

BlackRock

March 2026

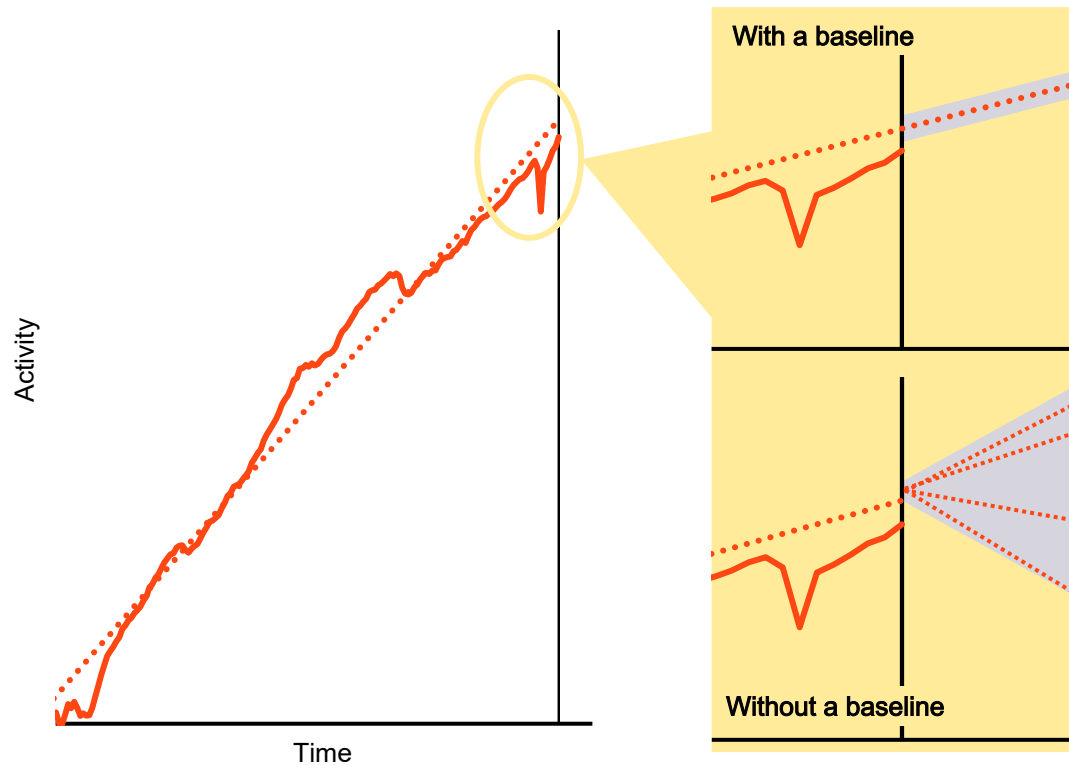
Global outlook

BlackRock
Investment
Institute

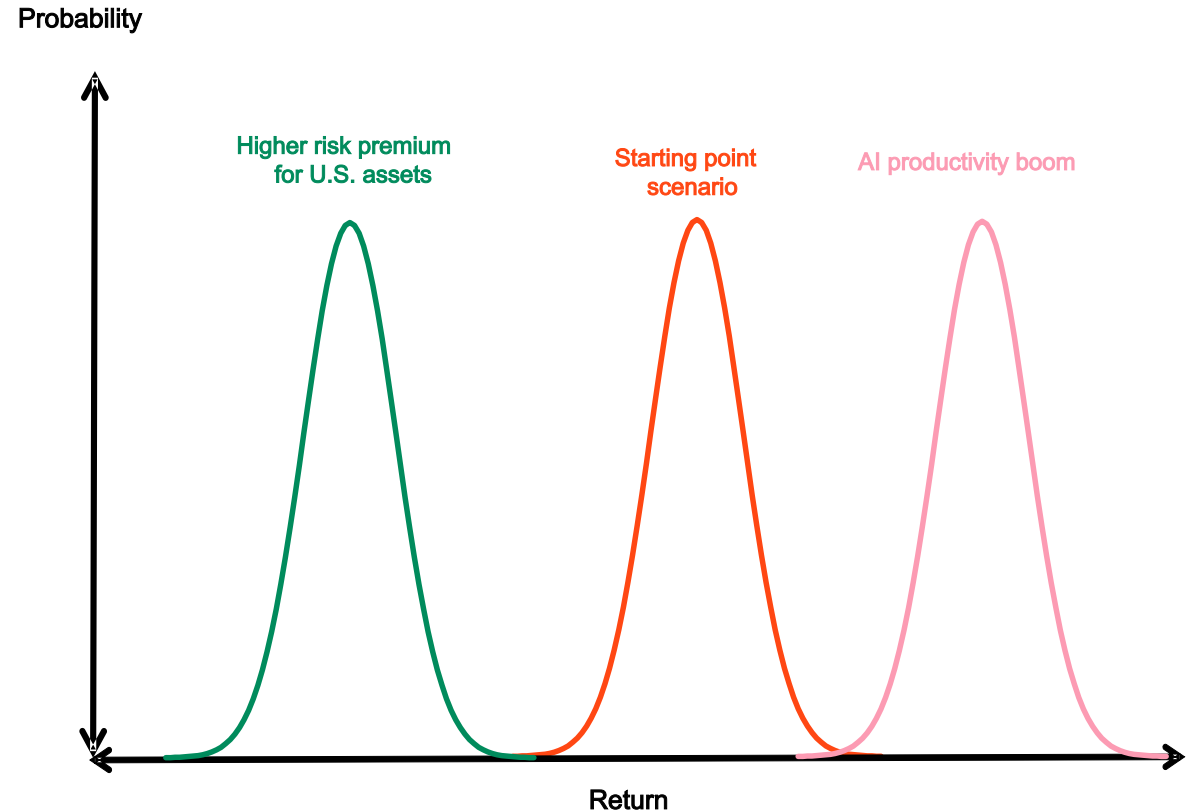
Monitoring scenarios remains key to tracking mega forces

The ongoing economic transformation fueled by mega forces means long-term “macro anchors” like stable growth and inflation are adrift. We rely on scenarios to evolve our strategic views as the transformation unfolds.

