Institute, with data from Bloomberg, December 2025. Note: The chart shows the U.S. dollar-weighted default rate on U.S. corporate bonds. The chart also shows average amount of defaults over a rolling 12-month window for companies with liabilities over \$10 million.

S&P index 12-month profit margins, 1997-2025

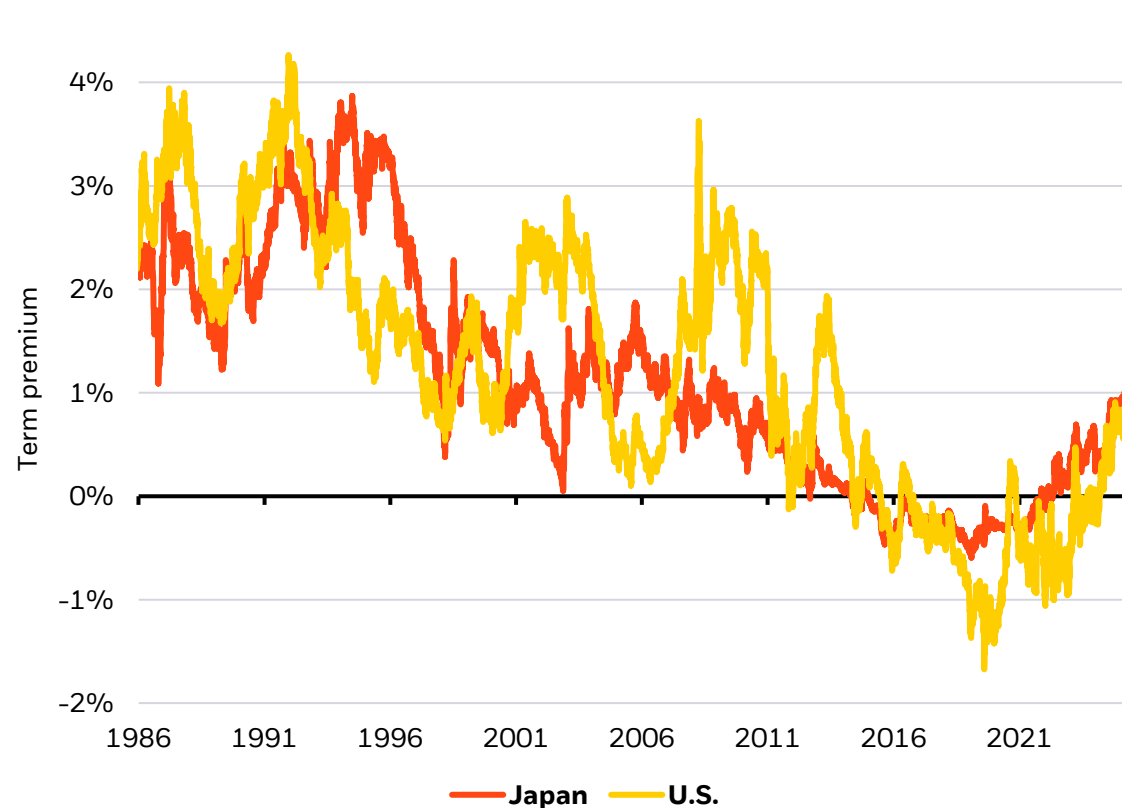


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from Bloomberg, December 2025. Note: The chart shows the operating margins for the S&P 500, S&P Mid Cap 400 and S&P Small Cap 600 stocks.

We prefer emerging market bonds over developed peers

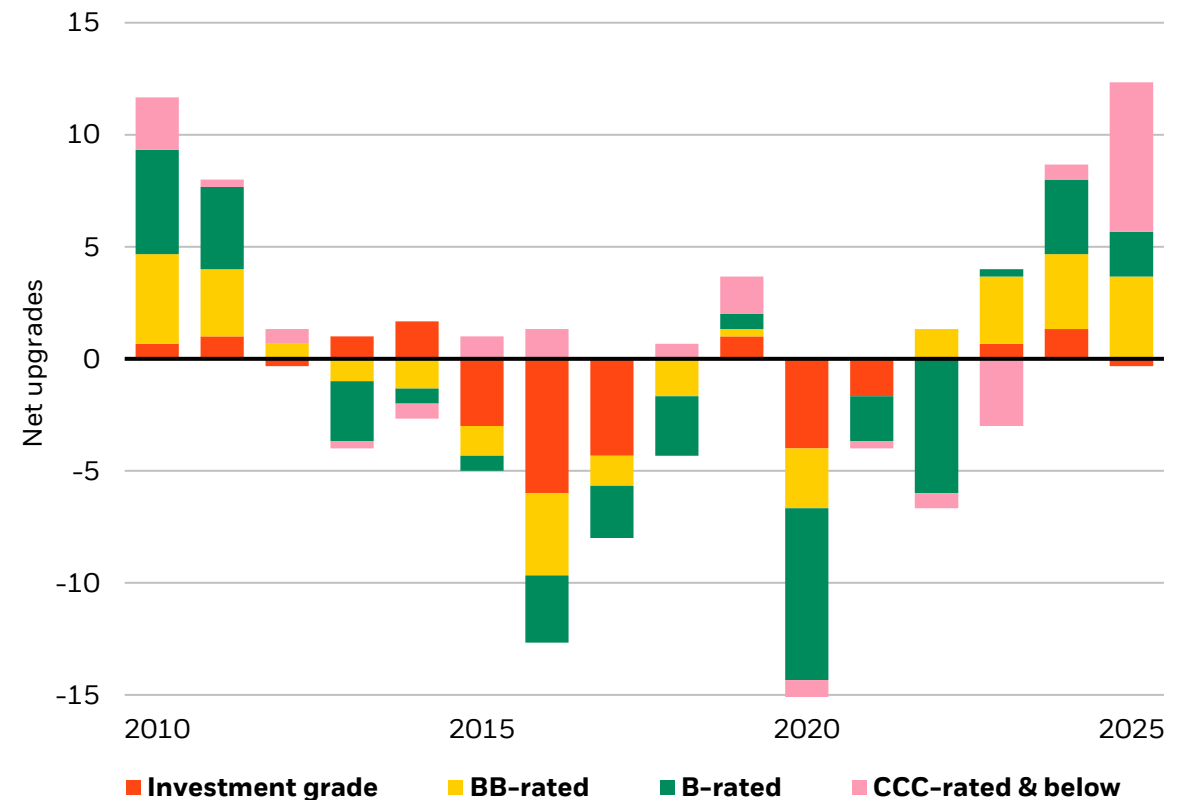
High-yielding emerging market bonds are driving this year's ratings upgrades – we think it highlights rising quality in EM bonds. We also expect rebounding term premium to push U.S. and Japanese government bond yields higher.

