

Investment Directions

Spring 2026: Exposures for today's markets

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While policy and geopolitical uncertainty have weighed on sentiment in 2026, clients tell us that they're staying invested – maintaining upside exposure while building resilience through deeper diversification.

The Middle East conflict has significantly increased economic, monetary and fiscal policy uncertainty, our Global Fixed Income (GFI) team notes, raising downside risks to growth and upside risks to inflation – particularly in energy-importing regions like Europe. Investors continue to navigate uncertainty in trade policy and US-China relations, as well as AI-related productivity and capex. Against this backdrop, our clients reported their risk stance shifting sharply bearish through Q1 (-25% in early April versus +28% two months prior – see chart 1 overleaf)¹ – yet sentiment has since improved (-6%) and participation has held strong, with equity ETP flows tracking ahead of 2025 levels.²

We look to durable growth opportunities and volatility-driven dislocations in this environment. With duration less reliable in 2026, we broaden diversifiers and income sources to build portfolios that can withstand shocks and unlock upside. Over the following pages, we highlight opportunities across asset classes for spring and summer 2026, connected by an overarching view on positioning portfolios for today's markets.

Theme 01

Growth: durability at scale

Amid elevated uncertainty, we see merit in selectively adding to risk by leaning into structural and fundamental winners linked to big economic transformations.

Theme 02

Resilience: diversification without directionality

With risks multiplying and traditional hedges less reliable, we look to boost portfolio resilience, drawing on a wider set of diversifiers to limit broad market directional exposure.

Theme 03

Income: seeking reliability in an uncertain regime

As clients increasingly prioritise stable income as a portfolio goal, reliable, diversified and efficient sources of income are increasingly in focus.

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Theme 01

Growth: durability at scale

While geopolitical developments this year have pushed risks and uncertainty higher, we haven't sought to rotate out of risk assets – a stance supported by our client polling and flow analysis.

Despite a decline in their self-reported risk stance (chart 1), clients have expressed a consistent intent to add to risk assets like emerging market (EM) and European equities on a tactical horizon in our surveys this year, and we've seen strong flows into EM and developed market (DM) equity ETPs (chart 2). Higher dispersion means this may not be a market for broad-based beta: we lean even more deliberately into selective, durable growth and tactical dislocations across DM and EM equities:

- We see the intersecting AI and energy continuums driving markets: alongside direct exposure, we look to capture opportunities across the broader value chain.
- In core DM equities, we lean into breadth in the US and concentration in Europe, and favour fundamental winners in Japan.

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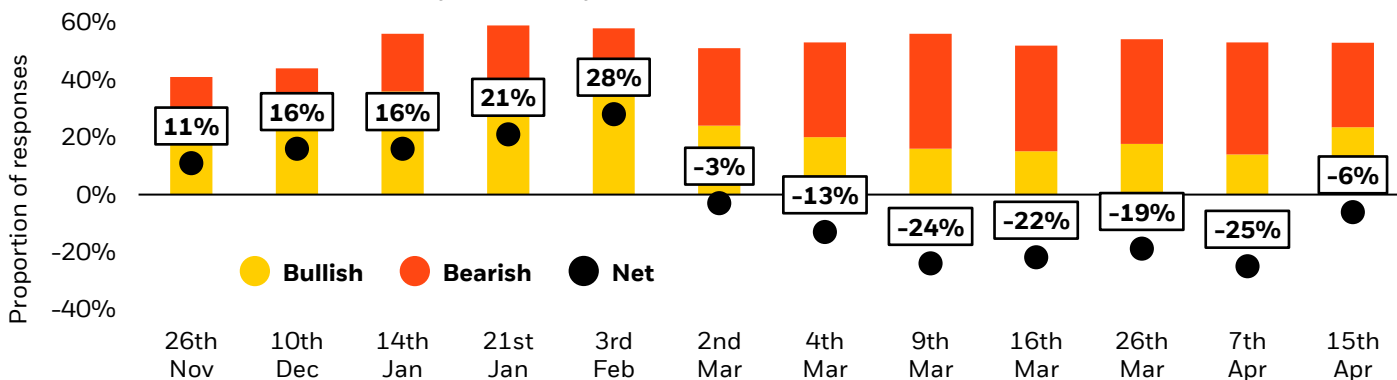
The AI trade has matured: capital is no longer just chasing tech winners, but rotating upstream into supply chains and second- and third-order beneficiaries, including commodities and energy. While geopolitical tensions have shone a light on the latter recently, we see structural supply-demand imbalances exacerbated by data centre power needs benefiting energy strategies over the long term.



Evy Hambro
Global Head of Thematic- and Sector-Based Investing, Fundamental Equities

Chart 1: Investor sentiment has been weaker since the start of February...

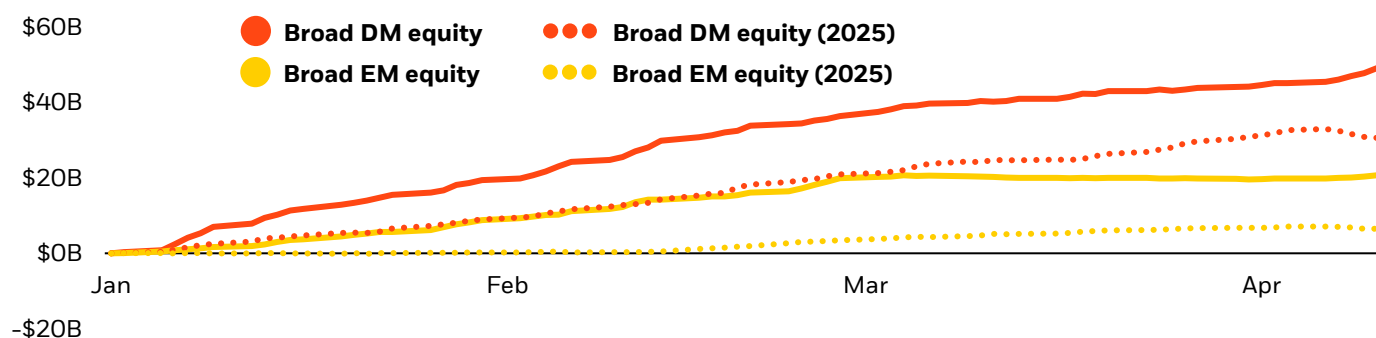
Responses to the question 'How would you describe your current risk view?', November 2025 – April 2026



Source: BlackRock, as of 15 April 2026. Based on responses to surveys of EMEA clients from November 2025 to March 2026. Bullish = sum of 'very bullish' and 'slightly bullish' responses. Bearish = sum of 'very bearish' and 'slightly bearish'.

Chart 2: ...yet investors continue to allocate to risk, with EM and DM equity buying tracking ahead of 2025

Global flows into broad EM and DM equity ETPs, 2026 YTD versus same period last year



Source: BlackRock and Markit, as of 10 April 2026.

Geopolitical tensions this year have sharpened investor focus on a world shaped by supply, with two overlapping continuums in focus: the AI and energy value chains.

We maintain conviction in AI as a durable investment theme, with opportunities continuing to broaden as energy becomes an even bigger bottleneck. This view is backed by client polling, yet the average EMEA portfolio remains structurally under-allocated (-13%) to the AI theme relative to MSCI ACWI.¹

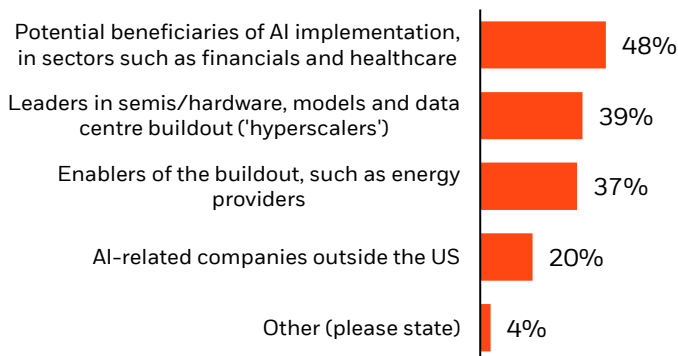
- In recent months, we've seen a rotation within, rather than out of, AI – an observation reinforced by our client polling (see chart 3). There's currently a 50% spread between the year-to-date performance of the leading (semiconductors) and lagging (application software) tech sub-groups in the S&P 500; this spread was as wide as 70% prior to the end of February.²

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- Semiconductors have been a key source of fundamental strength this year, with upgrades to quarterly and full-year earnings expectations globally. Headline EPS expectations for global semiconductors are now at \$686 for FY 2026 versus \$460 at the start of the year.³
- Our Fundamental Equity (FE) team notes that as capital intensity rises and leadership shifts across the AI stack, growth is expanding outside the initial mega cap beneficiaries – broadening the opportunity set for active investors.
- Moreover, AI continues to evolve at pace: we favour a more agile, dynamic approach to AI allocations, which may help investors rotate more quickly within the theme as new winners emerge. We prefer an active approach to investing across the AI stack (see chart 4), spanning multiple geographies and sectors via precision ETFs or alpha-seeking strategies.