Hypothetical evolution of U.S. GDP



Illustrative distribution of U.S. equity returns

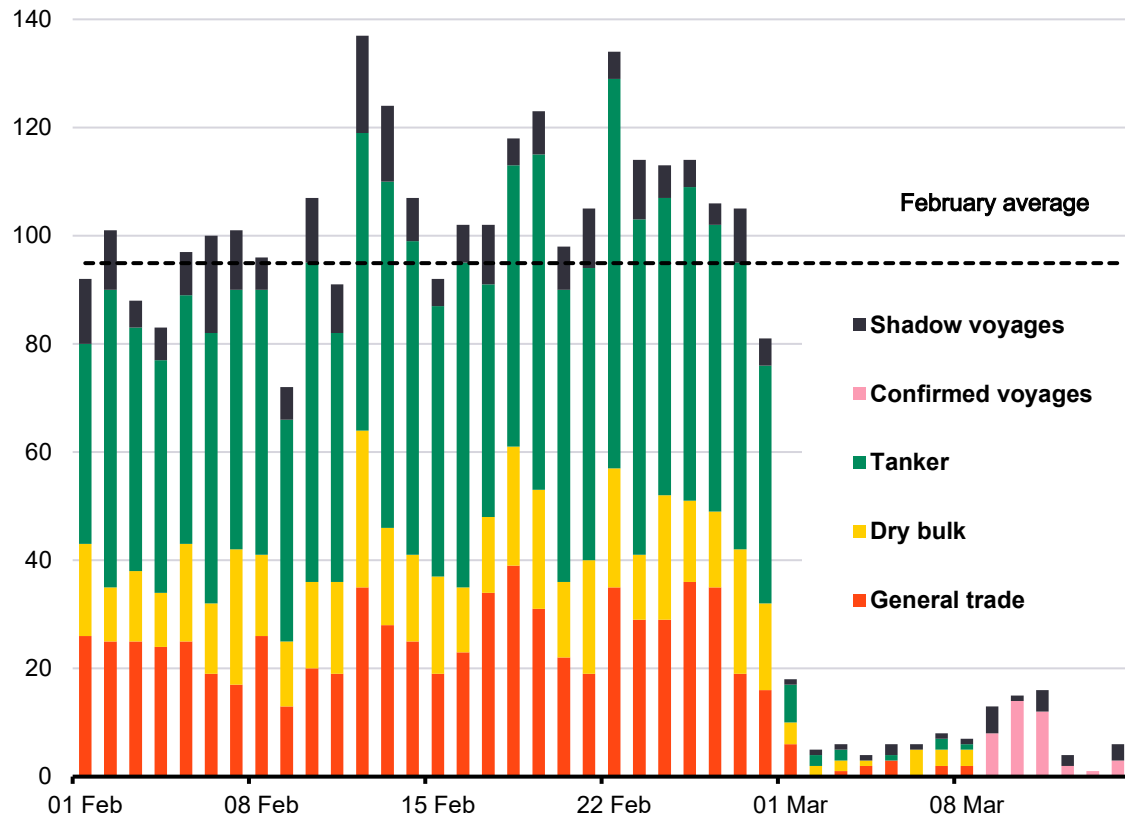


For illustrative purposes only. This is a hypothetical illustration. Illustrations of previous growth trends may not continue. For illustrative purposes only. Source: BlackRock Investment Institute, February 2026. Note: The illustration shows a hypothetical distribution of U.S. equity returns in the different scenarios underlying our capital market assumptions for professional investors only.

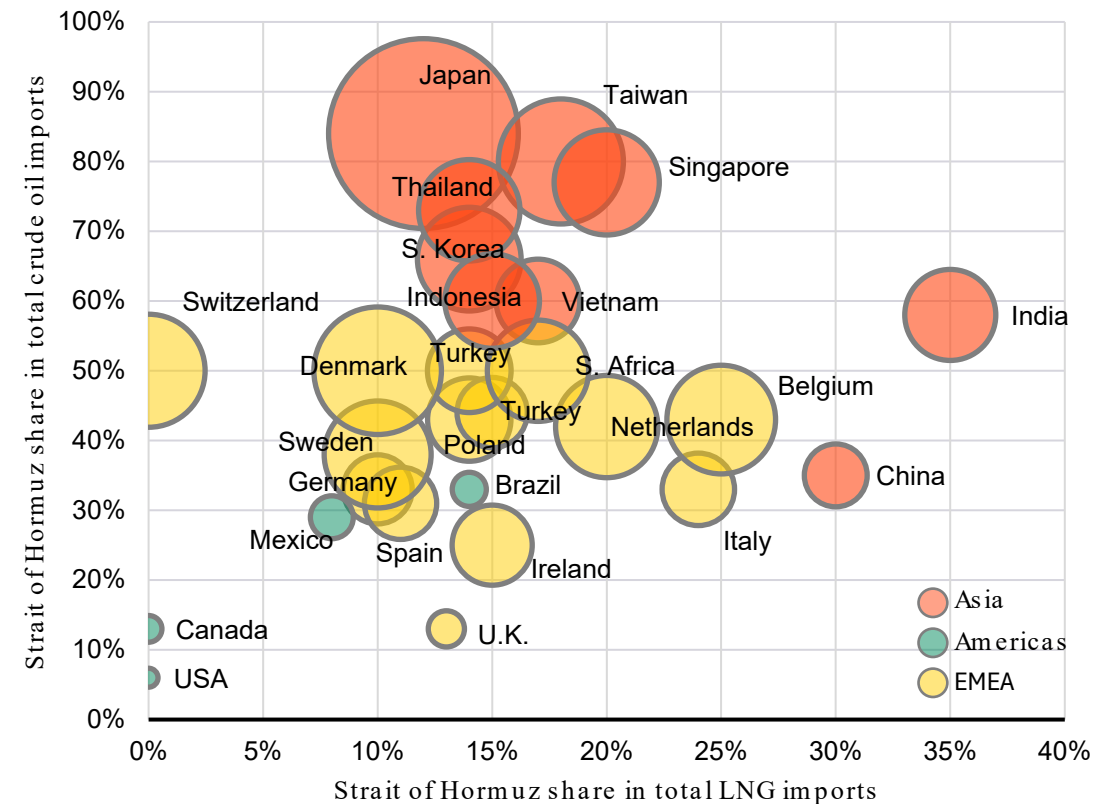
Middle East Conflict: price pressures may bind

The conflict in the Middle East – if protracted – could lead to a prolonged energy supply shock, tighter financial conditions and greater stagflation risks. Economic and political pressures could limit the disruption, in our view.

