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ETF Implementation Guide - Spring 2026

Insights from BlackRock

Key market views

- 01** We remain constructive on equities, particularly U.S. large caps and technology, where cheaper valuations and strong AI-driven earnings growth underpin resilience despite macro and geopolitical volatility.
- 02** Internationally, we see opportunities in emerging markets, where much of the inputs for the AI buildout originate, and developed markets for diversification.
- 03** In fixed income, we prefer the front end of the curve for its attractive yields. We continue to prioritize income and see value in TIPS and high-quality securitized credit, while remaining cautious on long duration amid persistent inflation and rising term premiums.
- 04** We favour a diversified basket of diversifiers, as elevated volatility and shifting correlations have reduced the reliability of traditional asset-class relationships.

The Spring edition of our *ETF Implementation Guide* takes on a new look. As the weather heats up, our “summer body” of work embraces a slimmed down word count, Q&A format, and visual-first approach – better for consuming on the go, or preferably, outdoors.

That’s not to say the world is less complicated because the weather is better. The start of this year has seen the largest oil supply disruption in history. Prior to the conflict in the Middle East, the market was fretting about the death of software (the “DiSaaSter”), and other ways AI could disrupt existing business lines or generally fail to live up to hype.

While there are doubtless risks on the horizon, we also see opportunities: in the resilience of the U.S. economy, the continued strength in corporate earnings, and the relentless growth of AI and near-endless demand for compute. We retain a constructive outlook for risk assets, while building a diversified basket of diversifiers to gird portfolios against a growing array of potential shocks.

All figures are presented in U.S. dollars unless otherwise indicated.

Latest in markets

Inflation rising, policy rates likely hold near-term

What does the conflict in the Middle East mean for the economy?

The Middle East conflict is pushing oil prices higher, but the implications for the economy and markets are more nuanced. Canada and the U.S. are less exposed than many peers given their role as net energy exporters, which have helped cushion the growth impact relative to more import-dependent economies. Higher energy prices will still weigh on consumers, particularly via gasoline, but we expect that drag to be partially offset by fiscal support, such as the temporary suspension of the federal fuel excise tax on gas and diesel.

Importantly, U.S. earnings have not been especially sensitive to oil unless disruptions persist. Historically, even large oil moves have tended to slow earnings growth rather than reverse it: since 1970, S&P 500 earnings have generally remained positive following oil increases of up to ~70% year-over-year, with negative outcomes concentrated in more extreme shocks - typically when oil spikes coincide with broader downturns.¹

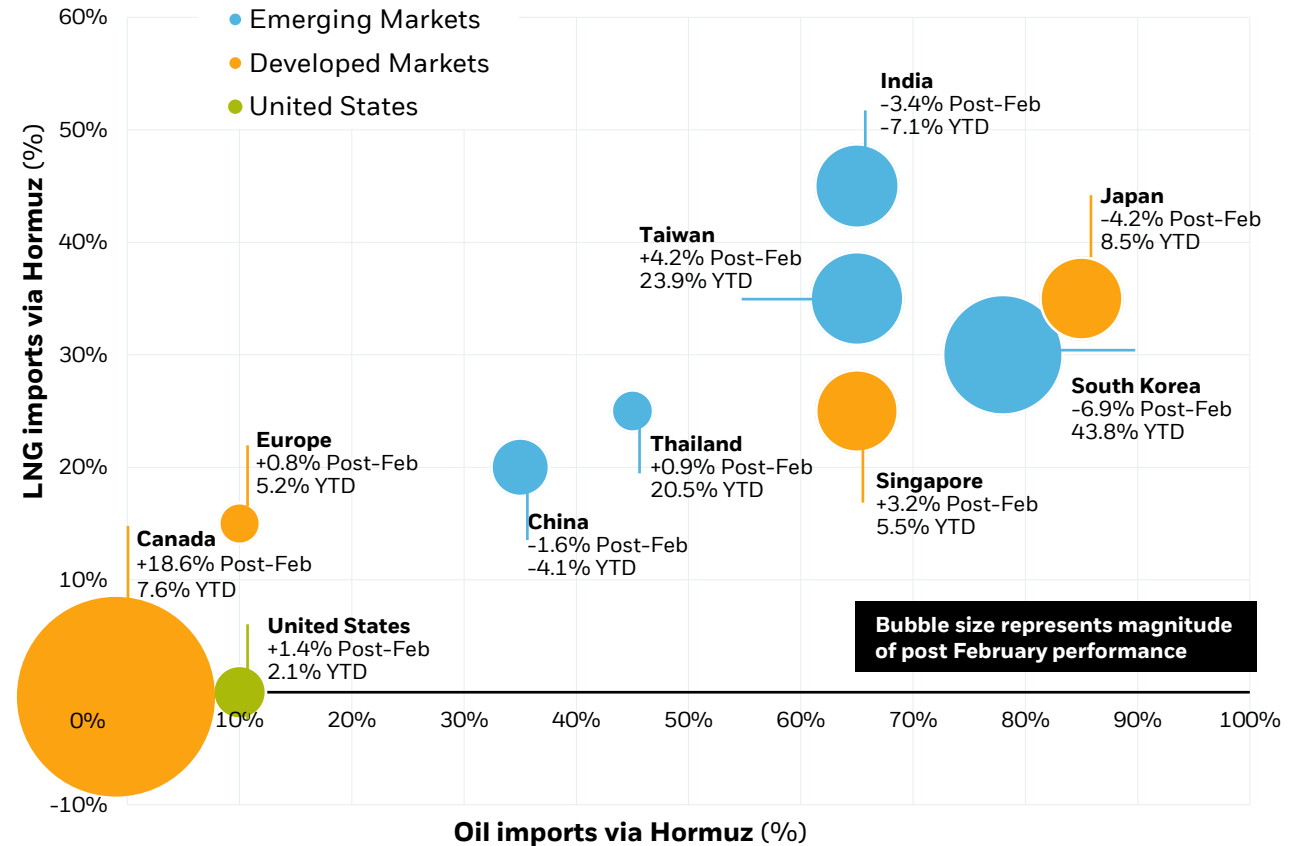
Consensus forecasts for U.S. GDP continue to average 2%, though we see some evidence of recent slowing.² Perhaps more importantly, growth has become more reliant on a narrow set of drivers associated with AI and investment spending, which could make it more fragile. We think that backdrop supports staying invested in equities, despite headlines around inflation and growth shocks, while being more deliberate about diversification as volatility remains elevated.

