



From shifting markets to changing client needs, and an ever-expanding toolkit, portfolio construction has become more nuanced than ever. Drawing on the research and practitioner insights from our Portfolio Consulting Services (PCS) in 2025, this summary highlights key portfolio construction trends and their potential implications, offering advisors a focused view on how portfolio implementation is adapting in today's evolving market environment.

Portfolio construction trends by the numbers¹

80%

Allocated to funds, including index and active strategies

1/3

Equity portfolio allocated to Canadian equities

16 & 5

Percentage allocation to DM and EM equities

4.4 years

Average bond portfolio duration

64%

Bond yields allocated to investment grade credit risk

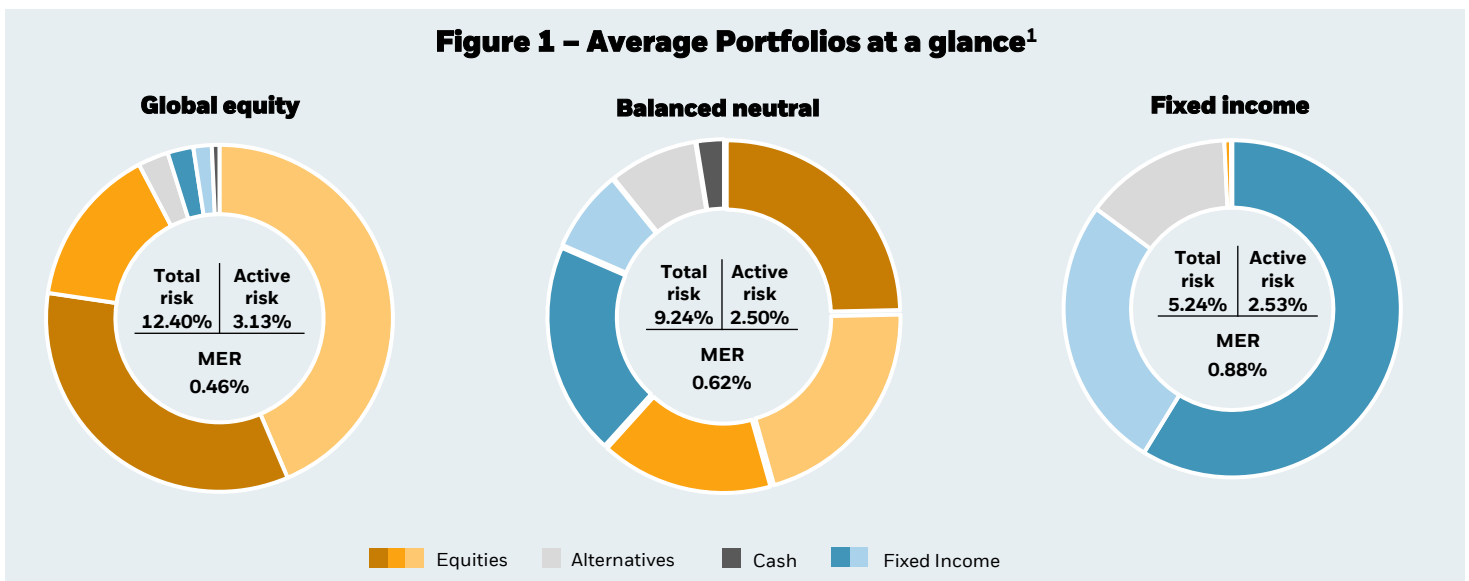
6 in 10

Portfolios hold alternatives, with an avg allocation of 13%

Portfolio level takeaways

- **Outsourcing portfolio construction:** Advisor portfolios increasingly reflect outsourced portfolio management, with roughly 80% allocated to managed vehicles such as ETFs, mutual funds, and other managed strategies – across both active and index approaches – supporting scalability and operational efficiency.
- **Greater use of active management, especially in fixed income:** Advisors continue to pair low-cost index strategies with active management, with more pronounced use of active funds in fixed income portfolios. This is reflected in higher fees per unit of risk in fixed income, alongside a focus on duration management and investment-grade credit exposure.
- **Broader asset allocation incorporating alternatives:** Alternatives usage continues to expand, with six in ten portfolios holding alternatives and an average allocation of approximately 13%, highlighting the growing role of alternatives within diversified portfolio construction across risk profiles.