Daily Strait of Hormuz voyages, Feb.-March 2026



Global energy exposure to the Strait of Hormuz

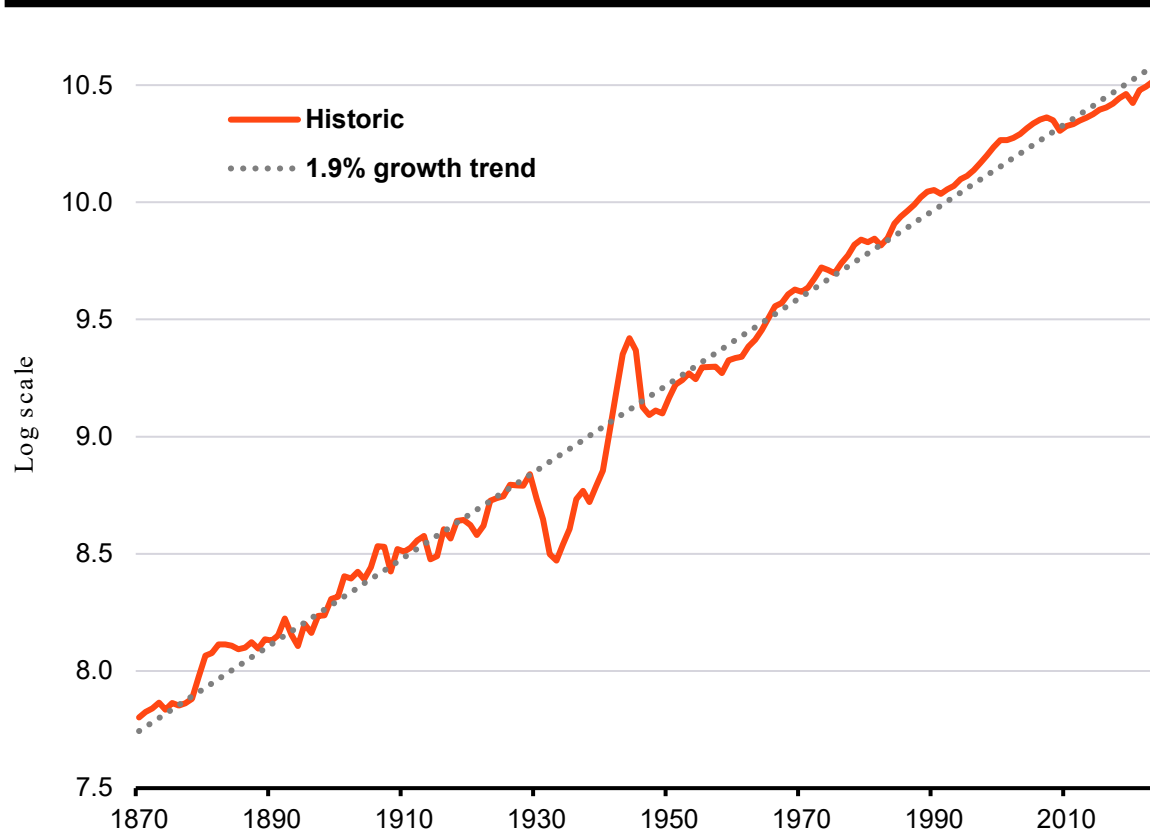


Source: BlackRock Investment Institute with data from Lloyd's List Intelligence and BlackRock Hormuz Strait Dashboard. Source: BlackRock Investment Institute, EIA, Energy Institute, GIIGNL, IEA, OPEC, and others. Strait of Hormuz share in total LNG imports on the X-axis. Strait of Hormuz share of total crude oil imports on the Y-axis. The bubble size represents the share of crude oil and gas imports as a share of oil and gas consumption.

Growth breakout now conceivable, but it may not last

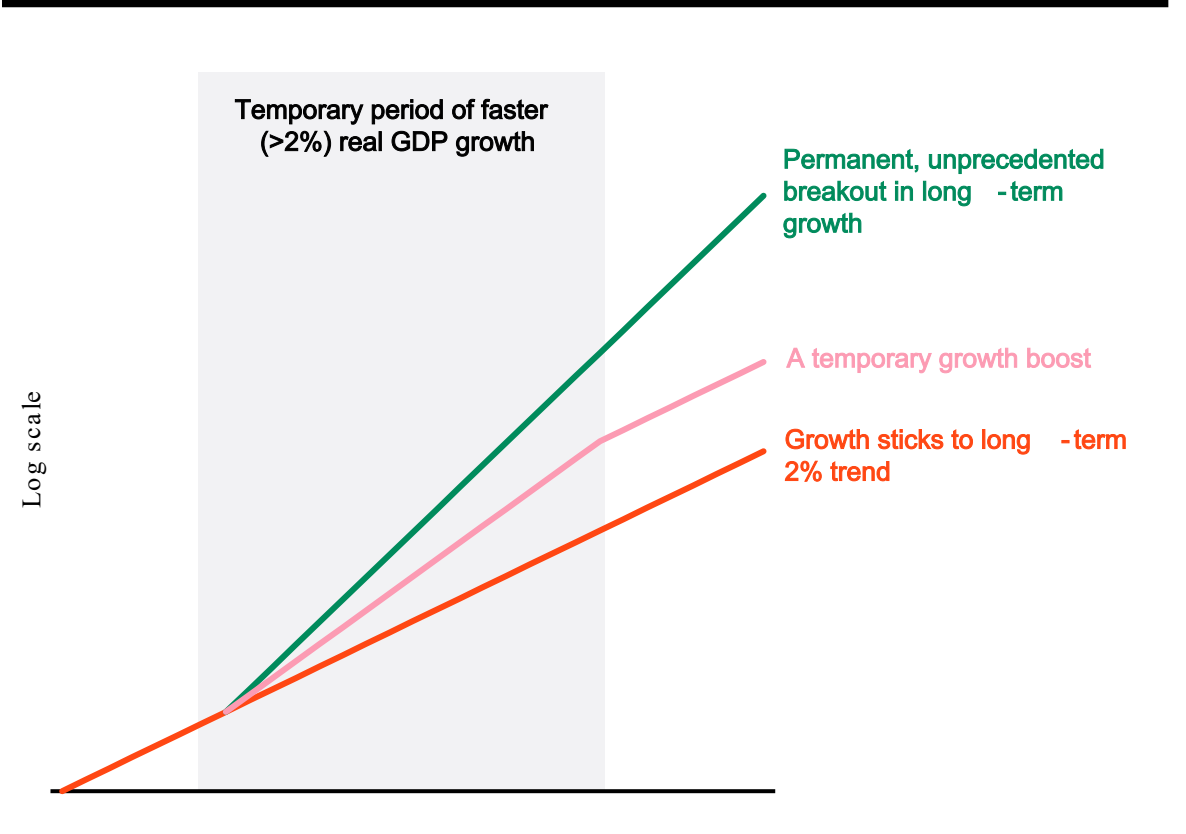
U.S. growth has stuck to a 2% trend for over 150 years, even through historic innovations. We think it's conceivable that accelerated AI-driven innovation could lift growth above that trend, but a permanent breakout is a tall order.

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



Source: BlackRock Investment Institute, Historical Database, December 2025. Note: Historical data compiled by Moritz Schularick and Alan M. Taylor. *Measuring Financial 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.