At the same time, energy infrastructure disruption may cause energy prices to remain higher than levels seen at the start of the year. Higher energy prices may reinforce longer-term themes around energy security and supply resilience, which could drive increased investment in defence and infrastructure even after the conflict fades. Policymakers are likely to prioritize rebuilding and expanding strategic reserves and reducing reliance on vulnerable supply routes - potentially putting a higher floor under oil prices from here.

1. BlackRock, Bloomberg. Analysis of S&P 500 earnings and WTI crude oil prices from 1970 - 2022. Oil shocks defined as YoY increases in WTI prices; earnings measured as next 12-month S&P 500 EPS growth following each observation. As of March 6, 2026. Past performance does not guarantee future results.

2. Consensus forecasts based on Bloomberg survey-based estimates as of April 14, 2026 for U.S. 2026 GDP growth on a quarter over quarter seasonally adjusted annual rates (QoQ SAAR) and year-over-year (YoY) measures. Forward looking estimates may not come to pass.

Figure 1: Market performance & energy imports via the Strait of Hormuz



Source: EIA; Gulf International Forum, Bloomberg as of April 14, 2026. Y axis showing % of a country's Liquefied Natural Gas (LNG) imports that pass through the Strait of Hormuz. X axis showing % of a country's crude oil imports that pass through the Strait of Hormuz. Post-February period is defined as February 28, 2026 to April 14, 2026. YTD defined as returns from December 31 to April 14. Size of bubbles represents magnitude of post war performance on an absolute value basis. Performance based on the following indexes: Canada: MSCI Canada Total Return Index, United States: S&P 500 Total Return, Europe: MSCI EMU Net Return Index, China: MSCI China Net Return Index, Thailand: MSCI Thailand IMI 25-50 Net Return Index USD, Singapore, MSCI Singapore 25-50 Net Return Index USD, Taiwan: MSCI Taiwan 25-50 Net Return Index USD, India: MSCI India Net Return Index USD, South Korea: MSCI Korea 25-50 Net Return Index USD, Japan: MSCI Japan Net Return Index. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

What is the outlook for U.S. inflation and the Fed?

Inflation in the U.S. is moderating, but the path remains uneven. Headline inflation has moved higher given energy price shocks while core inflation remains sticky around the 2.6% level – above the U.S. Federal Reserve (Fed)’s target.³ While near-term pressures remain elevated, reflecting supply-side dynamics and geopolitical uncertainty, they are not driving a broad-based reacceleration in market-based measures of inflation. Indeed, there are some signs of inflation moderation: as recent CPI data show, near-term disinflation is being supported by tariff runoff in certain goods categories and continued shelter deceleration.