U.S. and Japan 10-year term premium, 1986-2025



The figures shown relate to past performance. Past performance is not a guarantee of current or future results. Source: BlackRock Investment Institute with data from Bloomberg, Daiwa Securities, New York Federal Reserve, December 2025. Note: The chart shows the 10-year term premium for the U.S., using the New York Fed's gauge, and Japan, using Daiwa Securities estimate.

Rating upgrades to EM sovereign debt, 2010-2025



The figures shown relate to past performance. Past performance is not a guarantee of current or future results. Source: BlackRock Investment Institute, Morgan Stanley Research with data from Bloomberg, December 2025. Note: The bars show the net upgrades (number of upgrades minus the number of downgrades) made by various ratings agencies of emerging market sovereign debt across different credit ratings.

Seeking diversifiers

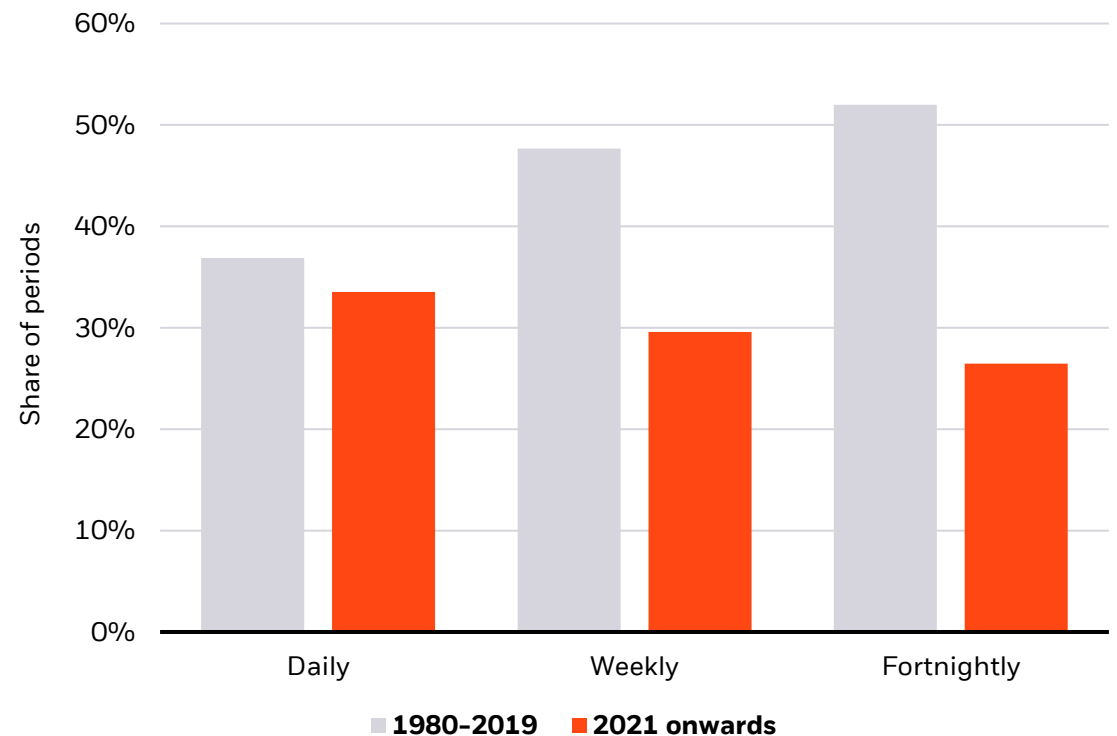
We find that asset prices are increasingly moving in the same direction now. Traditional diversifying assets, like long-term U.S. Treasuries are providing less of a potential cushion from risk asset selloffs too.

Correlation in a hypothetical multi-asset portfolio



The figures shown relate to simulated past performance. Past performance is not a reliable indicator of current or future results. For illustrative purposes only. This analysis is hypothetical and conducted with the benefit of hindsight and the true relationship between these assets may differ. Source: BlackRock Investment Institute, MSCI, S&P, Bloomberg, FTSE, with data from Aladdin, December 2025. Note: The line represents the average pairwise correlation of all the assets in a 50-asset hypothetical portfolio spanning global equities, government bonds, credit and cash benchmark indexes. We break down each asset class into style factors and use their historical correlation to calculate the correlations across these assets.

Periods when U.S. Treasuries rose as stocks fell



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Diversification mirage

After controlling for equity style factors, the share of S&P 500 returns explained by a single factor has jumped since last year. Yet leaning against this concentration has become an active call that could miss out on potential returns.

S&P 500 returns driven by non-Fama French factors



The figure shown relates to past performance. 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: BlackRock Investment Institute, with data from Bloomberg and [Kenneth R. French](#), December 2025. Note: The line shows the variance of daily S&P 500 stock returns explained by a common driver after accounting for factors like stock value, size and momentum. This was calculated using first principal component (PC1) of a principal component analysis (PCA) over a rolling 252-day window. PC1 attempts to determine the common driver in a set of numbers that change often – like stock returns for example.