Hypothetical U.S. real GDP growth evolution

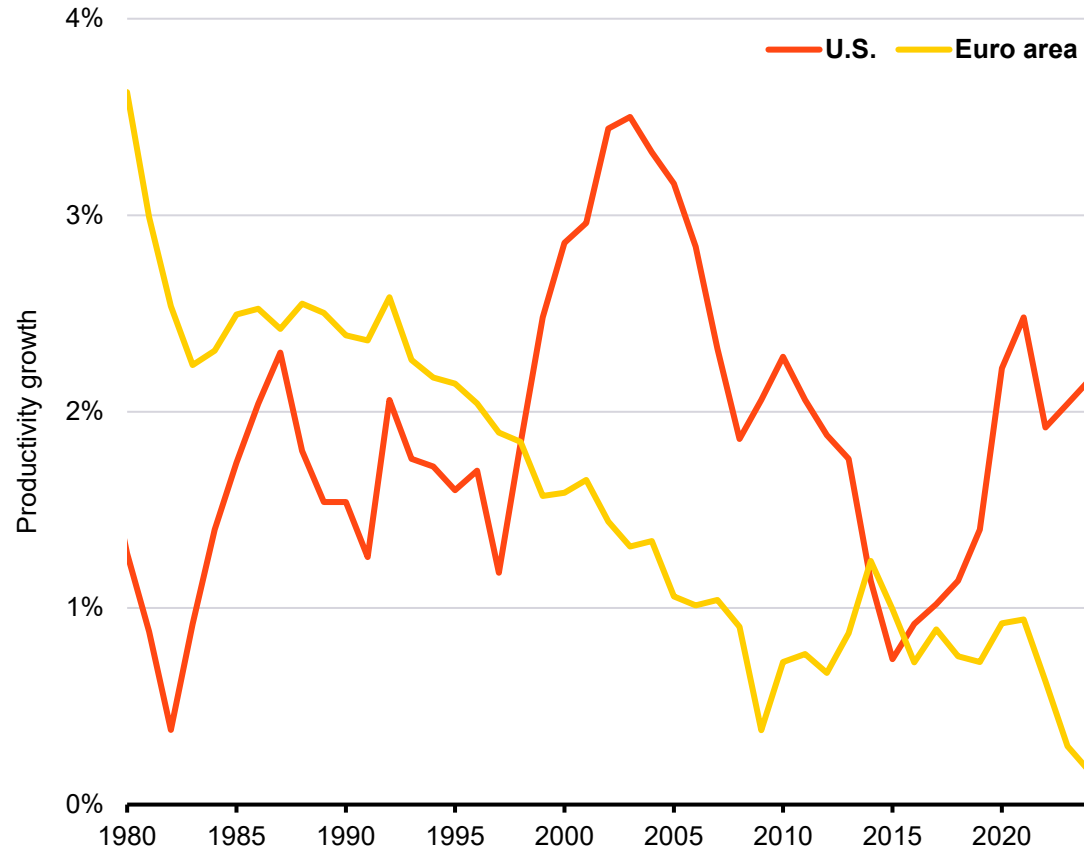


For illustrative purposes only. This is a hypothetical illustration of previous growth trends and forward projections that may not come to pass. Source: BlackRock Investment Institute, February 2026. Note: The chart shows the hypothetical real U.S. GDP growth under a range of scenarios.

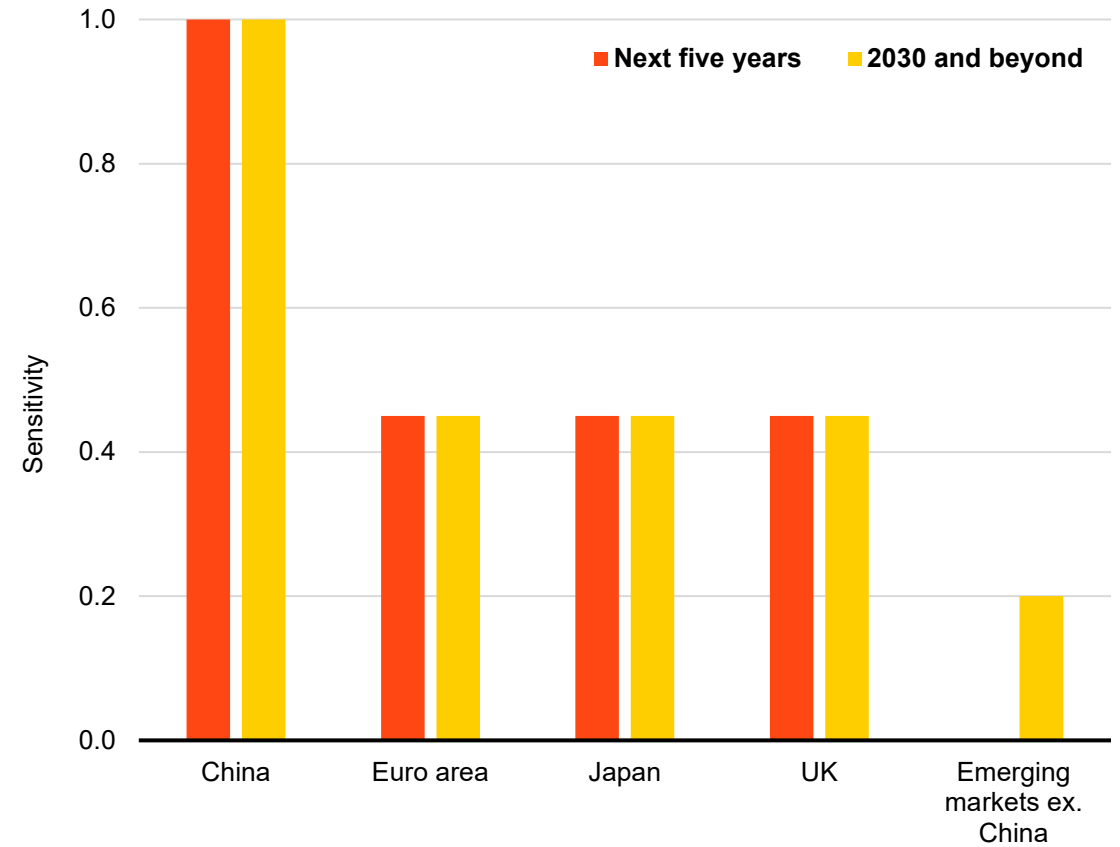
We see AI-led productivity gains spreading beyond the U.S.

During the ICT-boom, productivity gains were concentrated in the U.S. But this time, our analysis shows that gains from AI might be more broadly felt.

Impact of U.S. productivity gains on the euro area



Estimated sensitivity to U.S. productivity growth



Source: BlackRock Investment Institute February 2026. Note: The lines show the five-year average of annual growth in real output per hour for each percentage point change in U.S. growth. Forward-looking estimates may not come to pass. BlackRock Investment Institute February 2026. Note: The bars show the sensitivity of different regions to a percentage point change in U.S. growth.

Polling question:

After a strong rebound, U.S. equities ended 2025 delivering high double-digit gains. Current valuations imply 15–20% earnings growth ahead. How likely do you think such growth is to continue in the future?

1. *Likely* —Dispersion will widen, but AI -driven productivity and expanding margins could sustain above trend earnings growth.
2. *Unlikely* —Continued scaling up of capital expenditure as AI adoption disappoints and a weakening consumer make such strong earnings growth hard to repeat.