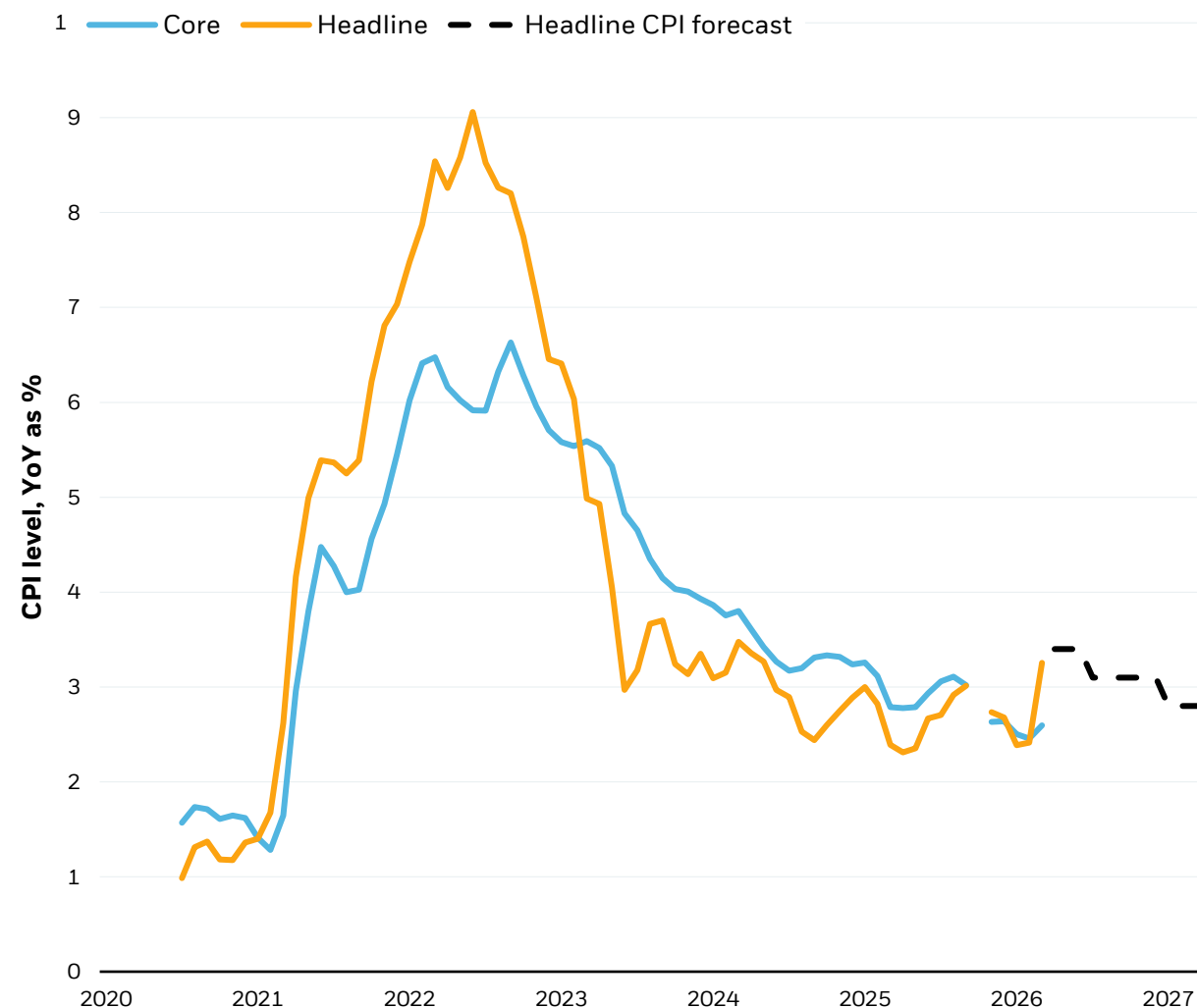
For the Fed, this creates a mild stagflationary trade-off. Historically, similar shocks have led to an initial focus on inflation before growth concerns dominate. However, this shock alone is unlikely to warrant further tightening. As stated at the March FOMC meeting, Federal Reserve Chair Jerome Powell believes interest rate policy is already restrictive, with the funds rate estimated at 50–75 basis points above neutral and financial conditions tighter by ~80 bps.⁴

We believe this leaves the Fed on pause and data-dependent for now, but likely to shift toward gradual rate cuts later if inflation continues to move toward target or growth moderates. With headline inflation expected to stay elevated in the near term, and the next move from the Fed likely a cut, we believe investors should focus on adding real rate protection to their portfolio via inflation-protected securities.

³ U.S. Bureau of Labor Statistics, Consumer Price Index Excluding Food and Energy. Data for March 2026 (released on April 10, 2026).

⁴ Federal Reserve Board, Laubach-Williams estimates as of April 1, 2026. A basis point is one hundredth of 1 percentage point.

Figure 2: U.S. Inflation forecasts steady, but above target



Source: Federal Reserve Bank of Philadelphia (Short-Term and Long-Term Inflation Forecasts: Survey of Professional Forecasters), April 10, 2026. The dashed line represents the median forecast, until Q1 2027. Forward looking estimates may not come to pass. Gap in data reflective of skipped October 2025 CPI report.

How is the growth of AI affecting the labour market?

AI is rapidly advancing as agents undertake increasingly complex multi-step tasks, but data show that it's mostly too soon to know AI's impact on employment. In the U.S., over the past 12 months, job growth has averaged 25,000, a sharp deceleration from the previous 12 months.⁵ Still, labour markets remain in a delicate equilibrium, with unemployment holding steady around 4.3%.⁶ Deeper disruptions are happening below the surface that will determine the health of the U.S. overall economy.