S&P 500 performance, 2020–2025

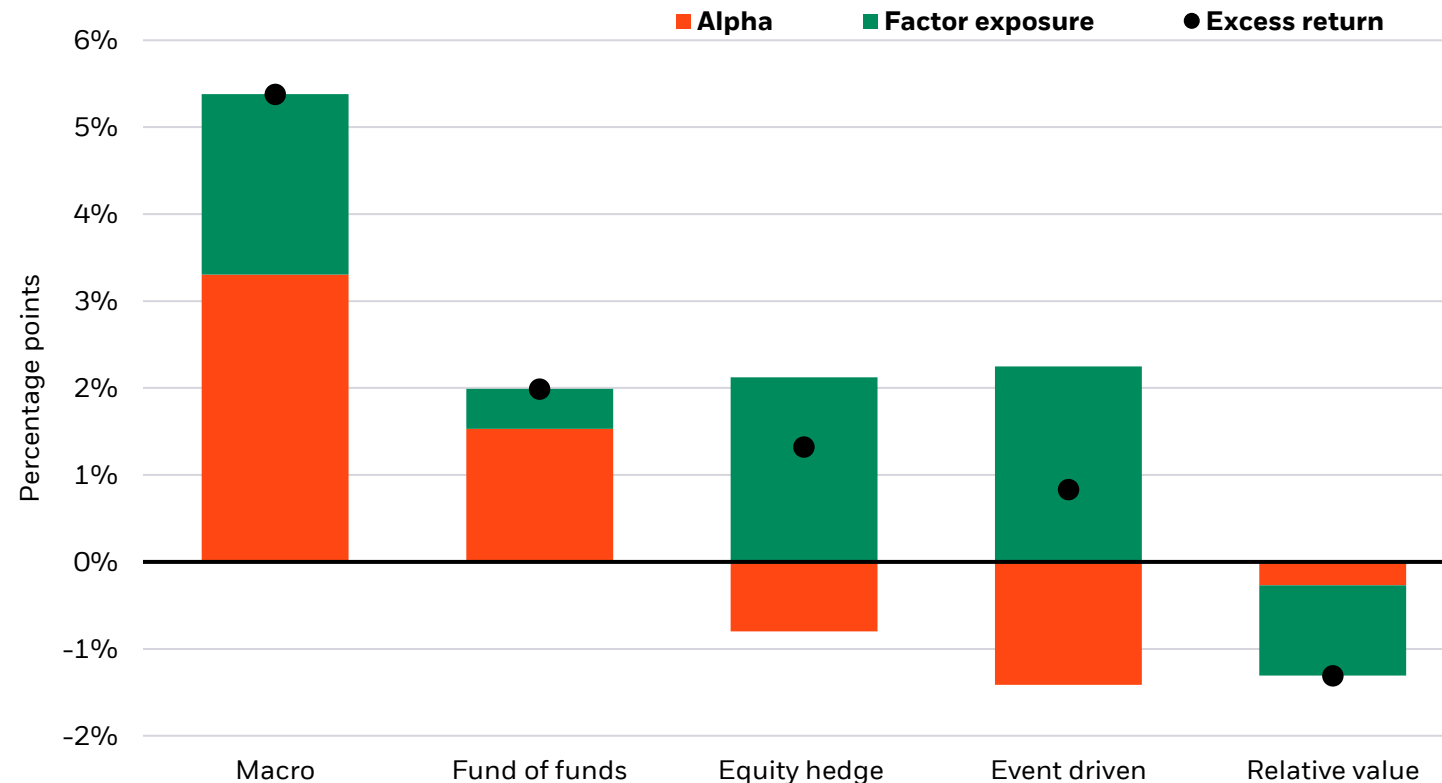


The figure shown relates to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from LSEG Datastream, December 2025. Note: The chart shows the performance of the equal-weighted and market cap-weighted S&P 500.

We think finding unique sources of return is more crucial now

In markets driven by only a few forces, we think finding unique return sources needs a more active approach. We find greater potential alpha on offer now versus pre-pandemic for some high-conviction strategies and skilled managers.

Estimated change in average returns for top-performing USD hedge funds between 2010-19 and 2020-25