Chart 3: Investors are looking beyond 'picks and shovels' for AI opportunity

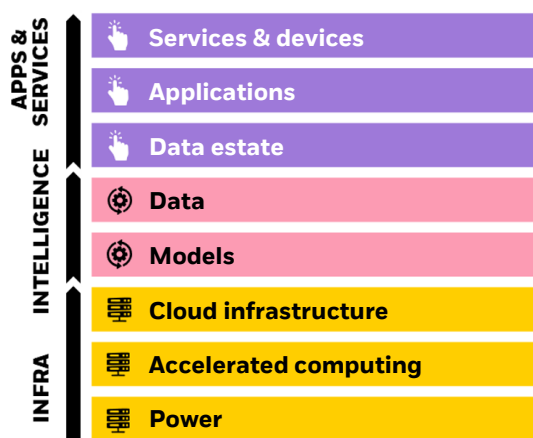
Responses to the question 'Where do you see the greatest opportunities from the AI buildout mega force?'



Source: BlackRock, as of 9 February 2026. Results based on survey of 743 EMEA clients. Question is multi-select, hence figures don't sum to 100%.

Chart 4: The complexity of the AI ecosystem calls for an active investing approach

The AI tech stack



Source: BlackRock Fundamental Equities, March 2026.

The energy sector has been in focus recently, given the nature of the geopolitical shock to markets.

Valuations have risen alongside broader energy prices, as reflected in longer-term futures, but we don't see energy as overvalued.

- The equity sector's previous cheapness offered significant room for improvement in fundamentals, which should start to deliver from the Q1 earnings season onwards. Our Natural Resources FE team sees potential for a further adjustment to reflect higher-for-longer energy prices.
- The average EMEA multi-asset portfolio remains structurally under-allocated to the energy sector versus MSCI ACWI.⁴ We see room for more exposure. This underweight persists despite a pickup in reallocations last year based on AI-driven power demand and relatively attractive sustainable energy valuations,

which have now closed their discount to traditional energy.⁵

- ETP flows also suggest that the sector has been structurally under-allocated to since 2022: \$16.9B of global energy buying in 2026 follows three consecutive years of net outflows.⁶

Broad global energy exposures and those better-positioned to benefit from the renewed global drive for energy security – especially in net importing geographies – could help investors to address this under-allocation and make portfolios more resilient to future energy shocks.

Over 2026, we see the energy and AI continuums driving markets and look for opportunities across that broader ecosystem.

The ‘HALO’ (high asset, low obsolescence) theme is particularly in focus among investors: we look to broaden exposure beyond core AI leaders to capture the full ecosystem of enablers and downstream beneficiaries across the value chain, including tangible assets that may be less vulnerable to AI disruption.

- We stay constructive on global miners despite their impressive 2025 run-up. While valuations are elevated, continued earnings momentum supports our view (see chart 5), even as rising oil prices weigh on costs. Tailwinds include improving outlooks for silver and industrial metals and growing relevance within the AI ecosystem via exposure to critical minerals and rare earths. An active multi-strategy approach investing across energy and mining sectors can help to navigate this complex landscape.

- We also look to infrastructure and utilities as a ‘HALO’ play and to diversify equity risk. Investors consistently added to the utilities sector in 2025,⁷ initially on rate cut tailwinds, but we see room for this to be a longer-term allocation. We see stronger earnings potential as power emerges as a critical bottleneck for the AI buildout and beyond. Infrastructure development is also key. As our FE team highlights, data centres already consume c.5% of US electricity demand: this could reach c.12% by 2030,⁸ pointing to a multi-year structural tailwind for power and energy infrastructure. Despite being more exposed to public equities, infrastructure offers a potential hedge against unanticipated inflation and tends to track US CPI (see chart 6). While this relationship has become weaker with the run-up in listed infrastructure companies since 2023, we see this as a dislocation – not a new status quo.

Chart 5: Miners’ earnings momentum remains solid

Index level and EPS for global mining stocks, April 2023 – April 2026

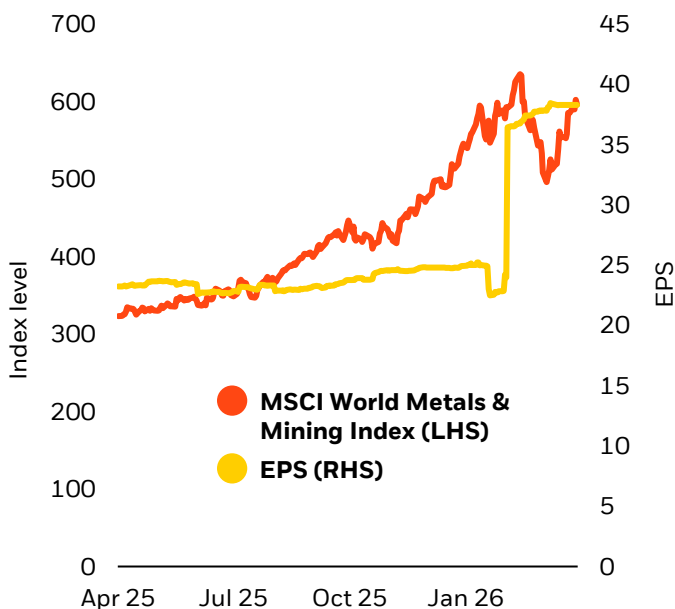
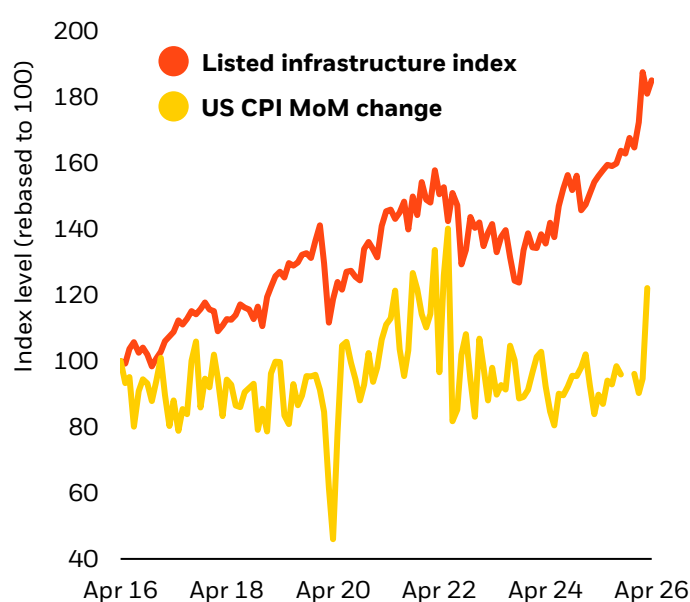


Chart 6: Listed infrastructure tends to track US CPI

Listed infrastructure index and month-on-month change in US CPI, April 2016 – April 2026



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. 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: Bloomberg, as of 16 April 2026. ‘Listed infrastructure index’ = GLIO VettaFi Global Listed Infrastructure Index.

We see allocation to EM equities – another structural underweight in EMEA portfolios⁹ – as a way to broaden AI exposure.

Spanning upstream hardware supply chains and downstream adoption, EM stocks provide access to both the buildout and global diffusion of AI, as well as the second-order beneficiaries across the value chain.

A more fragmented geopolitical backdrop is increasing dispersion across EM, making country selection even more critical. Our focus is anchored around two key lenses: commodity exporters versus importers and floating versus USD-pegged currency regimes.

We lean into LatAm – for Brazil’s commodity exposure and Mexico’s relative value – as well as mining-heavy markets. We’re more cautious on energy importers, but continue to see opportunities in select Asian markets, including China tech for AI tailwinds.

Our client polling this year points to consistent appetite to add risk in EM equities;¹⁰ flows reinforce the case, with \$21.7B added to EMEA-listed EM equity ETPs so far this year – making 2026 already the second-biggest inflow year on record.¹¹ Combining beta market exposure with high-conviction alpha strategies allows for more precise positioning across this increasingly differentiated opportunity set.

Private market exposure can also provide differentiated access to the broader AI theme and identify emerging winners early – with many still outside public markets.