- Job gains are highly concentrated in a small number of sectors. Over the past three years, payroll growth has come disproportionately from education and health care: about 2.7 million jobs in the last 3 years, which represents over 80% of jobs added during that period.
- Sectors that employ a large share of white-collar and tech-adjacent workers have seen slower growth. Growth in professional and business services and information jobs, which may be especially vulnerable to AI disruption and have been weak, as shown in Figure 3.
- We believe job numbers mask other changes happening: sector-specific displacement, declining job mobility, and an expanding mismatch between where workers are and where demand is heading. The equilibrium is fragile, and further macro shocks could tip it.
- Immigration policy and demographic shifts are tightening labour supply. Census estimates show net international migration peaked at 2.7 million in 2024, fell to 1.3 million in 2025, and is projected to slow to roughly 321,000 in 2026.⁷ The Fed argues that, together with aging-related declines in participation, this combination could push labour-force growth close to zero this year and drive breakeven payroll growth toward zero.⁸

The labour market is still creating jobs in aggregate, but not in the same places or for the same types of workers. Therefore, AI-related pressures can potentially coexist with a stable unemployment rate, even as labour-market conditions become more uneven across industries, skills, and worker cohorts. This points to a labour market that is more fragile than the headline unemployment rate suggests, with enough slack in many segments to restrain inflationary wage pressure. For the Fed, that supports a two-sided focus on its mandate and raises the bar for rate hikes.

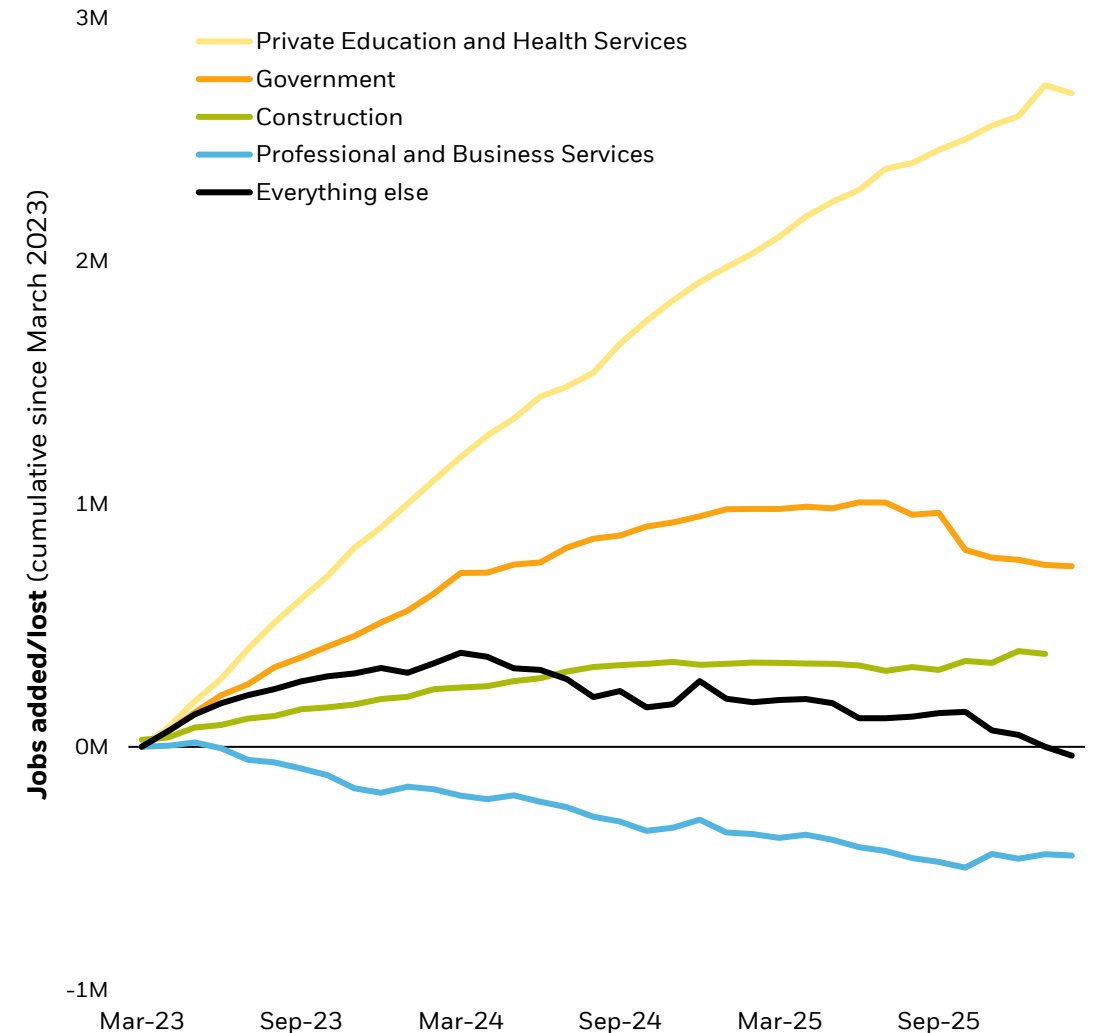
5. Bureau of Labor Statistics, April 15, 2026.

6. U.S. Bureau of Labor Statistics, Civilian unemployment rate, seasonally adjusted. Data for March 2026 (released on April 3, 2026).

7. U.S. Census Bureau, "New Population Estimates Show Historic Decline in Net International Migration," January 27, 2026. Forward looking estimates may not come to pass.

8. FED Notes, "Labor force growth, breakeven employment, and potential GDP growth," published on April 2, 2026.

Figure 3: Jobs added/lost in past 3 years



Source: Bureau of Labor Statistics. As of February 28, 2026. Based on jobs added/lost indexed to March 2023, based on seasonally adjusted job growth by category as defined by BLS. October and November 2025 data as recorded by BLS, whose normal processes were interrupted by the government shutdown.