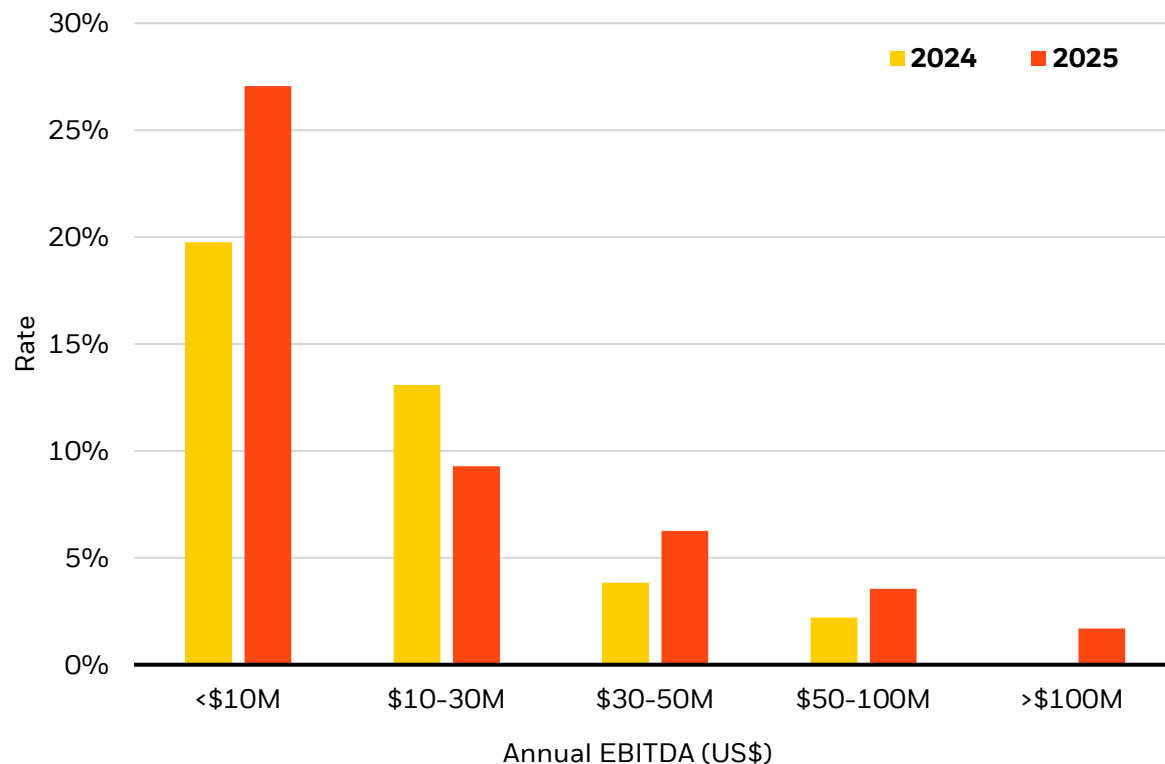


Past performance is not a reliable indicator of future performance. This information should not be relied upon by the reader as research or investment advice regarding any funds, strategy or security. Source: BlackRock Investment Institute, with data from Preqin and LSEG Datastream, November 2025. Notes: The chart compares the rolling three-year average excess return (into alpha and factor contribution) between 2010-2019 and 2020-2025 – excluding January-June 2020 for both top-quartile hedge fund managers in the Preqin universe. We use regression analysis to estimate the relationship between alpha-seeking manager performance and market conditions. Regression analysis is backward-looking and is only an estimate of the relationship. The true relationship may differ.

We see further dispersion ahead in private credit

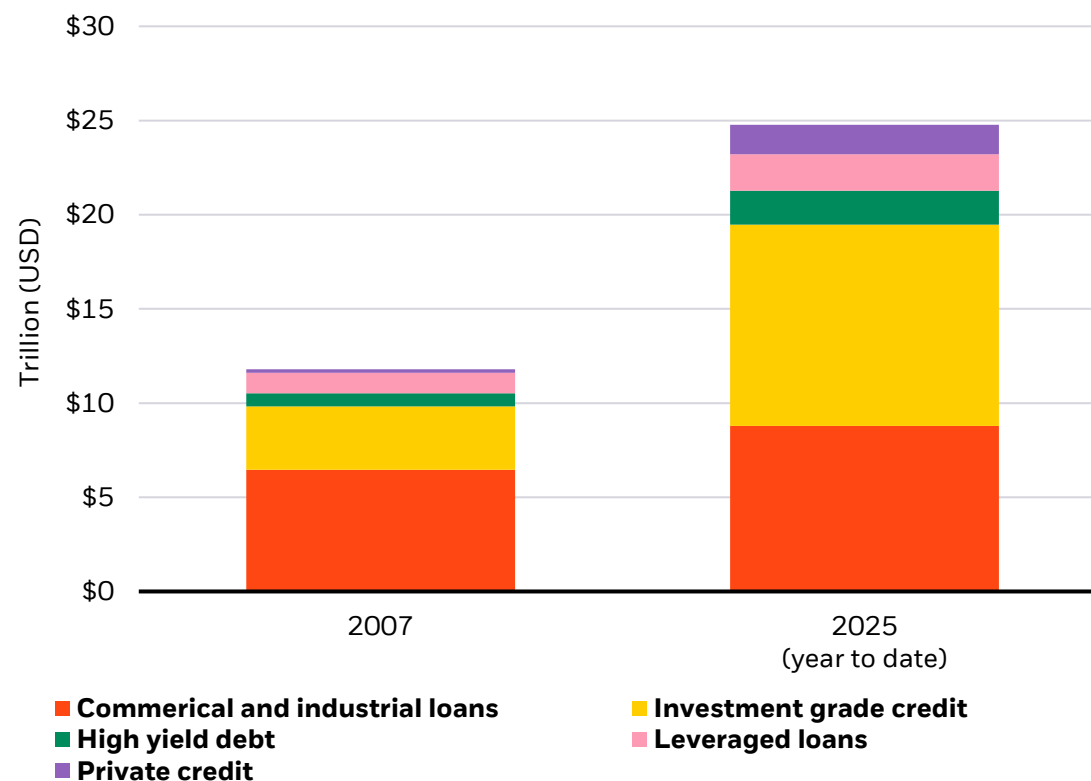
Covenant defaults among smaller borrowers are much higher than in larger peers, illustrating the dispersion in private credit. But the growth of private credit has reduced concentration in funding – reducing systemic risk, in our view.

Covenant default rates by revenues, 2024-25



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Source: BlackRock Investment Institute, Lincoln International, November 2025. Note: The bars show the size-weighted covenant default rates by revenue. The dataset excludes companies with negative debt. The 2024 and 2025 data are for Q2 in both years.