Private markets are playing a growing role in portfolios as investors seek differentiated sources of growth.

- Demand continues to rise as unreliable stock-bond correlations challenge the traditional 60/40 portfolio – see theme 2.

- Our Portfolio Consulting team highlights that allocating 20% to private markets funded from equity exposures can increase potential returns while maintaining overall portfolio risk characteristics.¹²
- Implementation also matters. Listed private market exposures may not capture the idiosyncratic return drivers of unlisted assets, which can be important sources of alpha.

Our investment platform maintains its preference for US equities relative to other regions and our BlackRock models are overweight US equities, given continued AI momentum, a resilient fundamental backdrop, earnings strength and valuations having fallen from recent peaks.

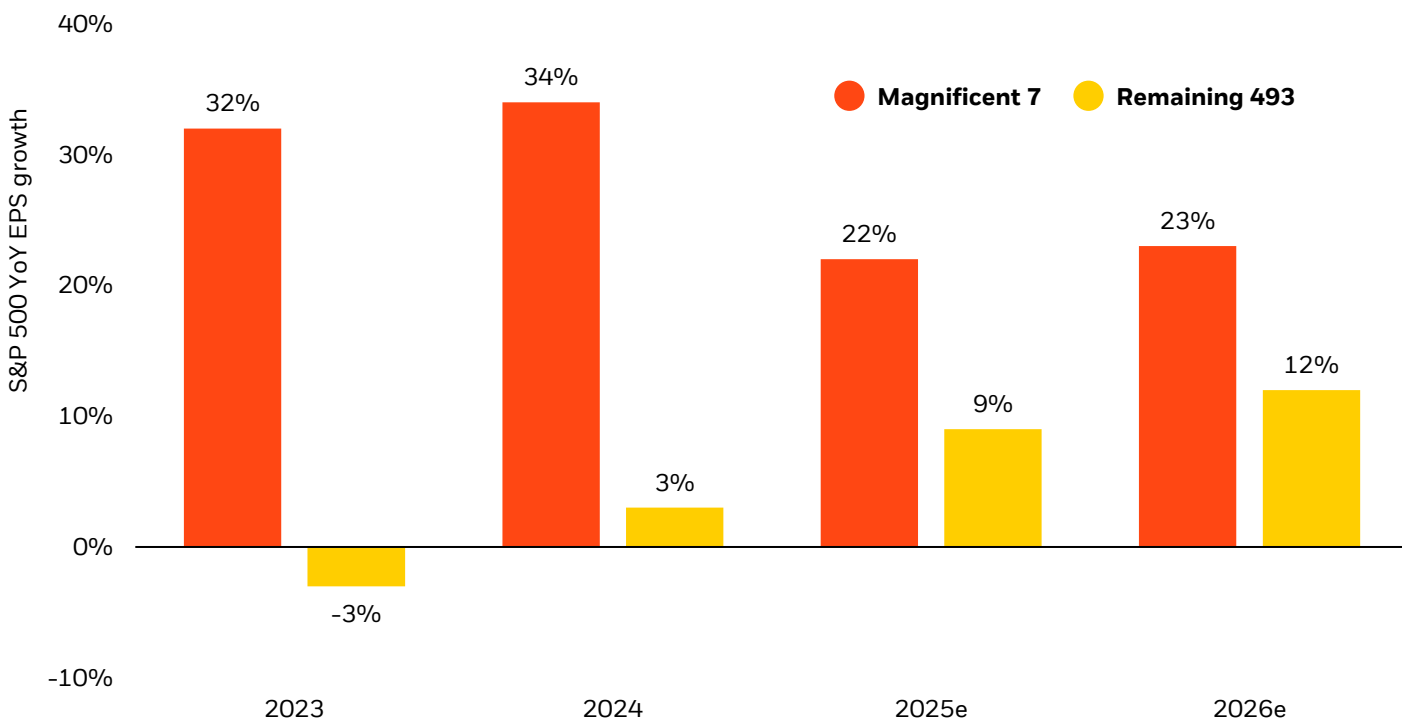
The average EMEA portfolio, in contrast, is c.16% underweight US equities versus MSCI ACWI – though the US remains the largest regional allocation (46%), underscoring its central role.¹³

- The US economic backdrop remains two-speed: resilient high-end consumption is supporting a bifurcated consumer, while AI capex continues to drive growth.

- Importantly, US earnings may also enjoy some insulation from the energy shock: historically, even large oil moves have tended to slow earnings growth rather than reverse it. The Q4 2025 and early Q1 2026 seasons have shown earnings continuing to broaden.¹⁴
- We favour maintaining exposure to long-term AI and structural growth winners, while capping exposure to mega-cap technology. Although Mag 7 valuations have become more compelling, investors seeking to manage concentration risk (the Mag 7 accounts for 34% of the S&P 500)¹⁵ may prefer to limit mega-cap exposure and tap into the broadening of earnings growth. Capped or custom index approaches can help to manage concentration and access a wider opportunity set.

Chart 7: US earnings are broadening beyond the Magnificent Seven

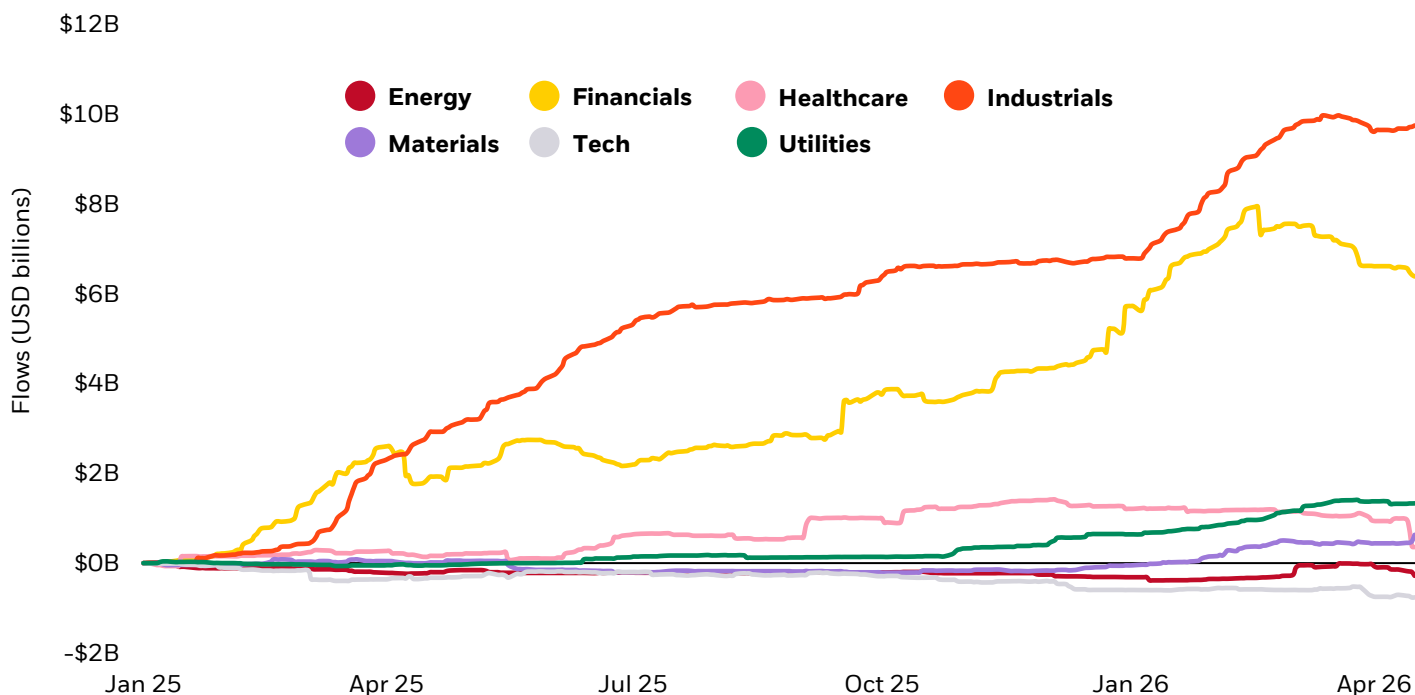
Difference in EPS growth year-on-year for Mag 7 versus other 493 S&P 500 stocks



Source: Bloomberg, as of 16 April 2026. 'e' = expected.