We think AI-led profit growth will drive returns

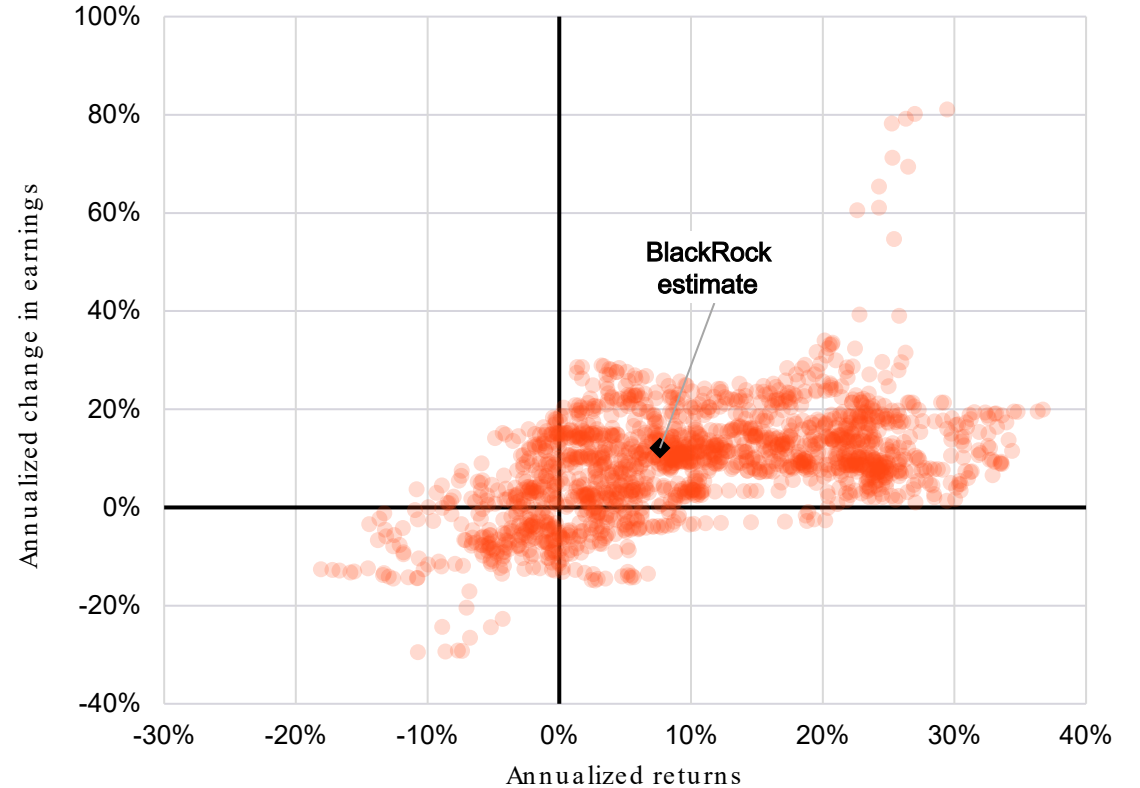
Valuations in the U.S. remain historically high relative to our assessment of fair value. But we still estimate strong U.S. equity returns over our strategic horizon as we see AI adoption boosting corporate margins.

U.S. equity 12 - month forward price - earnings ratio



Forward-looking estimates may not come to pass. The figures shown also 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 or transaction costs. Indices are unmanaged and one cannot invest directly in an index. BlackRock Investment Institute, with data from Shiller, (Yale University) February 2026. Note: The line shows the price-earnings ratio of U.S. equities and the grey area potential range of the price-earnings ratio across our three scenarios.

U.S. equity five - year returns and change in earnings



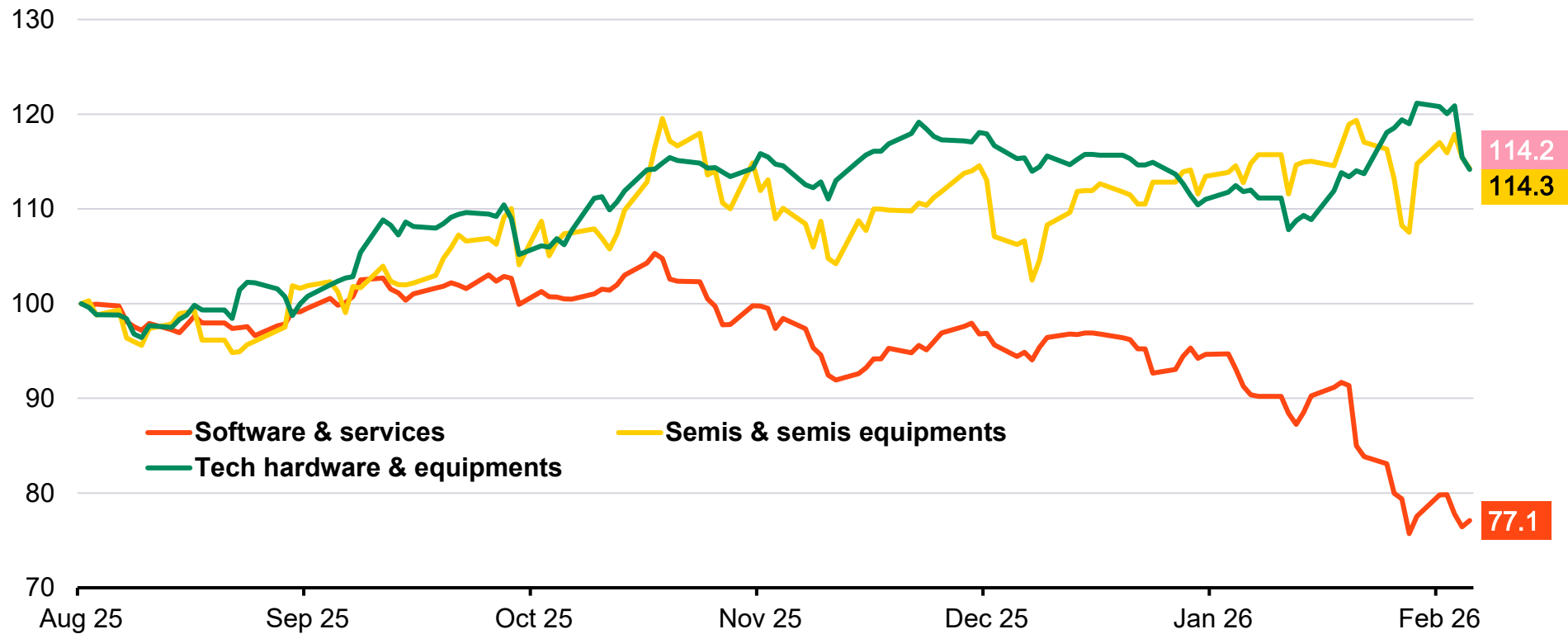
Forward-looking estimates may not come to pass. The figures shown also relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees or transaction costs. Indices are unmanaged and one cannot invest directly in an index. BlackRock Investment Institute, with data from Shiller, (Yale University) February 2026. Note: The scatter plot shows the five annualized change in earnings against five annualized returns for U.S. equities.