U.S. and euro area debt assets, 2007 & 2025

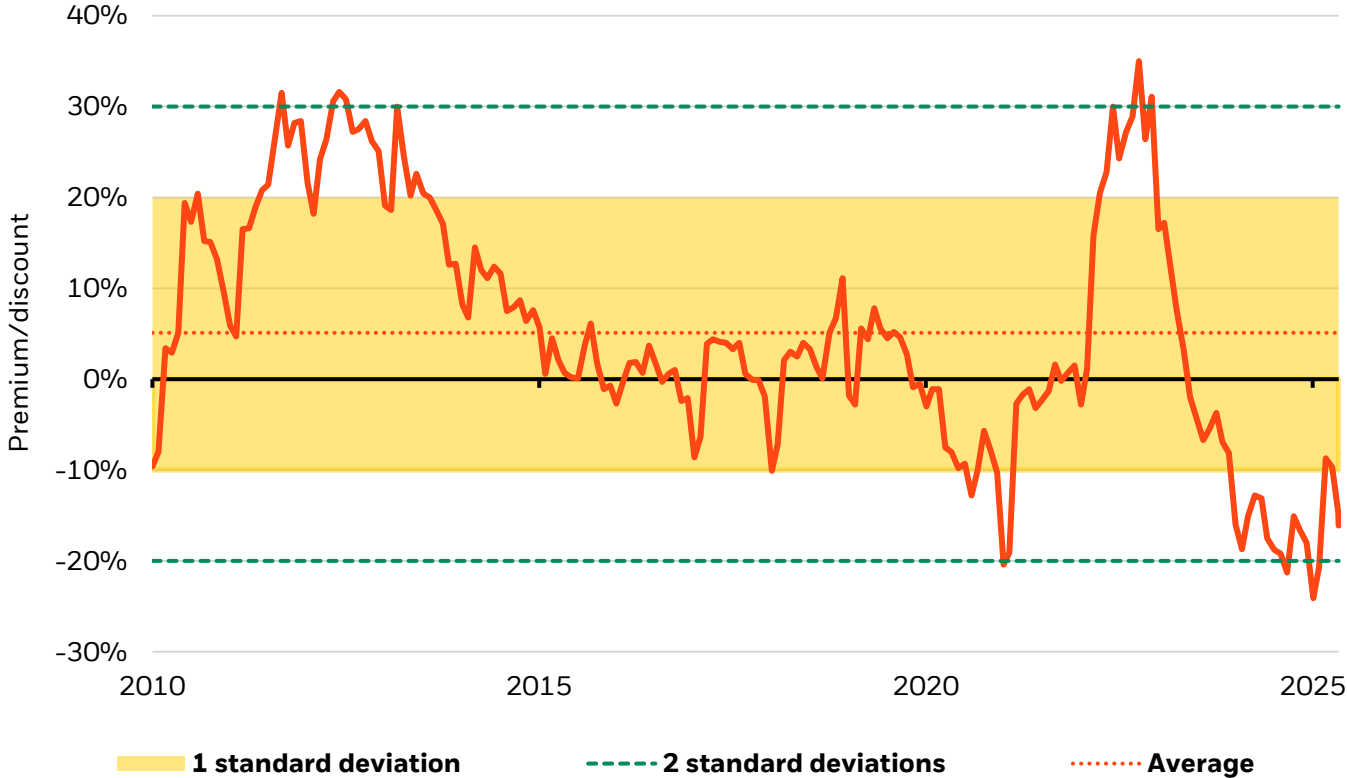


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, U.S. Federal Reserve, European Central Bank, Bloomberg, Preqin and Fitch, November 2025. Note: he bars show the total value of U.S. and euro area debt assets, using data from the Fed and ECB for commercial and industrial loans, Bloomberg indices for investment grade credit and high yield debt, Preqin for private credit and Fitch for leveraged loans.

Infrastructure's timely moment

We don't think market prices reflect the opportunity in infrastructure from the mega forces driving multi-decade investment needs. That creates a potentially attractive entry point, in our view.

Listed infrastructure vs. MSCI World valuations, 2010-25

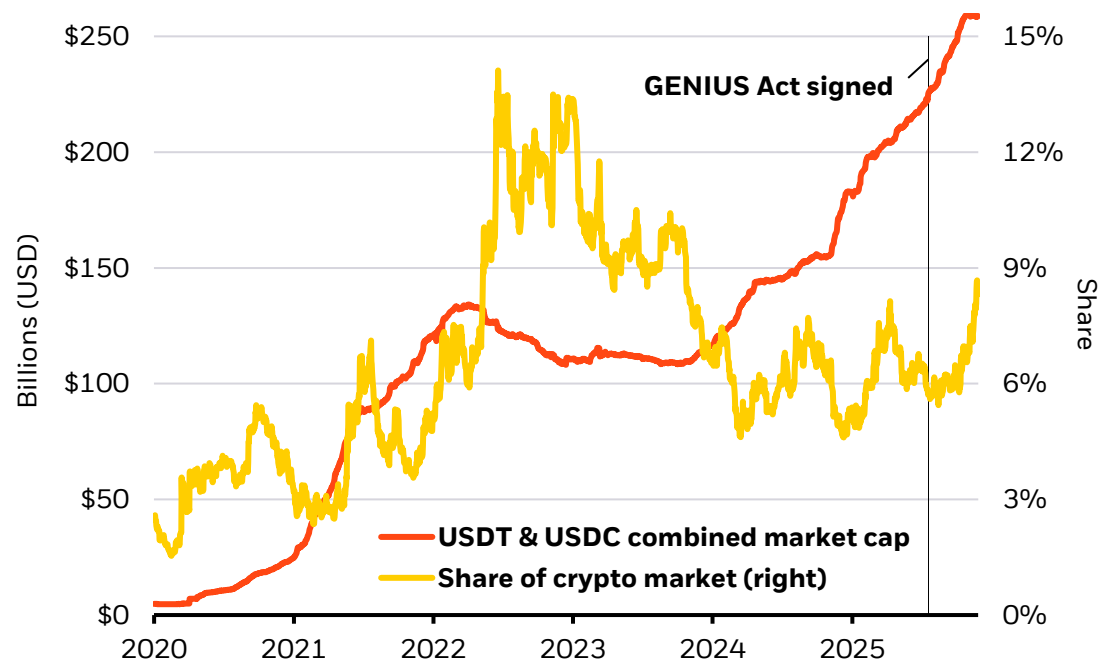


The figures shown relate to past performance. Past performance is not a guarantee of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from FTSE, MSCI, December 2025. Notes: The chart shows the relative difference between the EV/EBITDA ratio of the FTSE World Core Infrastructure 50/50 index and MSCI World indices. The orange dotted line shows the average, the shaded yellow area show the range of 1 standard deviation from the average and the green dashed lines show the range of 2 standard deviations from the average.