Chart 8: Investors in European equities show a distinct preference for cyclical sectors

Cumulative flows into EMEA-listed European equity sector ETPs, 2025–2026



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

European equities have benefited from a broader push to diversify equity risk in 2026, reflected in strong EMEA-listed ETP inflows (\$24.7B was added in Q1, including \$3.9B in March)¹⁶ and continued client appetite to add exposure.¹⁷

While the macro and rate backdrop is more uncertain, given Europe’s relatively high exposure to Middle Eastern energy supply, we see a clear role for European equities in portfolios – albeit with greater selectivity, as we don’t view this as a moment for broad beta exposure in Europe.

The average EMEA portfolio maintains a sizeable 18% overweight to European equities compared to MSCI ACWI¹⁸ – we favour taking an ‘active’ approach to this allocation, via systematic alpha-seeking strategies or precision index exposure. In contrast to the US, where we seek to manage concentration, in Europe we lean into it. We focus on access to high-quality leaders, particularly those with strong domestic revenues amid trade uncertainty, for stronger fundamental momentum and exposure to a more robust underlying economy.

We retain conviction in banks and healthcare: banks for their resilient earnings and attractive capital returns despite recent pressure and healthcare for its strong fundamentals and valuations – which, in our view, outweigh trade concerns. Banks are expected to remain among the areas in Europe with the highest earnings growth this season (2.6% YoY forecast); earnings expectations for broad European equities excluding energy and banks are still negative.¹⁹ Continued dividend and buyback trends are also a potential tailwind: over the past 12 months, banks have delivered 7.7% total shareholder yield taking into account both buyback and dividends.²⁰ From a trade and potential resilience perspective, we note that European healthcare’s earnings have a lower beta to shifts in both World and European GDP than any other European sector.²¹

Japanese equities look set to remain supported by tech and AI-led tailwinds alongside a steady rise in activism, which is driving more substantive corporate value creation, underpinning earnings and increasingly extending into higher-quality companies.

Japanese equities have led DM equity markets YTD,²² and our FE team remains constructive on the market, supported by expectations of continued earnings momentum, ongoing improvements in capital efficiency and a pro-growth policy backdrop targeting mega force-aligned areas such as AI, energy and defence. Selectivity and fundamentals are particularly important, given the market’s broad and balanced sector composition.

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The market also offers a solid dividend profile, within which we lean towards higher dividend payers. A 28% weighting to financials in the Dow Jones Japan Select Dividend Index may be beneficial, given the Bank of Japan’s hiking cycle.²³

Theme 02

Resilience: diversification without directionality

Against a backdrop of higher uncertainty and less reliable stock-bond correlations, building resilient portfolios with diversified return drivers – beyond the traditional 60/40 – looks increasingly critical.

In this environment, we focus on managing beta and building broader resilience to weather future shocks:

- We look to market-neutral liquid alternatives to access durable alpha amid dispersion, alongside dynamic downside protection.
- Equity buffer strategies can also help investors stay invested while managing downside risks.
- With uncertainty elevated, we see merit in maintaining a gold allocation.
- We favour more flexible FX risk management, as the USD looks less reliable as a natural equity hedge.

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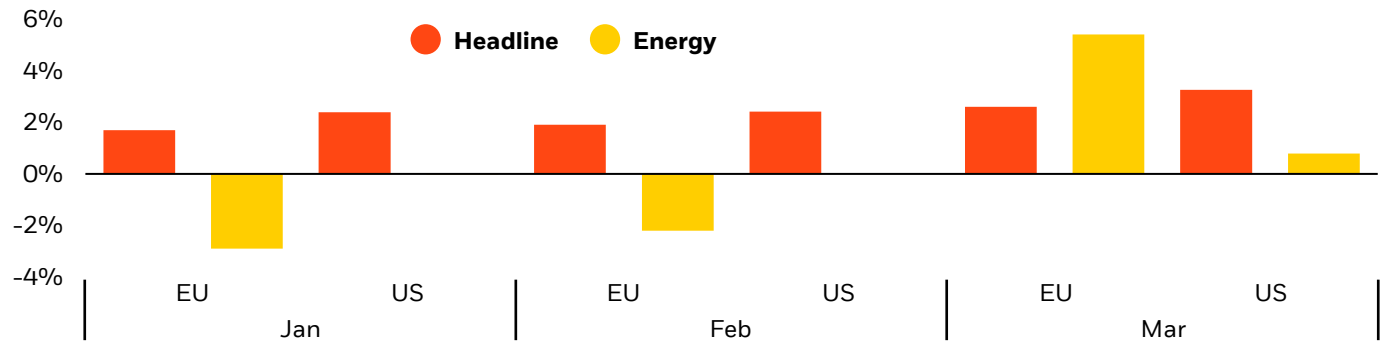
We don't think recent shocks warrant a wholesale rethink of asset allocation – but this year's elevated uncertainty reinforces the case for true portfolio diversification through a broader set of tools. Liquid alternatives can play a key role, helping investors to manage market beta and downside risk while still targeting strong absolute returns.



Ahmed Talhaoui
Head of BlackRock Systematic Group (BSYS), EMEA & APAC

Chart 1: Inflation has risen since the supply shock, driven in part by energy prices...

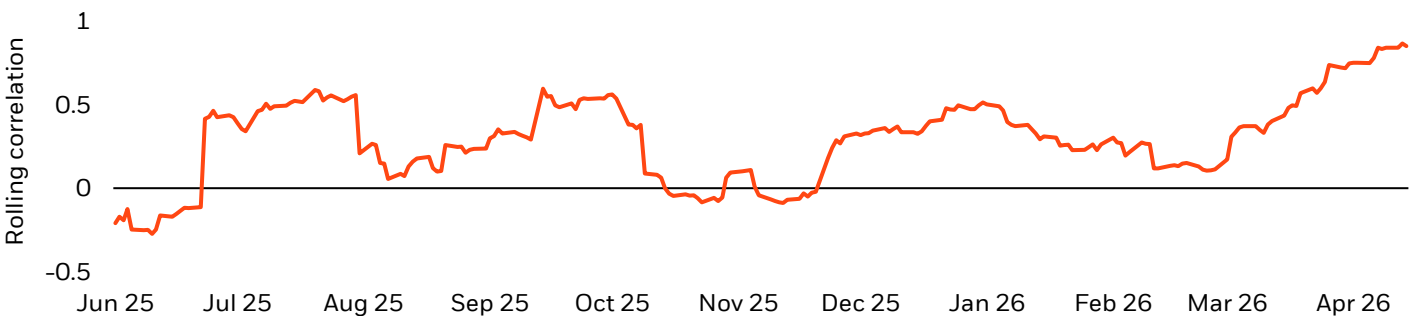
US and EU CPI, 2026 YTD



Source: Bloomberg, as of 17 April 2026.

Chart 2: ...leading to simultaneous selloffs in stocks and bonds

30-day rolling correlation between MSCI ACWI Index & Bloomberg Global Aggregate Index ('Global Agg'), June 2025 – April 2026



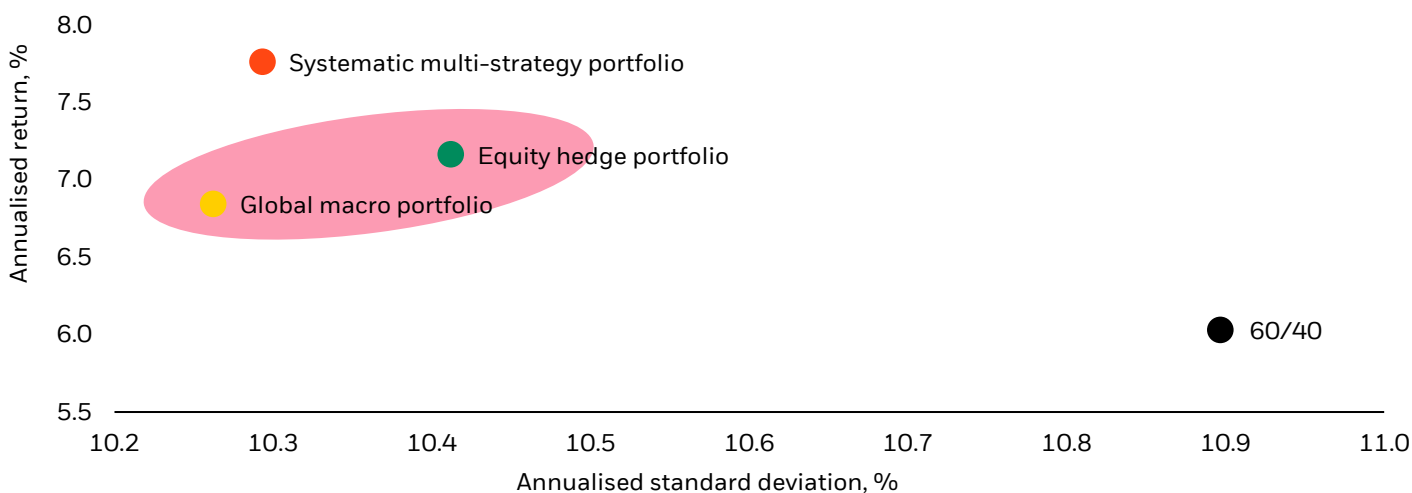
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In the US, the positive stock-bond correlation reflects a shift in market focus from the pace of growth to its inflationary limits: despite seemingly solid growth, a sharp slowdown in labour force expansion – with subdued payroll gains and falling unemployment – suggests tightening capacity constraints, raising inflation risks even without strong demand.