Software selloff shows AI acceleration

A few months ago, the market debated whether AI was real. Today, it's seen as an active threat to business models. We believe the hunt to sort the winners and losers reinforces AI's massive buildout - and the borrowing spree to finance it.

S&P sector performance, past 6 months

Index level (Aug. 12, 2025 = 100)



The figures shown relate to past performance. Past performance is not a reliable indicator of current or possible results in an index. Indexes are unmanaged and performance does not reflect the effect of investment fees. Data as of February 26, 2026. Note: The chart shows the performance for various S&P tech sector indexes.

Polling question:

Traditional diversifiers have struggled in this current market environment as mega forces are influencing asset classes differently. What do you think is the best starting point for a well diversified long-term portfolio?

1. Leaning into traditional stock - bond allocation

Static allocations like the 60/40 have historically been able to see through volatility and perform across regimes.

2. A broad market - cap allocation

Markets themselves provide a reliable anchor over time as they sort through winners and losers of the mega forces.

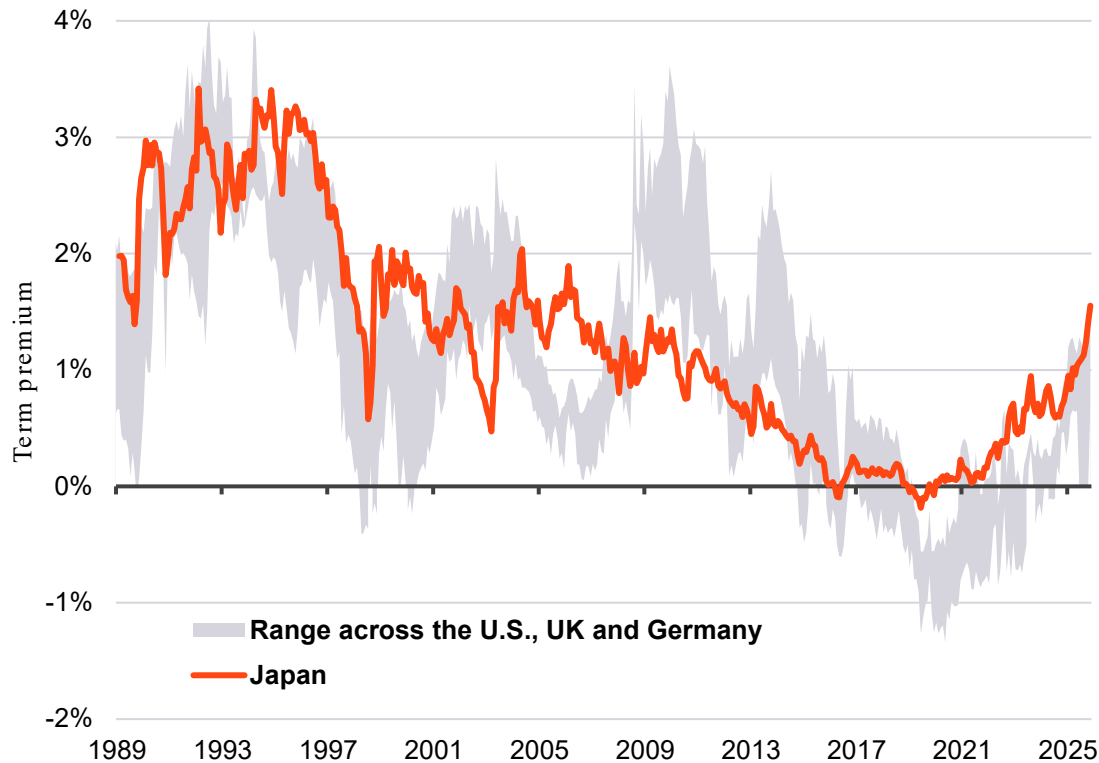
3. Higher allocation to more idiosyncratic sources of return

Asset classes like private markets and hedge funds are anchored in mega forces, taking advantage of increased market volatility.

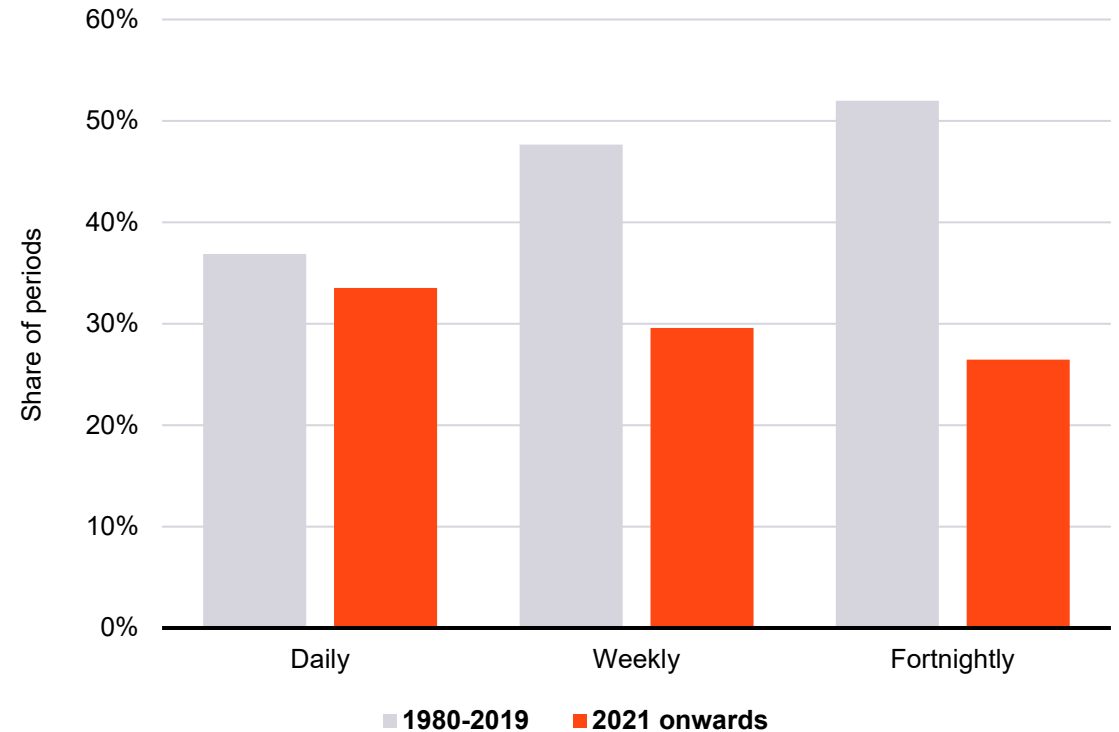
Diversification mirage

Investors are demanding more compensation for the risk of holding long-term bonds across the world. Traditional diversifying assets, like long-term U.S. Treasuries are providing less of a potential cushion from risk asset selloffs too.