How could the 2026 U.S. midterm elections affect markets?

Historically, midterm election years have been associated with more subdued U.S. market returns. But as the election nears, history has shown a tendency to rally.

Since 1990, the average S&P 500 return in non-midterm years was 12.3% vs. only 3% in midterm years. But that masks large dispersions at the sector level: Healthcare (10.7% avg) and Energy (8.9% avg) have historically held up better, while Industrials (0.6% avg) and Financials (-0.6% avg) have tended to drag the market down in midterm years.⁹

In the last 56 years, we have seen the market start to rally on average around a month (22 trading days) before a midterm election, as polling data provides clearer expectations of results. Then, as event risk passes following the election, equities have historically experienced tailwinds with an average return of 14.1% in the six months that follow.¹⁰

The outcome of the election also has affected performance. We come into the 2026 midterms with a trifecta – where one political party controls the presidency and both houses of Congress. This situation has happened just 6 times since 1970. In only one scenario, in 1978, was the incumbent government able to maintain its control of all three branches. This difficulty in keeping control matters, because the average 6-month forward return after midterms when the incumbent party loses control is materially lower (10.4%) than in other scenarios (16.1%). Still, we believe other durable themes such as AI will matter more for markets than politics – even in an election year.

⁹ Bloomberg, as of March 31, 2026, measuring S&P 500 total return. Sector grouping based on GICS Level 1 S&P 500 sectors. Non-Midterm years include odd numbered years and presidential election years since 1970. Average calculated by taking returns for the midterm years since 1990: 1990, 1994, 1998, 2002, 2006, 2010, 2014, 2018, 2022. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

¹⁰ Bloomberg, as of March 31, 2026. Based on average S&P 500 total return indexed to midterm date on midterm years since 1970, 126 trading days after midterm. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Figure 4: S&P 500 total return performance, pre & post midterm years since 1970



Source: Bloomberg, data as of March 30, 2026. Average indexed to midterm dates for midterm years: 1970, 1974, 1978, 1982, 1986, 1990, 1994, 1998, 2002, 2006, 2010, 2014, 2018, 2022. Midterm dates fall on the first Tuesday in November. Month approximations based on average of 21 trading days in a month. "Lost Control" defined as scenarios where government was controlling the presidency and both chambers of congress heading into the midterms, and lost control of at least one of them. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Equities

Cheaper valuations, AI & geopolitics now core themes

What's happening with equity valuations and earnings growth – and where are opportunities this year?

Falling stock prices and improving earnings fundamentals have led to a reset in valuations for U.S. equities. While broad market valuations have declined to multi-year lows in March, cheapening was especially pronounced in technology names exposed to the AI theme. And while prices have grown more attractive, the earnings outlook has improved.

Information Technology (IT) companies in the S&P 500 are now expected to boost earnings by 38% year-over-year in 2026 vs expectations of 24% at the start of the year. The IT sector alone is expected to account for 63% of the S&P 500's 2026 earnings growth.¹¹

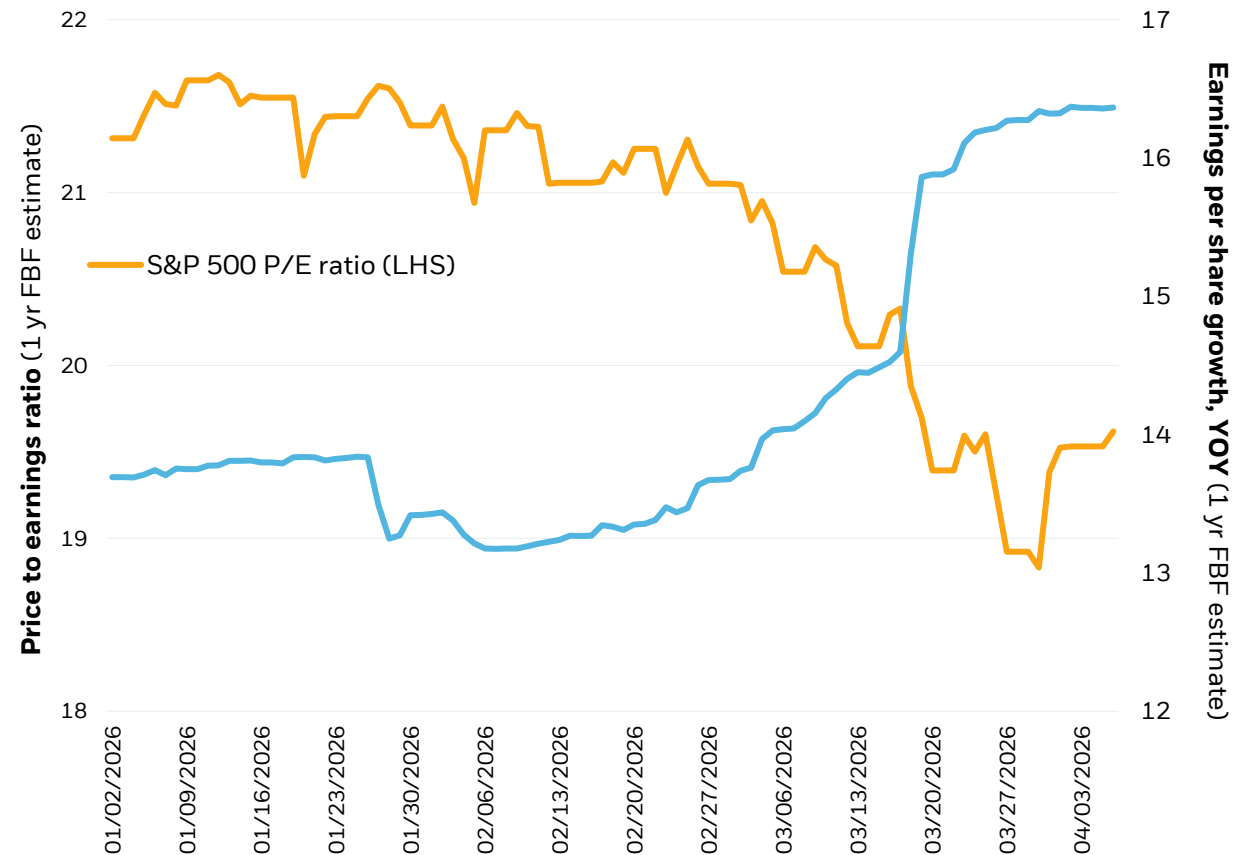
Technology continues to dominate fundamentals, but it isn't the only sector lifting U.S. profits. Energy, materials, and utilities have all seen positive analyst revisions this year and are all now forecasted to deliver double-digit earnings growth.¹²