As markets continue to grapple with inflationary speed limits rather than speed itself, we see the stock-bond correlation as unreliable at best. In this environment, we see merit in reducing exposure to broad market direction and replacing beta with market-neutral strategies, seeking to deliver returns by exploiting dispersion within broad indices.

Chart 3: Adding hedge funds can improve a portfolio’s risk/return profile

Three-year annualised return versus standard deviation for 60/40 equity/bond portfolio, versus portfolios allocating 10% to Global macro, Equity hedge or Systematic multi-strategy hedge funds, funded from fixed income



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: Morningstar, as of 31 January 2026. Time period: Jan 2021 to Jan 2026. Currency: USD. 10% hedge fund allocation funded from fixed income. Hedge fund strategies are proxied by illustrative proprietary Global macro, Equity Hedge and Systematic multi-strategy Hedge Fund strategies. ‘Systematic multi-strategy’ results are based on back-tested data. The value of an investment can fall as well as rise and investors may not get back the original amount invested. There is a risk that the entire amount invested may be lost. Past performance is not a reliable indicator of current or future results. BlackRock makes no representations or warranties as to the accuracy or completeness of any past, estimated or simulated performance results contained herein, and further nothing contained herein shall be relied upon as a promise by, or representation by BlackRock whether as to past or future performance results. See page 15 for historical performance data.

Hedge funds can provide durable alpha through return dispersion and independence from market beta, alongside dynamic downside protection.

As equities and bonds fell together in late Q1 – producing the worst monthly returns for the classic 60/40 since June 2022 – our Global Tactical Asset Allocation (GTAA) team notes that liquid alternatives demonstrated an ability to continue posting positive growth that’s lowly correlated to stocks.¹ March was a proof-point demonstration of their value as a source of potential capital appreciation and diversification across market environments.

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Recent client polls rank liquid alternatives among the preferred portfolio diversifiers amid ongoing geopolitical risk and market volatility,² and we saw average EMEA allocations tick higher from Q4 2025 to Q1 2026.³ Yet those allocations remain modest, averaging c.5% in EMEA portfolios that hold hedge funds,⁴ suggesting room to increase toward c.10% in line with the BlackRock Investment Institute’s ISAA framework.

Blending multiple hedge funds can further improve resilience, combining complementary return streams to enhance portfolio efficiency and risk-adjusted outcomes (see chart 3). We note growing client interest in diversified hedge fund sleeves containing multi-strategy exposures.

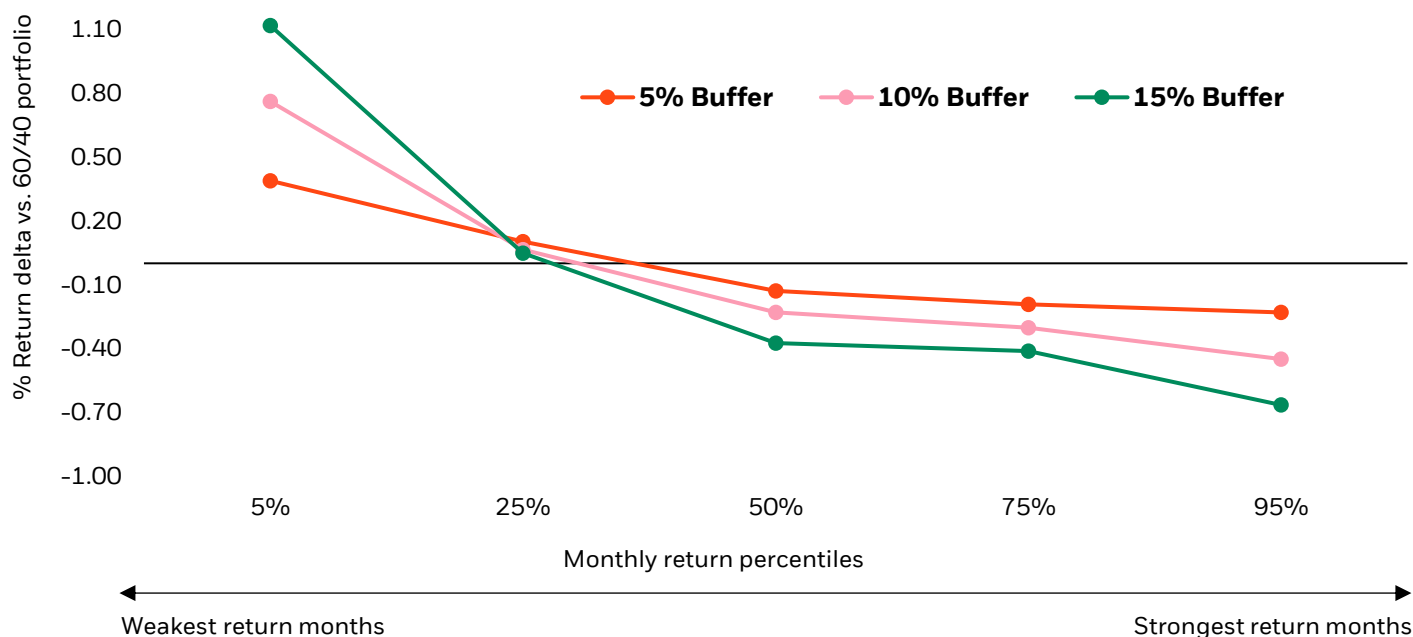
Equity buffer strategies can improve downside protection while allowing investors to stay invested, offering an alternative to fixed income amid less reliable stock-bond correlations.

Our recent client conversations have broadly pointed to continued equity participation, with reductions driven more by profit-taking than expression of views – in line with our continued conviction in equities. However, higher volatility calls for more deliberate risk management.

By targeting defined outcomes and dampening negative outliers, buffers can enhance overall return distribution without sacrificing efficiency (see chart 4).

Chart 4: Adding a buffer strategy into equity sleeves can cushion portfolio downside in risk-off episodes

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



The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Source: BlackRock, MPI, Morningstar. Time Period: 01/05/15–29/08/25. Data Frequency: daily. Return Frequency: Monthly. Currency: EUR. Rebalance Frequency: Quarterly. All historical fund performance is net. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. This information demonstrates, in part, the firm’s Risk/Return analysis. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action. See page 16 for historical performance data.

Gold remains in focus: despite a pickup in volatility and bullion prices falling from record highs, the precious metal is still up over 10% YTD in USD terms.⁵

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While much has been made of the ‘perfect storm’ around the sharp market moves at the start of March, we boil this down to three drivers:

- more competition for hedges as other risks started to be priced in by markets;
- a need to fund equity margin calls and – as our FE team notes – a broader flight to liquidity;
- investors very quickly moving to price in an inflation/energy shock, not a geopolitical shock.

This highlights the potential for gold to be susceptible to pullbacks in some risk-off episodes, especially those that raise real rates – as this environment has.

Despite this, gold has ranked among the top three exposures that EMEA clients plan to allocate to in each of our eight surveys since the start of the conflict,⁶ and the proportion of EMEA portfolios holding gold continues to rise (from 16% at the end of Q3 2025 to c.37% in Q1).⁷ Despite the greater ownership of gold, average allocations remain modest at 4%,⁸ reflecting incremental additions from new entrants and suggesting more room to add.

With uncertainty elevated, we still see merit in holding gold, and our BlackRock Model Portfolios have maintained a gold allocation through recent volatility. It has a sub-0.3 correlation to equities over 5-, 10- and 15-year time horizons and retains a 0.38 correlation to MSCI World and 0.3 to the S&P 500 so far this year.⁹ We therefore see room for a continued allocation to gold as part of a broader set of diversifiers, to hedge against increased geopolitical risk and longer-term downside risks to USD.