10-year term premium estimates, 1986-2026



Periods when U.S. Treasuries rose as stocks fell

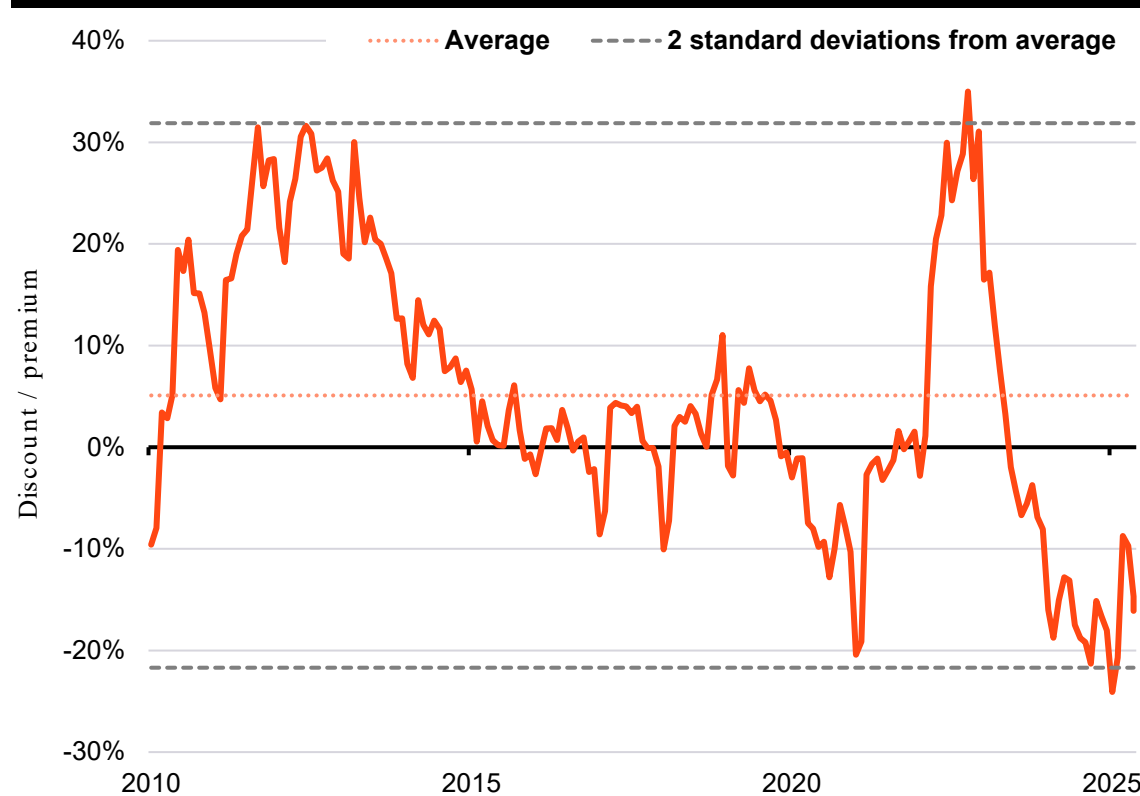


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Investment Institute, January 2026. Note: The chart shows the term premium range for U.S., Germany and UK performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and the term premium for Japan separately. Term premium is defined as the compensation investors demand for the risk of investing in an issuer. Source: BlackRock Investment Institute, with data as at 31 December 2025. Note: The chart shows the share of periods when U.S. Treasuries rose over 0.3% and the MSCI World fell 1% or more. (2013) "ACM" model.

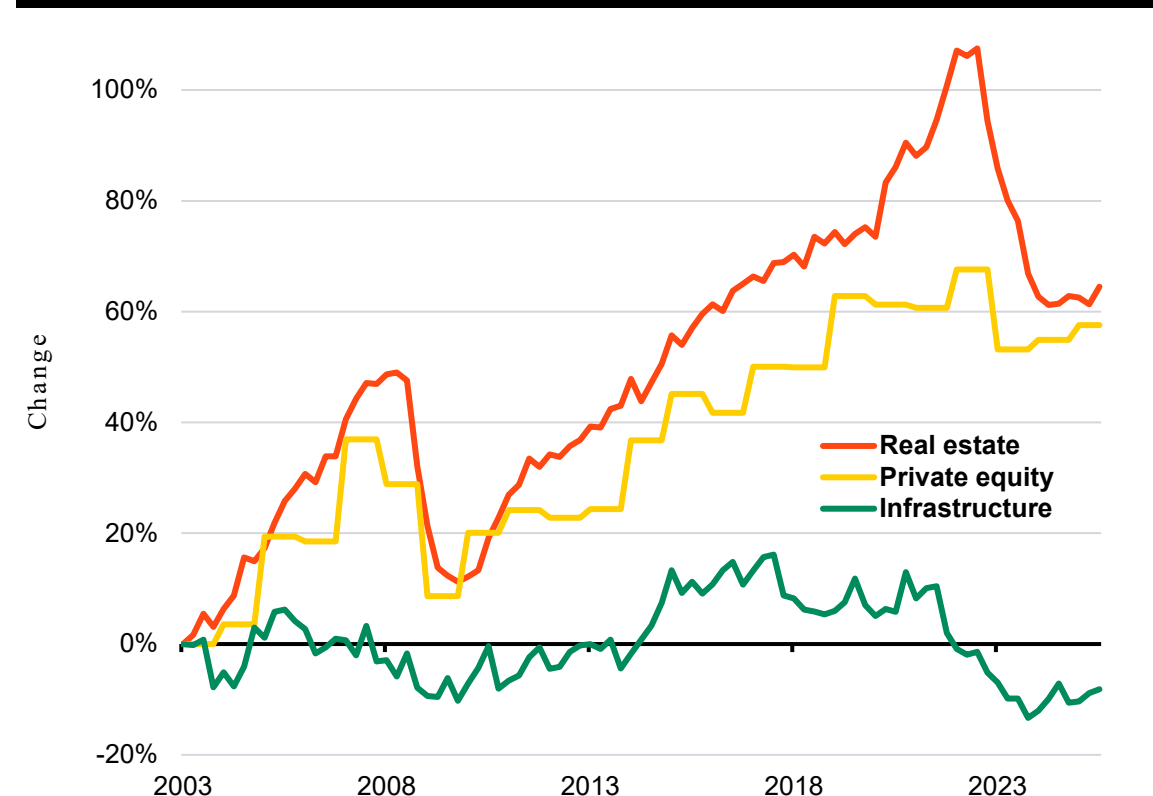
We find infrastructure's relatively cheap valuations attractive

Listed infrastructure valuations do not reflect what we see as a compelling fundamental backdrop, while private infrastructure valuations have not run up as much as other private markets.