Figure 1 – Average Portfolios at a glance¹



Portfolio Construction Trends 2026

Equity

- **Global geographic allocation:** Advisor portfolios remain underweight international developed and emerging markets, while U.S. exposure is slightly higher and carries greater country and currency risk. We think diversification opportunities exist across regions such as India, Europe, China, and Japan.
- **Canadian home bias and sector concentration:** Portfolios show a pronounced home-country bias toward Canadian equities, supported by strong but highly concentrated returns, with materials and financials driving the vast majority of the market performance.
- **Sector exposure:** Despite their large weights in global benchmarks, Technology and Communications sectors remain underweight across most portfolios, even as these sectors have delivered outsized earnings growth supported by AI and cloud-driven trends.
- **Factor exposure:** Equity portfolios favour defensive positioning, with overweights to low volatility and large-cap factors and underweights to momentum and small caps. Allocations to value and quality are more mixed, with recent performance favouring momentum-oriented exposures.

Figure 2: Regional breakdown compared against a global neutral benchmark portfolio²



Related ETFs

- | | | |
|---|---|---|
| XQQQ iShares NASDAQ 100 Index ETF | XUSF iShares S&P U.S. Financials Index ETF | XDIV iShares Core MSCI Canadian Quality Dividend Index ETF |
| XEF iShares Core MSCI EAFE IMI Index ETF | XEC iShares Core MSCI Emerging Markets IMI Index ETF | XCH iShares China Index ETF |

Portfolio Construction Trends 2026

Fixed Income

- **Duration:** Advisor fixed income portfolios added duration to 4.4 years from 3.6 years a year ago, capitalizing on higher term premiums amid a steepening yield curve. As stock-bond correlations declined, especially across short- and mid-term bonds, extending duration offered higher yields while maintaining diversification benefits.
- **Spread:** Average bond positioning remains heavily concentrated in investment grade corporate credit. As spreads approach historical tightness, selective opportunities may emerge in high yield, securitized credit and emerging market bonds.

Figure 5: Increased duration as shorter term yields fell³

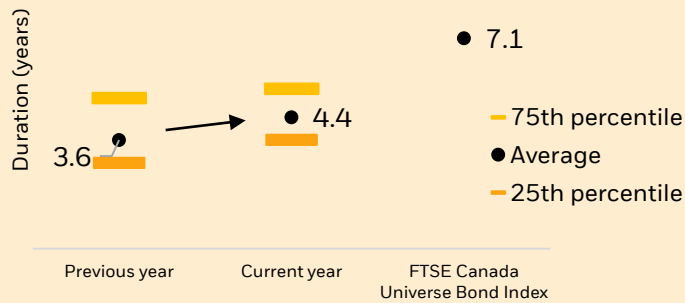
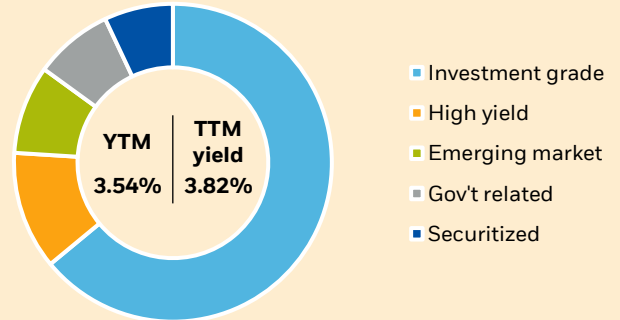


Figure 6: Average bond contribution to income risk⁴



Related ETFs

XBB	iShares Core Canadian Universe Bond Index ETF	XSMB	iShares Core Canadian Short-Mid Term Universe Bond Index ETF	RCOR	RBC Core Bond Pool
XFLX	iShares Flexible Monthly Income ETF (CAD-Hedged)	XEB	iShares J.P. Morgan USD Emerging Markets Bond Index ETF (CAD-Hedged)	RCLO	RBC AAA CLO (CAD Hedged) ETF

Alternatives

- Alternatives adoption is increasing as advisors look beyond public markets for diversification. More than half of advisors now allocate to alternatives, with average allocations of roughly 13%.
- Advisors are gaining access to a broader range of alternative assets, including private equity, private credit, commodities, crypto assets, hedge funds, and more. Our Portfolio Consulting Services provide analysis to help advisors assess whether and how these assets can be incorporated into portfolios, in support of key objectives such as diversification, inflation hedging, income generation, and improved risk-adjusted returns.