Chart 5: Traditional correlations between the S&P 500 Index and US Dollar have become unreliable
Co-movements across periods of high volatility

High Vol Regime*: Time Period	Percentage of days when S&P 500 and USD have moved in the same direction
Crisis (2008-2012)	35%
Pandemic & inflation (2020-24)	39%
2025	66%

Source: BlackRock and Markit, as of 16 April 2026. High volatility defined as VIX Index is above its 80th percentile.

Elevated geopolitical risks and persistent market uncertainty imply that USD volatility may well continue. This warrants enhancing portfolio resilience with more flexible FX risk management.

Despite recent USD strength, the dollar’s reliability as a natural hedge remains a question that resonates with clients. In prior high-volatility periods, the dollar moved with US equities less than 40% of the time; in 2025, that rose to 66%,¹⁰ signalling diminished safe-haven characteristics.

While this likely represents a regime deviation rather than a structural break, focused on periods when volatility is largely policy-driven, we see increased need for more deliberate FX exposure.

Following a modest bid for the USD driven by conflict escalation, there’s scope to stay strategically and cautiously hedged we think (our BlackRock models currently reflect a 55% hedge ratio)¹¹ to strengthen portfolio-level currency protection while remaining exposed to further upside.

Theme 03

Income: seeking reliability in an uncertain regime

Duration today looks less reliable as a diversifier, as outlined in the previous theme. In our 13 surveys since November, EMEA clients have consistently signalled plans to reduce allocations to US Treasuries, even as their risk stance has varied. Meanwhile, they tell us they're increasingly targeting income as a portfolio objective.¹

We see fixed income as an income – rather than duration – story today. Income remains the dominant driver of fixed income returns, with price moves flipping in recent years to become a net return detractor.

We focus on income sources that are high-quality, diversifiable and anchored in robust fundamentals, and see merit in allocating to income strategies through a multi-asset lens:

- In fixed income, we seek to manage duration through fixed-maturity products.
- We continue to look up in quality in credit. Alongside a core investment grade (IG) allocation, we favour enhancing income through plus sectors.
- Amid higher uncertainty and volatility, we lean into unconstrained fixed income strategies.
- We look to complement fixed income exposures with equity income strategies for attractive yield and upside participation in multi-asset portfolios.

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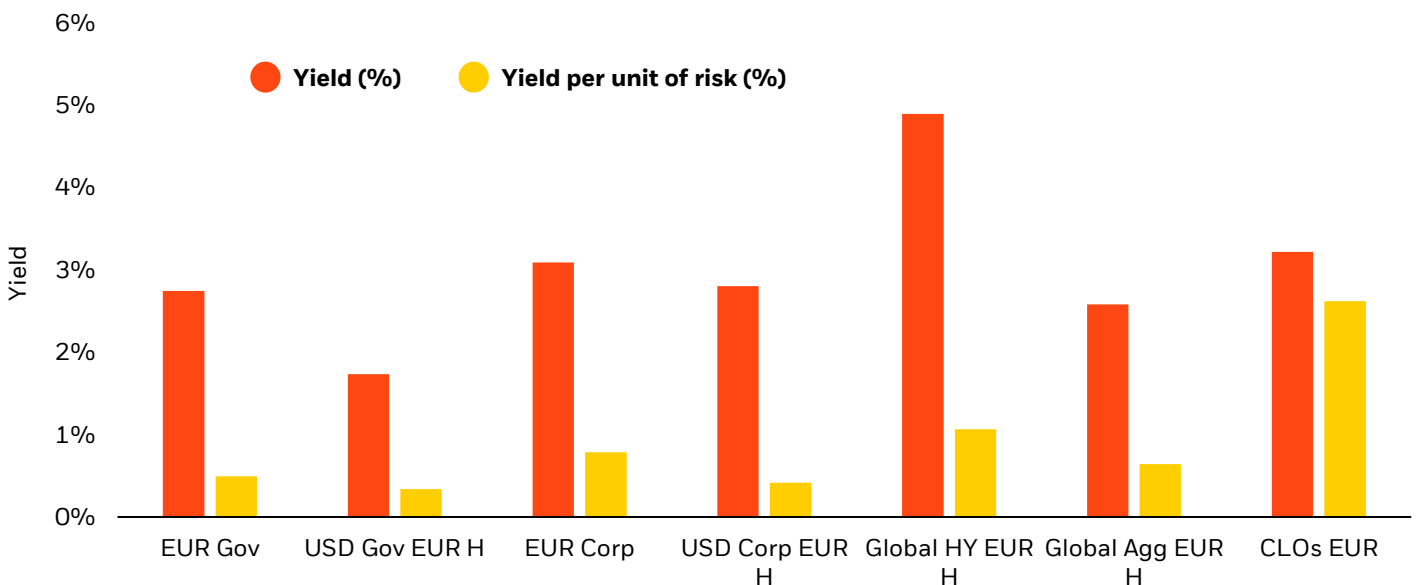
March was the latest in a long list of volatile episodes when investors have turned to high-quality, liquid ETFs to quickly reposition portfolios. EMEA ETF trading volumes hit new records for the industry and our range, showing how investors use iShares ETFs to actively manage portfolio outcomes. This includes maintaining resilient income streams – increasingly a client priority.



Manuela Sperandeo
Co-Head of iShares, Europe

Chart 1: CLOs and EUR credit offer some of the highest risk-adjusted yields

Yield per unit of risk, January 2026



Source: BlackRock Risk & Quantitative Analysis, as of 6 January 2026. 'H'=hedged.

In fixed income, we seek to manage duration through fixed-maturity products like iBonds and continue to look up in quality.

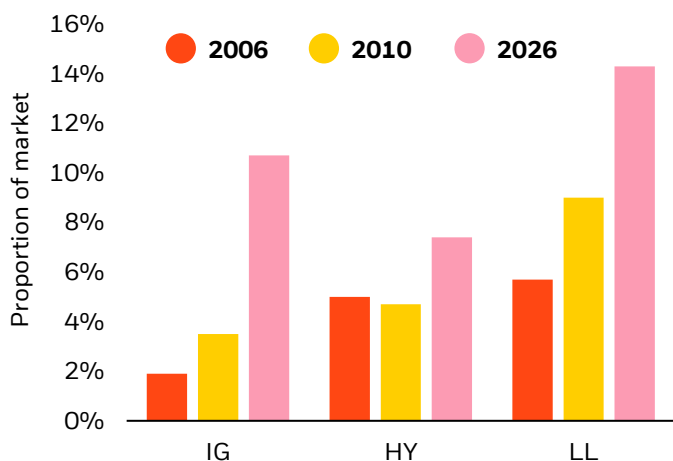
Credit spreads remain near historic tightness despite rising geopolitical risk in Q1 and heavy supply, including one of the largest Februaries on record for USD IG issuance, led by tech.² In contrast, the EUR IG market has a more manageable supply backdrop: strong technicals and healthy balance sheets should support absorption, even with AI-related reverse yankee issuance. Resilient technicals and fundamentals lead us to hold a relative preference for USD IG. Spreads have held within a relatively tight range this year, despite oil price volatility and geopolitical escalation, demonstrating lower beta to broader risk than both EUR credit and high yield (HY).

- Against this backdrop, we favour enhancing income through plus sectors while maintaining a core allocation to high-grade credit and limiting duration risk. Multi-sector, high-quality active credit strategies can capture durable income streams, offering a path to consistent returns without compromising liquidity or credit quality.

- Allocating to EUR AAA CLOs can enhance this by maintaining quality without adding to duration risk (see chart 3).
- IG credit remains a structural overweight in the average EMEA portfolio (+7% versus Global Agg),³ with EUR IG offering attractive 3.42% income at the broad index level.⁴
- Broadening this allocation to include unconstrained EUR credit approaches can help deliver enhanced, more efficient income. We look to unconstrained fixed income strategies to navigate volatile markets, given their ability to shift across sectors, duration and credit quality, targeting diversified returns beyond traditional benchmarks.
- We also see a case for shifting EUR IG exposure towards more all-weather strategies, including absolute return approaches with uncorrelated premia and those targeting positive returns through the cycle.

Chart 2: Tech has become a significant component of US credit markets

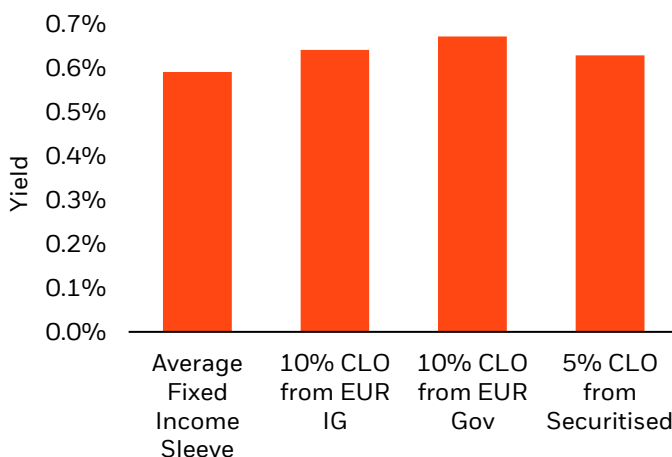
Tech sector outstanding debt as a proportion of US index market value, 2006-2026



Source: J.P. Morgan, as of 16 April 2026. LL=leveraged loans.