Listed infrastructure valuation vs. global equity



Change in valuations since 2003



The figures shown also relate to past performance. Past performance is not a reliable indicator of current or future results. Past 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 MSCI, FTSE, November 2025. Note: The chart shows the difference of the enterprise value to earnings before interest, tax, depreciation and amortization (EV/EBITDA) between the FTSE Infrastructure 50/50 index and MSCI World index.

The figures shown also relate to past performance. Past performance is not a reliable indicator of current or future results. Past 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 NCREIF, EDHEC, and LCD Pitchbook, January 2026. Note: The chart shows the change in valuations since 2003 across infrastructure equity, private equity and real estate. Infrastructure equity and private equity valuations are gauged by the ratio between enterprise value and earnings before interest, tax, depreciation and amortization. The real estate valuation is gauged by the net operating income divided by the property value.

Our latest strategic views

We maintain our preference for emerging market (EM) equities and inflation -linked bonds. We turn neutral on developed market (DM) government bonds and upgrade high yield debt to lean into its attractive income.

Hypothetical U.S. dollar strategic views vs equilibrium, February 2026

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



This information is not intended as a recommendation to invest in any particular asset class or strategy or to estimate future performance. Source: BlackRock Investment Institute. Data as of 31 December 2025. Notes: The chart shows our 10-year view from an unconstrained U.S. dollar perspective against an equilibrium allocation. Global government and EM equity allocations comprise respective China assets. Income private markets comprise infrastructure, real estate, private credit, debt and U.S. core real estate. Growth private markets comprise global private equity buyouts and alternative investments. All views are hypothetical and do not represent a real portfolio. It is intended for informational purposes only and does not constitute an offer of investment or any other financial product or service. Index proxies: a combination of Bloomberg US High Yield, Bloomberg Euro High Yield, Bloomberg EMBI Global Diversified indexes for DM high yield and EM debt. A combination of Bloomberg US Credit Corporate Credit, Bloomberg UK Corporate Credit indexes for Global IG credit, Bloomberg China Treasury Index for Chinese government bonds. We use BlackRock proxies for growth and income private markets. The lack of suitable proxies represent the mix of risk factor exposures that we believe represents the economic sensibility of the hypothetical portfolio. It may differ from those in other jurisdictions, is intended for informational purposes only and does not constitute an offer of investment or any other financial product or service.

Our latest strategic views

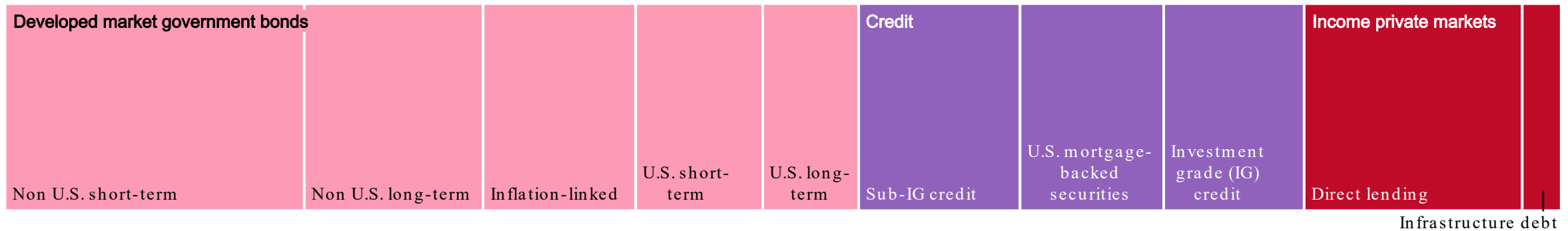
We maintain our preference for emerging market (EM) equities and inflation-linked bonds. We turn neutral on developed market (DM) government bonds and upgrade high yield debt to lean into its attractive income.

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

Equity -like holdings



Income -like holdings



This information is not intended as a recommendation to invest in any particular asset class or strategy based on its performance. Source: BlackRock Investment Institute. Data as of 31 December 2025. Notes: The chart shows our 10-year view from an unconstrained U.S. dollar perspective against a long allocation. Global government and EM equity allocations comprise respective China assets. Income private markets comprise infrastructure, real estate, private debt and U.S. core real estate. Growth private markets comprise global private equity buyouts and infrastructure equity. The chart is hypothetical and does not represent a real portfolio. It is intended for informational purposes only and does not constitute investment advice. Index proxies: a combination of Bloomberg 10 Year Index, Bloomberg US Long Treasury Index, Bloomberg Euro Aggregate Index, Bloomberg Euro Aggregate Treasury 15 Year+ Index, Bloomberg Sterling Aggregate Index, Bloomberg Sterling Aggregate Index, Bloomberg US Government Inflation-Linked Bond Index for inflation-linked bonds. MSCI World US\$ for developed equity. Bloomberg US MBS Index for mortgage-backed securities. A combination of the Bloomberg US High Yield, Bloomberg EUP Morgan EMBI Global Diversified indexes for DM high yield and EM debt. A combination of Bloomberg US Corporate Credit, Bloomberg UK Corporate Credit indexes for Global IG credit, Bloomberg China Treasury Index for Chinese government bonds. We use BlackRock proxies for growth and income private markets. These proxies represent the mix of risk factor exposures that we believe represents the economic sensitivity of the asset class. The only hypothetical portfolio may differ from those in other jurisdictions, is intended for informational purposes only and does not constitute investment advice.

Appendix

Our framework

As we outlined in our 2022 update to our framework, we believe alpha – returns delivered by managers beyond market benchmarks – falls into two categories: 1) returns that can be replicated systematically and cost-efficiently by broad market and factor indexes, and; 2) returns that are driven by true investment skill and cannot be systematically captured through an index. Our views:

Factors: Macro and equity style factors are important drivers of returns. It is important to separate this source of return from any manager's excess return relative to a benchmark to understand the return that is an investor pays for.

Returns and fees: What matters are returns net of costs. Product fees cut into returns and can reduce or, in some cases, eliminate the alpha an investor receives. Yet these fees vary widely and change over time. Some index and factor products can also have large fees. Investors should fully account for fees in portfolio construction.

Governance costs: Governance costs – those required to find and manage managers – are an essential consideration. We believe manager selection and oversight are vital to achieve alpha.

Methodology

We use time series regression analysis to strip out the impact of macro and equity style factors, and other market indices from excess returns to estimate the underlying active returns directly attributable to manager skill for our left chart on page 5 and both charts on page 9 in the appendix. We go beyond the usual Ordinary Least Squares technique to reduce overfitting and use Ridge regression analysis instead. While none of these approaches can completely eliminate overfitting – explained in the limitations section below – and will only produce approximate estimates of active returns, Ridge regression aims to minimize the impact of overfitting. Our equities and fixed income data on returns in excess of a fund's performance benchmark come from eVestment data. These returns are reported gross of fees for close to 7000 managers (throughout the full sample) across asset classes in public markets. We use MSCI indices as a proxy for equity style factors and market benchmark indices as a proxy for macro factors across asset classes. The index proxies used are slide 15, 16, & 17.