Figure 7: Average alternative allocation year-over-year⁵

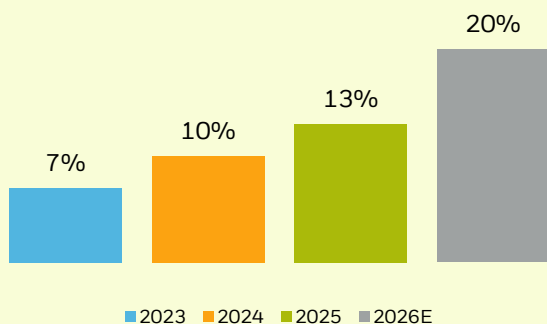
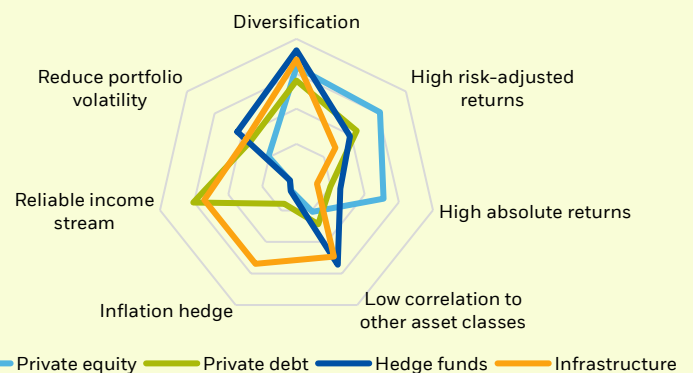


Figure 8: Main reasons for investing in alternative assets⁵



Related ETFs

CIF	iShares Global Infrastructure Index ETF	CGL.C	iShares Gold Bullion ETF	SVR.C	iShares Silver Bullion ETF
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¹ The analysis contained in this report was performed based on portfolios that were shared with BlackRock by advisors during a consultation with Portfolio Consulting Services (PCS). BlackRock does not share individual advisor information or data/characteristics of individual portfolios. All portfolio data collected is presented in aggregate. We should note that the portfolios analyzed represent a subset of the industry, and not its entirety. As such, there may be certain biases present in the data that reflect the advisors who choose to work with BlackRock to analyze their portfolios.

Source: BlackRock as of December 31, 2025. Based on BlackRock's analysis of over 300 advisor portfolios in 2025. The portfolio allocations are based of capital allocation by percent. MER includes all management fees and GST/HST paid by the fund for the period, and includes the fund's proportionate share of the MER, if any, of any underlying fund in which the fund has invested. Active risk was calculated using the specific benchmarks for each client engagement. The definitions of these average portfolios are below: Average Equity Portfolio: Holds at least 80% equity securities. Average Fixed Income Portfolio: Holds at least 80% fixed income securities. Average Balanced Portfolio: Holds over 20% equity and over 20% fixed income securities.

² Source: BlackRock as of December 31, 2025. iShares Core Equity ETF Portfolio (XEQT) was used as a reference for the global equity market exposures. Allocations are subject to change.

³ Source: BlackRock as of December 31, 2025.

⁴ Source: BlackRock as of December 31, 2025. Yield to maturity (YTM) of individual bonds is the discount rate that equates the present value of a bond's cash flows with its market price (including accrued interest). YTM of a fund is the weighted average YTM of the underlying holdings, gross of fees and expenses. Management fee as disclosed in the fund's most recent prospectus or ETF summary document/fund fact sheet. 12m Trailing Yield (TTM): The yield an investor would have received if they had held the portfolio over the last twelve months assuming the most recent NAV. The 12-month trailing yield is calculated by summing any income distributions over the past twelve months and dividing by the portfolio NAV from the as-of date. This figure is net of management fees and other fund expenses.

⁵ Source: Preqin Pro June 2025 Investor Survey, BlackRock. '2027E' is an estimated figure derived by extending the prior three-year trend to 2027.

Publication date: February 6, 2026. Investing involves risk, including possible loss of principal.

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