Chart 3: Integrating CLOs into fixed income sleeves can improve risk-adjusted yields, particularly when funded from EGBs

Yield per unit of risk for portfolios substituting CLOs



Source: BlackRock, February 2026.

We increasingly see opportunities in AT1s – but with an active lens, given the complexity of the market.

An active approach allows for issuer and security selection, as well as dynamic risk management. We like the sector makeup, which is tilted towards banks – a cross-asset conviction.

The yield pickup is attractive, in our view, given their subordinated position in the capital structure, with a compelling risk/return trade-off, balancing high income with the credit strength of well-capitalised issuers. At the same time, AT1s have historically shown low correlation to traditional fixed income, with less than 0.45 correlation to the Global Agg,⁵ making them an effective diversifier within income and multi-asset portfolios.

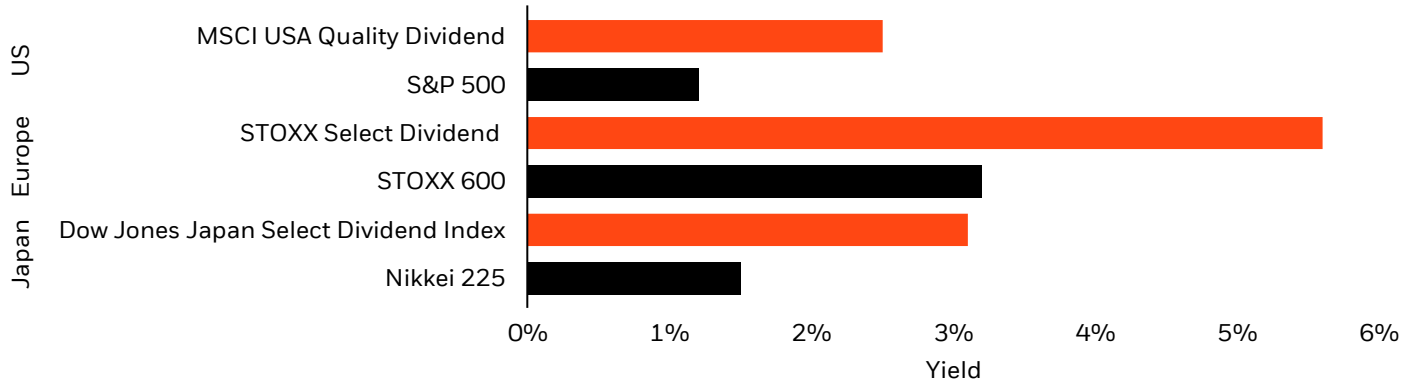
Income through equity

Income isn't just a fixed income story: given compelling yields from certain income-focused DM equity exposures, we see room for a multi-asset approach. This could also help to smooth volatile price returns in equity allocations.

Systematic equity income strategies can balance yield, participation and risk control. We look to strategies that can target steady income via dividend capture and option premium generation, while maintaining disciplined risk management and global diversification.

Chart 5: Equity income exposures can offer compelling yield levels

Dividend yields for US, European and Japanese dividend indices versus broader benchmarks, April 2026



Source: Bloomberg, as of 16 April 2026.

Appendix

Notes

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.

Introduction

1 Source: BlackRock, as of 15 April 2026. Results based on 13 client surveys since November 2025.

2 Source: BlackRock and Markit, as of 17 April 2026.

Theme 01 – Growth

1, 4, 9, 13, 18 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 31 December 2025. Portfolio average allocation based on 166 EMEA moderate risk multi-asset portfolios reviewed in each quarter of 2025.

2 Source: Bloomberg, as of 16 April 2026. Based on the difference between the year-to-date returns of the best- and worst-performing sub-groups of the S&P 500 Information Technology sector.

3, 5 15 Source: Bloomberg, as of 17 April 2026.

6, 7, 11, 16 Source: BlackRock and Markit, as of 17 April 2026.

8 Source: 'How data centers and the energy sector can sate AI's hunger for power', McKinsey, September 2024.

10, 17 Source: BlackRock, as of 15 April 2026. Results based on 13 client surveys since November 2025.

12 This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Forecasts are not a reliable indicator of future performance. Source: BlackRock, March 2026, with CMA data as of 31 December 2025; currency: EUR; time period: 10 years. Return assumptions are total nominal returns. Asset return expectations are net of assumed fees. Fees and alpha are estimates for illustrative purposes only and do not represent any actual fund performance. Indices are unmanaged and one cannot invest directly in an index. These portfolios represent a sample of the various possible solutions on the efficiency frontier. The risk numbers use six years of monthly returns, with a three-year half-life. BlackRock has not considered the specific needs of the client and is not making any recommendation of any particular option. You should consider the most appropriate allocation for your needs.

14 Source: BlackRock and Bloomberg, as of 21 April 2026.

19 Source: Datastream, BlackRock, as of 21 April 2026.

20 Source: Goldman Sachs, as of 1 April 2026.

21 Source: BlackRock, Bloomberg, Goldman Sachs, as of 15 April 2026.

22 Source: Bloomberg, as of 16 April 2026.

23 Source: S&P Global, as of 31 March 2026.

Theme 02 – Resilience

1 Source: BlackRock and Bloomberg, as of 16 April 2026. Based on the Bloomberg Global EQ:FI 60:40 Index and hedge fund strategy proxied by illustrative proprietary Global macro strategy.

2, 6 Source: BlackRock, as of 15 April 2026. Results based on 13 client surveys since November 2025.

3, 4 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 31 December 2025. Portfolio average allocation based on 166 EMEA moderate risk multi-asset portfolios reviewed in each quarter of 2025.

5 Source: Bloomberg, as of 22 April 2026.

7, 8 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 14 April 2026. Positioning data as of 28 February 2026. Portfolio average allocation based on 155 Europe-domiciled moderate-risk multi-asset portfolios, reviewed quarterly.

9 Source: BlackRock, as of 31 March 2026.

10 Source: BlackRock and Markit, as of 16 April 2026. High volatility defined as VIX Index is above its 80th percentile.

11 Source: BlackRock, as of 31 March 2026.

Theme 03 – Income

1 Source: BlackRock, as of 15 April 2026. Results based on 13 client surveys since November 2025.

2 Source: J.P. Morgan, as of 3 March 2026.

3 Source: BlackRock Investment and Portfolio Solutions EMEA, BlackRock Aladdin, Morningstar, as of 31 December 2025. Portfolio average allocation based on 166 EMEA moderate risk multi-asset portfolios reviewed in each quarter of 2025.

4 Source: BlackRock, as of 16 April 2026. Based on the Bloomberg Euro Aggregate Corporate Index.

5 Source: Bloomberg, as of 31 March 2026. Based on the ICE COCO Index.

Appendix

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

		2021	2022	2023	2024	2025	2026 YTD
Global	Broad DM Equity	\$249.64B	\$137.72B	\$107.46B	\$197.49B	\$383.90B	\$174.75B
	EM Equity	\$103.28B	\$123.93B	\$132.12B	\$218.99B	\$154.27B	-\$39.89B
	Energy sector	\$24.96B	\$2.70B	-\$9.24B	-\$13.69B	-\$6.14B	\$21.44B
EMEA-listed	EM Equity	\$13.71B	\$14.24B	\$16.10B	\$11.59B	\$38.54B	\$19.74B
	Europe Equity	\$11.20B	-\$5.91B	\$6.13B	\$12.09B	\$73.04B	\$24.72B
	European equity sectors:						
	Energy	\$0.85B	\$0.09B	-\$0.19B	-\$0.70B	-\$0.31B	\$0.30B
	Financials	\$1.48B	-\$1.03B	-\$2.71B	\$0.20B	\$7.20B	\$0.44B
	Health Care	\$0.57B	\$0.10B	\$0.10B	-\$0.24B	\$1.32B	-\$0.28B
	Industrials	-\$0.22B	-\$0.39B	-\$0.01B	\$0.22B	\$7.72B	\$3.22B
	Materials	-\$0.65B	\$0.08B	-\$0.03B	-\$0.58B	-\$0.05B	\$0.49B
	Technology	-\$0.05B	-\$0.26B	\$0.15B	\$0.03B	-\$0.43B	-\$0.15B
Utilities	\$0.36B	-\$0.53B	\$0.08B	\$0.09B	\$0.64B	\$0.73B	