The future of finance is evolving quickly

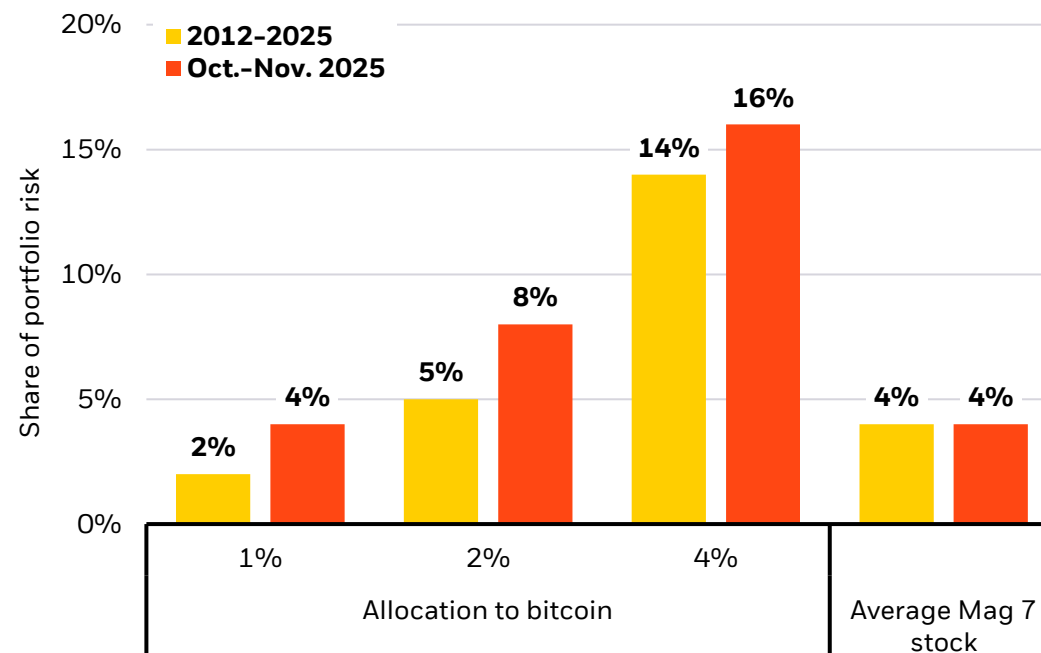
Stablecoins are evolving from a tool native to crypto to a bridge between digital and traditional finance. Bitcoin's distinct value drivers could make it a diversified source of return, but it remains vulnerable to sharp selloffs.

USD Coin and Tether market cap, 2020-2025



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. The figures shown relate to past performance. Past performance is no guarantee of current or future results. Source: BlackRock Investment Institute, with data from Coingecko as of November 27, 2025. Note: The orange line shows the combined market cap of Tether (USDT) and USD Coin (USDC), and the yellow line shows their combined market cap relative to the entire cryptocurrency market.

Bitcoin's risk in a hypothetical 60/40 portfolio



The figure shown relates to simulated past performance. Past performance is not a reliable indicator of current or future results. 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 with data from Bloomberg, December 2025. Notes: The chart shows bitcoin's share of portfolio risk in a hypothetical 60-40 stock-bond portfolio at different allocations based on risk contribution. It also shows what share "magnificent 7" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) add to overall risk on average based on their current index weights. Indexes used: Bloomberg Developed Markets Large and Mid Cap for equities and the Bloomberg Global Aggregate for bonds. Risk contribution is estimated using weekly returns between May 2012 and November 2025, and daily returns between October and November 2025. Reference to individual stocks is for illustrative purposes and should not be construed as investment advice or a recommendation.

Our big calls for 2026

Our highest conviction views on tactical (6-12 month) and strategic (long-term) horizons, December 2025

| Tactical | Reasons |
|--|---|
| Still favor AI | <ul style="list-style-type: none"> We see the AI theme supported by strong earnings, resilient profit margins and healthy balance sheets at large listed tech companies. Continued Fed easing into 2026 and reduced policy uncertainty underpin our overweight to U.S. equities. |
| Select international exposures | <ul style="list-style-type: none"> We like Japanese equities on strong nominal growth and corporate governance reforms. We stay selective in European equities, favoring financials, utilities and healthcare. In fixed income, we prefer EM due to improved economic resilience and disciplined fiscal and monetary policy. |
| Evolving diversifiers | <ul style="list-style-type: none"> We suggest looking for a “plan B” portfolio hedge as long-dated U.S. Treasuries no longer provide portfolio ballast – and to mind potential sentiment shifts. We like gold as a tactical play with idiosyncratic drivers but don’t see it as a long-term portfolio hedge. |
| Strategic | Reasons |
| Portfolio construction | <ul style="list-style-type: none"> We favor a scenario-based approach as we learn more about AI winners and losers. We lean on private markets and hedge funds for idiosyncratic return and to anchor portfolios in mega forces. |
| Infrastructure equity and private credit | <ul style="list-style-type: none"> We find infrastructure equity valuations attractive and mega forces underpinning structural demand. We still like private credit but see dispersion ahead – highlighting the importance of manager selection. |
| Beyond market cap benchmarks | <ul style="list-style-type: none"> We get granular in public markets. We favor DM government bonds outside the U.S. Within equities, we favor EM over DM yet get selective in both. In EM, we like India which sits at the intersection of mega forces. In DM, we like Japan as mild inflation and corporate reforms brighten the outlook. |

Note: Views are from a U.S. dollar perspective, December 2025. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any particular funds, strategy or security.

Our latest strategic views

We maintain our preference for emerging market (EM) equities, inflation-linked bonds and non-U.S. developed market government bonds after Q3. We stay underweight global investment grade (IG) credit and Chinese government bonds.