The resilient fundamental backdrop, strength in earnings, continued AI momentum, and attractive valuations lead to our preference for U.S. equities over other developed markets.

11. Bloomberg, as of April 7, 2026. IT Sector is represented by S&P GICS Information Technology Level 1 sector. Forward looking estimates may not come to pass.

12. Bloomberg as of April 7, 2026. Analyst revisions compiled by Bloomberg. Energy, Materials, and Utilities represented by their respective S&P GICS Sector Level 1 indices. Forward looking estimates may not come to pass.

Figure 5: S&P 500 index valuations fall while earnings improve in 2026



Source: Bloomberg data, as of April 7, 2026. S&P 500 Price to Earnings ratio on a 1-year blended forward estimate basis is showcased on LHS, while S&P 500 earnings per share growth year over year, 1-year blended forward estimate is shown on RHS. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results. Forward looking estimates may not come to pass.

Tickers to consider:

XUS

XQQQ



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Should investors favour growth or value, large or small caps?

Coming into 2026 we had a preference for value, citing a cyclical upswing in growth, fiscal stimulus embedded in the One Big Beautiful Bill Act, and looming Fed cuts leading to a steeper yield curve.

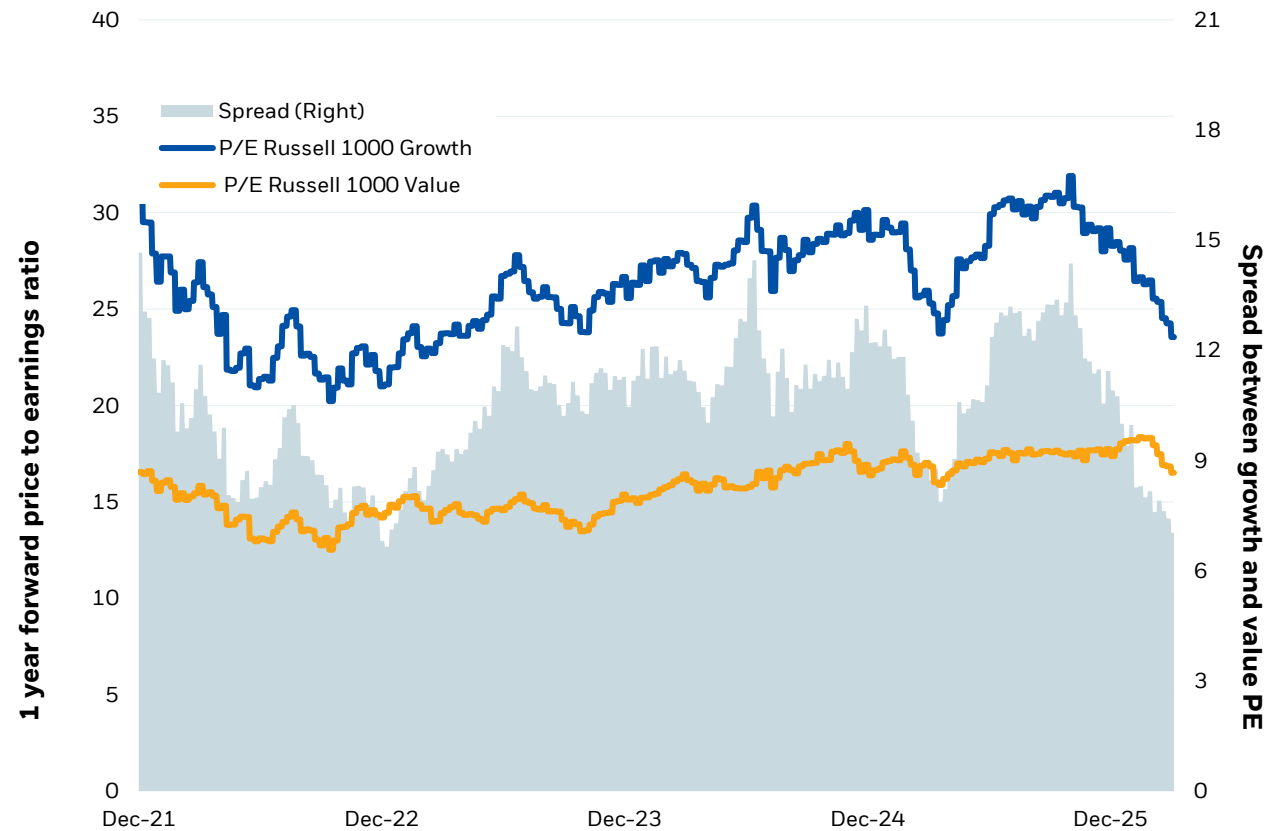
Now, conflict in the Middle East has modestly shifted our preference: economic growth remains resilient, but higher energy costs and delayed Fed easing may weigh on the consumer.¹³ With technology earnings growth driven by ongoing AI adoption, we see that sector as relatively less sensitive to consumer spending, and see large cap companies as better suited to weather higher interest rates. Value and momentum remain valuable diversifiers.