Source: BlackRock and Markit, as of 31 March 2026. *Source (currency-hedged US equities & AAA CLOs): BlackRock Global Business Intelligence and EPFR, as of 31 March 2026. **Past flows into global ETPs are not a guide to current or future flows and should not be the sole factor of consideration when selecting a product.**

5Y annualised performance

	2021	2022	2023	2024	2025	2026 YTD
S&P 500 Semiconductors & Semiconductor Equipment (Industry Group) Index	49.35%	-37.32%	110.40%	85.71%	43.90%	15.25%
S&P 500 Application Software Sub-Industry Index	19.75%	-37.19%	67.08%	10.18%	7.20%	-22.06%
MSCI World Metals & Mining Index	14.33	7.15	9.13	-12.47	64.78	20.42
GLIO VettaFi Global Listed Infrastructure Index	16.88	-6.40	2.52	9.15	16.94	11.40
MSCI Japan Index	1.71%	-16.65%	20.32%	8.31%	24.60%	10.56%
MSCI ACWI Index	18.54%	-18.36%	22.20%	17.49%	22.34%	6.09%
Bloomberg Global Aggregate Index	-4.71%	-16.25%	5.72%	-1.69%	8.17%	0.73%
S&P 500 Index	28.71%	-18.11%	26.29%	25.02%	17.88%	4.23%
Gold spot price	-3.64%	-0.28%	13.10%	27.22%	64.58%	9.82%
Bloomberg Global EQ:FI 60:40 Index	10.78%	-17.02%	16.67%	10.55%	16.10%	3.32%

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Implementing hedge fund strategies in a 60/40 portfolio – year-on-year portfolio returns, 2020-2025

	2021	2022	2023	2024	2025
Global Macro HF	0.2	5.6	2.9	10.9	6.2
Event Driven HF	1.9	-2.3	7.4	1.4	10.3
Equity Hedge Fund	3.3	0.7	10.7	17.1	13.1
60/40 Portfolio	8.8	-17.3	15.4	9.5	16.6

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Appendix

Implementing buffer strategies in a 60/40 portfolio – year-on-year portfolio returns, 2020-2025

Portfolios and 12m returns (%)	09/15 - 08/16	09/16 - 08/17	09/17 - 08/18	09/18 - 08/19	09/19 - 08/20	09/20 - 08/21	09/21 - 08/22	09/22 - 08/23	09/23 - 08/24	09/24 - 08/25
60/40 MSCI ACWI + Global Agg.	7.59%	5.24%	7.36%	6.56%	5.19%	17.22%	-4.61%	2.50%	14.71%	6.10%
5% Buffer	7.03%	4.58%	6.59%	6.58%	4.43%	15.77%	-4.03%	2.16%	13.88%	5.79%
10% Buffer	6.47%	3.92%	5.83%	6.59%	3.65%	14.34%	-3.45%	1.82%	13.06%	5.47%
15% Buffer	5.91%	3.27%	5.07%	6.59%	2.85%	12.92%	-2.88%	1.47%	12.23%	5.15%

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Methodology

Interest Rates: Our model provides a way to chart the yield curve at multiple time horizons in the future. We base this on our estimates of: (1) the short rate and (2) model implied term premia. We base our estimates of short rates on market data in the near term and on macro-informed data in the long term. We assume investors’ views about long run inflation and real growth, coupled with changing preferences as to savings and risk aversion, will ultimately determine their expectations for short rates (the “long run short rate”). We use an affine term structure model –a type of model that assumes bond yields as a linear function of a small set of parameters (Piazzesi, 2010) –to compute model-implied term premia. In our implementation, we represent the yield curve using the first five principal components of yield, as laid out by Adrian et al. (2013). We then blend the model implied term premia from the affine term structure model with market implied term premia, with the relative weights dependent on the relevant time horizon.

Appendix

Equities: Expectations of cash flows and discount rates can help explain the variability in equity returns as shown by Campbell (1990). We have used this insight to develop a discounted cash flow (DCF) model, with a few key innovative features. Most academic research focuses on the question of whether stock returns are predictable at all. We are concerned with making the best estimates that we can. We make two additional contributions. First, the baseline DCF model estimates earnings by leveraging analyst earnings estimates in the near term as discussed by Li et al (2013) to derive the implied cost of capital. The common assumption in implied cost of capital (ICC) studies is that earnings growth implied by analyst earnings estimates in the near term should trend towards GDP growth in the long term. This can introduce an unintended assumption of continued expansion of profit margins. We have introduced a modification to account for late economic cycle dynamics. We allow for corporate profit margins to revert to trend (the median over a rolling 10-year history) as margins typically peak late-cycle. The standard ICC approach typically tests for equity returns using linear regression tests. For our DCF model, we take the desired time horizon as an input (number of years) and we estimate the appropriate discount rate for the specific time horizon using our aggregate implied cost of capital. This way, we account for both key sources of variability in equity returns, namely changes in cash flows and changes in the discount rate.

Credit: Our model for credit asset (excess) returns is anchored on two key elements: 1) our estimate of credit spread at a given horizon and 2) our estimated loss due to defaults and downgrades over the horizon. The first component is projected in a consistent manner with our view of real GDP growth and the link between credit spreads and equity volatility. Our approach helps explain the behaviour of credit spreads using a limited number of predictive variables. Yet, as validated by tests against more complex methods, it retains the ability to help explain a high proportion of the variance in credit spreads. The second component is estimated based on our outlook for spreads, the duration of the asset and an assumed transition matrix which captures migrations and defaults across multiple credit cycles. We currently base our transition matrix on Moody's long-run transition data. We aim to further develop our model by directly modelling transitions based on macroeconomic conditions in order to better capture cycle dynamics and the respective variation in losses due to credit events. In addition to making our estimates of credit spreads consistent with our macroeconomic views, our new credit (excess) return model allows greater flexibility of calibrating our expected returns to different credit rating compositions which may prevail over the entire time horizon.

Uncertainty and optimisation: Expected returns and asset price volatility are difficult to predict. We believe any technique that builds portfolios should incorporate this inherent uncertainty (Ceria et al. 2006). We consider both long-and short-term drivers of return. In the long run, we expect a relatively small number of macroeconomic drivers —economic growth, rates, inflation, credit and currencies — to determine an asset's returns. In the short-run, other factors can overpower the structural drivers causing wider fluctuations from an asset's fair value. Valuations can be helpful in estimating short-term returns. We combine contributions from the long-and short-term return drivers to produce a final set of return expectations with a range of uncertainty around each.

The next step is to use this set of return expectations in an optimisation engine that seeks out the best return without breaching an investors' risk limit. Mean variance optimisation would produce a portfolio that maximises expected return under one base scenario with a given level of risk. In contrast, we look to build a "least-worst" portfolio —one that maximises returns for an investors' target risk levels across the worst outcomes, say for the bottom 50% of the distribution, from a set of stochastically generated scenarios (cf. Tütüncü et al. 2004 and Garlappi et al. 2006). This helps ensure the portfolio is not overly reliant on just the median return. This process seeks to produce a portfolio that is robust to small changes in the central return estimates (Scherer, 2006).

Stochastic engine: We use Monte Carlo simulation to create random distributions informed by historical return distributions and centred on our expected returns. The engine simulates thousands of return pathways for each asset, representing the range of possible outcomes over a five-to 20-year time horizon.

We leverage BlackRock's risk models to help ensure that assets generate similar returns, to the extent that they have common drivers. The range of scenarios incorporate our work on incorporating uncertainty in return expectations. We use an extension of the Black-Litterman model (1990) —a well-known model for portfolio allocation that combines equilibrium returns and medium-term views in a single-period setting. Our model uses a Kalman filter (1960) —an algorithm that extracts insights about return paths by bringing together a number of uncertain inputs —to extend Black-Litterman into a multi-period setting. This allows us to capture the variation of expected returns over time under various scenarios —from economy-related to market sentiment driven. A large part of these variations is not predictable. Constructing portfolios that are robust to, or can exploit, these variations is a major challenge for investors. The ability to calibrate the engine with asset class views with uncertainty at arbitrary time horizons, and to evolve this uncertainty stochastically, drives the dispersion of return outcomes. Highlighting the uncertainty that investors face when building portfolios helps ensure ostensibly precise return expectations do not lead investors to concentrated portfolios.

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

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