Hypothetical U.S. dollar 10-year strategic views vs equilibrium, November 2025

| Asset Class | Strategic views | Granular views | | Asset Class | Strategic views | Granular views | |
|----------------------------|-----------------|--------------------------------|----------|---------------------------|-----------------|-----------------------|----------------------------------|
| | | Constructive | Cautious | | | Constructive | Cautious |
| DM government bonds | +1 | Non-U.S. bonds | | DM high yield and EM debt | Neutral | | |
| Emerging market equity | +1 | India | | Income private markets | Neutral | Direct lending | Infrastructure debt |
| Inflation-linked bonds | +1 | | | Growth private markets | Neutral | Infrastructure equity | U.S. core open-ended real estate |
| Mortgage backed securities | Neutral | | | Global IG credit | -1 | | |
| Developed market equity | Neutral | Health care and energy sectors | | Chinese government bonds | -1 | | |

Underweight
Neutral
Overweight
● Previous view

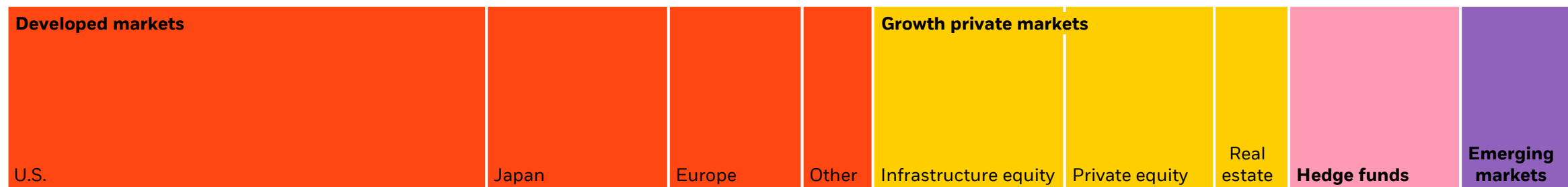
This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute. Data as of 30 September 2025. Notes: The chart shows our asset views on a 10-year view from an unconstrained U.S. dollar perspective against a long-term equilibrium allocation. Global government bonds and EM equity allocations comprise respective China assets. Income private markets comprise infrastructure debt, direct lending, real estate mezzanine debt and U.S. core real estate. Growth private markets comprise global private equity buyouts and infrastructure equity. The allocation shown is hypothetical and does not represent a real portfolio. It is intended for information purposes only and does not constitute investment advice. Index proxies: a combination of Bloomberg Treasury 1-10 Year Index, Bloomberg US Long Treasury Index, Bloomberg Euro Treasury 1-15 Year index, Bloomberg Euro Aggregate Treasury 15 Year+ Index, Bloomberg Sterling Aggregate: Gilts 1-10 Year Index, Bloomberg Sterling Aggregate: Gilts 10+ Year Index and Bloomberg Asia Pacific Japan Treasury Index for DM government bonds. MSCI EM for emerging market equity, Bloomberg US Government Inflation-Linked Bond Index for inflation-linked bonds. MSCI World US\$ for developed market equity. Bloomberg US MBS Index for mortgage-backed securities. A combination of the Bloomberg US High Yield, Bloomberg Euro High Yield and JP Morgan EMBI Global Diversified indexes for DM high yield and EM debt. A combination of Bloomberg US Credit, Bloomberg Euro Corporate Credit, Bloomberg UK Corporate Credit indexes for Global IG credit, Bloomberg China Treasury + Policy Bank Total Return Index for Chinese government bonds. We use BlackRock proxies for growth and income private market assets due to lack of sufficient data. These proxies represent the mix of risk factor exposures that we believe represents the economic sensitivity of the given asset class. The hypothetical portfolio may differ from those in other jurisdictions, is intended for information purposes only and does not constitute investment advice.

Our latest strategic views

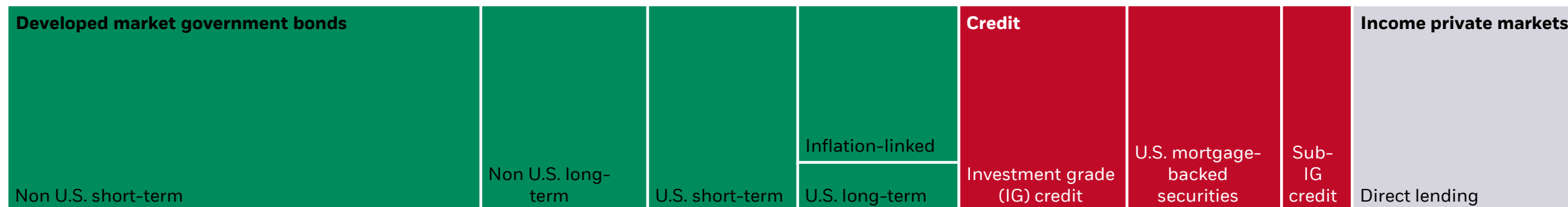
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Hypothetical U.S. dollar 10-year strategic views vs equilibrium, November 2025

Equity-like holdings



Income-like holdings









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Tactical granular views: equities

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, December 2025

The table below reflects our views on a tactical horizon and, importantly, leaves aside the opportunity for alpha, or the potential to generate above-benchmark returns – especially at times of heightened volatility.

| Equities | View | Commentary |
|--|---|--|
| Developed markets | | |
| United States |  | We are overweight. Strong corporate earnings, driven in part by the AI theme, are supported by a favorable macro backdrop: continued Federal Reserve easing, broad economic optimism and less policy uncertainty, particularly on the trade front. |
| Europe |  | We are neutral. We would need to see more business-friendly policy and deeper capital markets for recent outperformance to continue and to justify a broad overweight. We stay selective, favoring financials, utilities and healthcare. |
| UK |  | We are neutral. Valuations remain attractive relative to the U.S., but we see few near-term catalysts to trigger a shift. |
| Japan |  | We are overweight. Strong nominal GDP, healthy corporate capex and governance reforms – such as the decline of cross-shareholdings – all support equities. |
| Emerging markets |  | We are neutral. Economic resilience has improved, yet selectivity is key. We see opportunities across EM linked to AI and the energy transition and see the rewiring of supply chains benefiting countries like Mexico, Brazil and Vietnam. |
| China |  | We are neutral. Trade relations with the U.S. have steadied, but property stress and an aging population constrain the macro outlook. We like AI, automation and power generation. We still favor China tech within our neutral view. |
| <div style="display: flex; align-items: center; gap: 10px;"> <div style="background-color: #f08080; padding: 5px; font-weight: bold;">Underweight</div> <div style="background-color: #808080; padding: 5px; font-weight: bold;">Neutral</div> <div style="background-color: #ffff00; padding: 5px; font-weight: bold;">Overweight</div> <div>● Previous view</div> </div> | | |

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Tactical granular views: fixed income