- We adopt a balanced stance between growth and value. Earnings growth has remained strongest in growth and technology, reducing concerns about valuations. The spread in relative valuations between growth and value has compressed significantly (Figure 6). Earnings growth is more concentrated than forecasted at the start of the year, while value, particularly energy-linked exposures, has become more expensive with the rise in crude oil prices. Still, we believe value exposures can provide valuable diversification benefits to growth heavy portfolios – a key reason for our balanced approach.
- Small cap equities face ongoing headwinds. Smaller companies have tended to outperform in early-cycle recoveries, when interest rates are below trend and growth is above trend.¹⁴ But current sentiment, financing conditions, and macro uncertainty remain less supportive, keeping our confidence in small caps subdued. While we have a conviction in large caps more broadly, small caps have the potential to participate in periodic low-quality, high-risk asset rallies.

¹³A \$1 per gallon increase in gasoline prices equals \$25-\$30 billion in direct consumer costs per quarter, offsetting about 80% of tax cuts for the bottom income quintile, 30% for the second quintile, and 20% for all other households. Source: "Gas Prices and Tax Refunds," Piper Sandler, March 26, 2026.

¹⁴CME Group Global Market insights: "Why Small-Caps Could Outperform in the Next Economic Cycle," June 25, 2025. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Figure 6: The valuation differential between large cap growth and large cap value has narrowed



Source: Bloomberg, as of December 31, 2025. Showing 12-month blended forward P/E ratios for the Russell 1000 Growth Index and Russell 1000 Value Index from December 1, 2021 to December 31, 2025. Spread is the difference between the 12 m forward P/E Russell 1000 Growth index and the 12 m forward P/E Russell 1000 value index. Forward looking estimates may not come to pass. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Tickers to consider:

XVLU

XMTM

RNAV

RNAG

What equity themes are in focus right now?