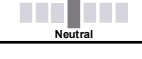






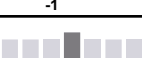


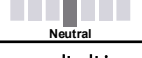
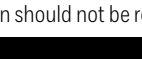
Underweight

Neutral

Overweight

● Previous view

Six- to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction, December 2025

| Fixed income | View | Commentary |
|-------------------------------|--|---|
| Short U.S. Treasuries |  Neutral | We are neutral. We see other assets offering more compelling returns as short-end yields have fallen alongside the U.S. policy rate. |
| Long U.S. Treasuries |  -1 | We are underweight. We see high debt servicing costs and price-sensitive domestic buyers pushing up on term premium. Yet we see risks to this view: lower inflation and better tax revenues could push down yields near term. |
| Global inflation-linked bonds |  Neutral | We are neutral. We think inflation will settle above pre-pandemic levels. Markets may not price this in the near-term as growth cools. |
| Euro area govt bonds |  Neutral | We are neutral. We agree with market forecasts of ECB policy and think prices reflect the risk that German fiscal issuance raises yields. We prefer government bonds outside Germany. |
| UK gilts |  Neutral | We are neutral. The recent budget aims to shore up market confidence through fiscal consolidation. But deferred borrowing cuts could bring back gilt market volatility. |
| Japanese govt bonds |  -2 | We are underweight. Rate hikes, higher global term premium and heavy bond issuance will likely drive yields up further. |
| China govt bonds |  Neutral | We are neutral. China bonds offer stability and diversification but developed market yields are higher and investor sentiment shifting towards equities limits upside. |
| U.S. agency MBS |  +1 | We are overweight. Agency MBS offer higher income than Treasuries with similar risk, and may offer more diversification amid fiscal and inflationary pressures. |
| Short-term IG credit |  Neutral | We are neutral. Corporate strength means spreads are low, but they could widen if issuance increases and investors rotate into U.S. Treasuries as the Fed cuts. |
| Long-term IG credit |  -1 | We are underweight. We prefer short-term bonds less exposed to interest rate risk over long-term bonds. |
| Global high yield |  Neutral | We are neutral. High yield offers more attractive carry in an environment where growth is holding up – but we think dispersion between higher and weaker issuers will increase. |
| Asia credit |  Neutral | We are neutral. Overall yields are attractive and fundamentals are solid, but spreads are tight. |
| EM hard currency |  +1 | We are overweight. A weaker U.S. dollar, lower U.S. rates and effective EM fiscal and monetary policy have improved economic resilience. We prefer high yield bonds. |
| EM local currency |  Neutral | We are neutral. A weaker U.S. dollar has boosted local currency EM debt, but it's unclear if this weakening will persist. |

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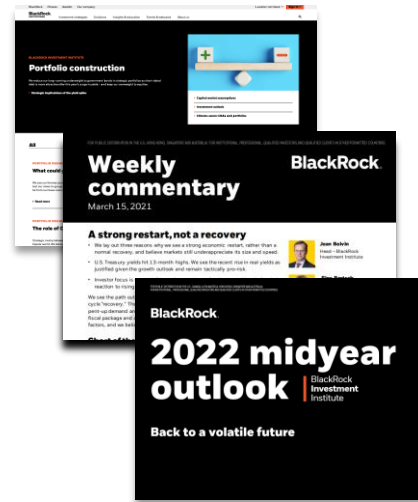


Jean Boivin
Head – BlackRock
Investment Institute

“

To build robust portfolios, you need to connect the dots between economics, markets, return drivers, policy and geopolitics.

”



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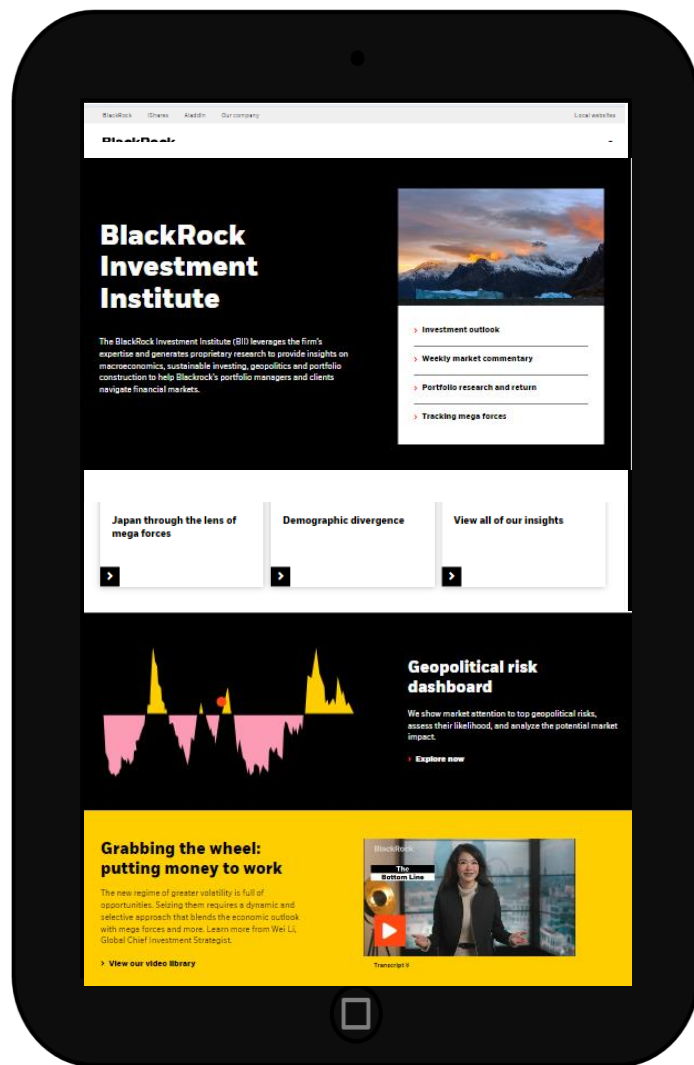
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- Portfolio design and return expectations for institutional and professional investors
- Policy and politics

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