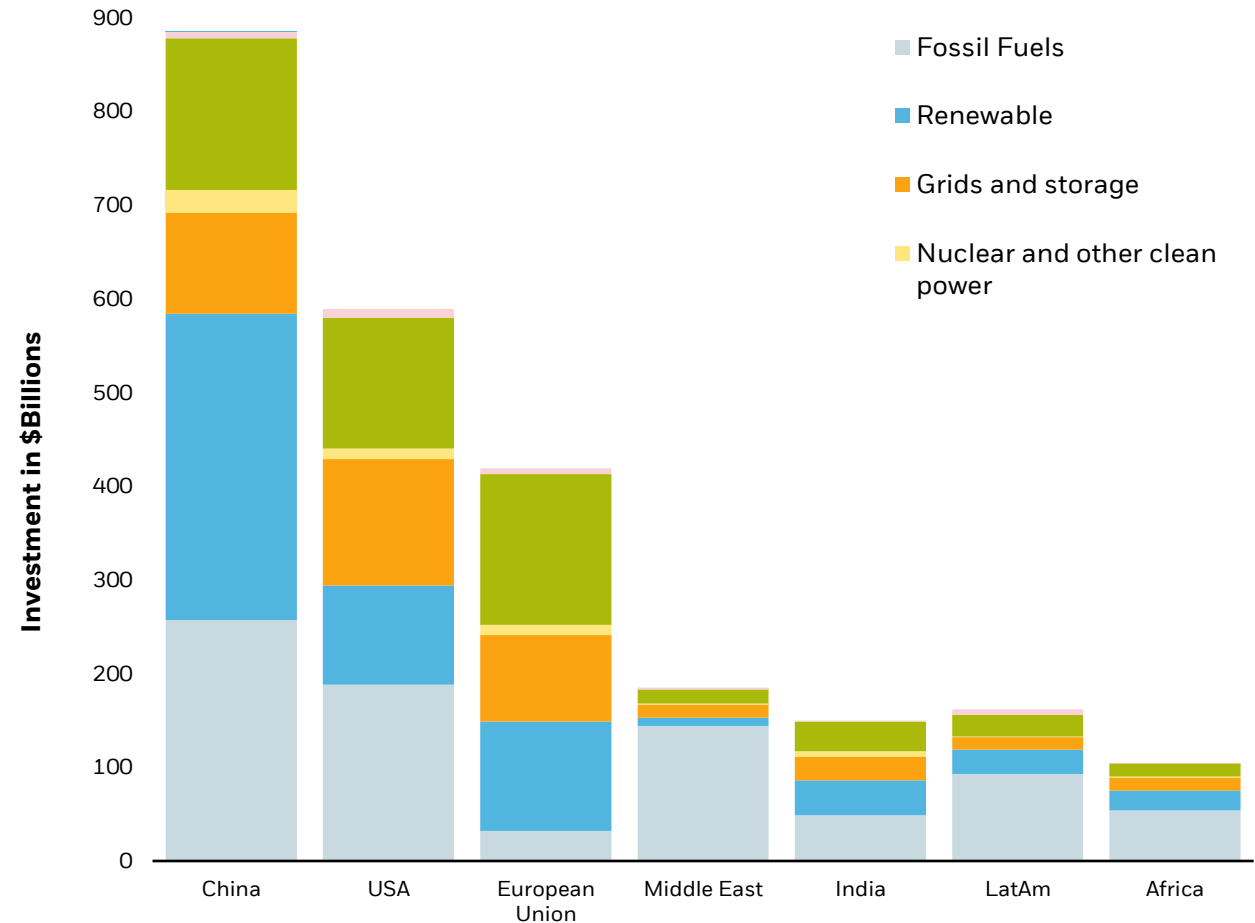
Themes such as AI and geopolitical fragmentation have become core macro forces shaping growth, inflation, and market leadership. AI has evolved beyond narrow mega-cap technology leadership into a broad, cross-sector opportunity set, spanning power generation, data centre buildout, and hardware supply chains. Meanwhile, recent spikes in geopolitical tensions are bringing energy security and independence into focus. Both are creating opportunities across the energy value chain—from traditional oil production to grid modernization—supported by increased investment from governments and the private sectors globally to meet rising energy demand. Investments in power grids alone exceeded \$470 billion globally in 2025 and are projected to rise by 16% annually to meet surging renewable energy demands.¹⁵

We remain constructive on structural thematic growth, but rapid shifts in winners and losers require more deliberate allocation decisions. A perennial preference for value exposures leaves the average moderate advisor portfolio with just 28% allocation to companies with material AI exposure in their equity sleeve vs 45% in the S&P 500 index.¹⁶ We believe in a more intentional approach to target the full value chain of a theme or complement broad exposures with a focused thematic sub-layer. For example, investors could seek exposures to all parts of the AI stack in an active strategy, or focus on just power infrastructure, investing in the “picks and shovels” of AI while addressing energy supply bottlenecks.

15. Bloomberg, as of April 6, 2026. Forward looking estimates may not come to pass.

16. BlackRock Investment Strategy, as of April 6, 2026. AI exposures defined by companies in Bloomberg AI theme universe and “Advisor models” data is as of December 31, 2025, based on the 1,004 “moderate” risk cohort models collected by BlackRock in the 3 months ending December 31, 2025. U.S. Advisor models collected by BlackRock are grouped into 5 risk cohorts for analysis, based on total equity allocation. Models in the “moderate” risk cohort are defined as any portfolio with an overall equity allocation of between 50-65%. BlackRock’s risk model data is supplemented by asset allocation and fund characteristic data from Morningstar. 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.

Figure 7: Annual energy investment by countries and regions in \$bn



Source: IEA, December 31, 2025, Energy investment across regions and sectors in 2025, IEA, Paris. Subject to change.

Tickers to consider:

XCHP

CIF

XETM

What's the investment case to allocate to international stocks this year?

The beginning of 2026 saw a continuation of 2025's international equity outperformance, with foreign stocks returning 11.4% through February, beating the U.S. stock market's 0.7%. That outperformance was primarily driven by a weaker U.S. dollar and greater appetite for diversification, as well as strong earnings growth and accelerating AI-buildout demand, particularly in emerging markets.

But performance has weakened since the onset of the conflict in Iran in late February, with international equities down 10.7% in March.¹⁷ We believe the structural return drivers for international equities remain in place, however. While the dollar has strengthened recently, we see the Fed as better positioned to hold or cut rates given its dual mandate of full employment and price stability, while other central banks may need to hike rates to fight inflation – potentially leading to dollar weakness.

Additionally, emerging market earnings growth has been robust (Figure 10), driven by demand for semiconductors and compute, essential inputs for the AI buildout, and a trend we see as only beginning. Critically, 75% of the world's chip manufacturing is centred in East Asia.¹⁸ Resource-rich Latin American countries such as Brazil may also be set to benefit amid rising demand for rare earth minerals, which are used in chip manufacturing. Earnings growth expectations for EM is 28%, up from 12% in mid-2025, while selling driven by the recent energy shock has compressed multiples to the lowest levels in a year.¹⁹

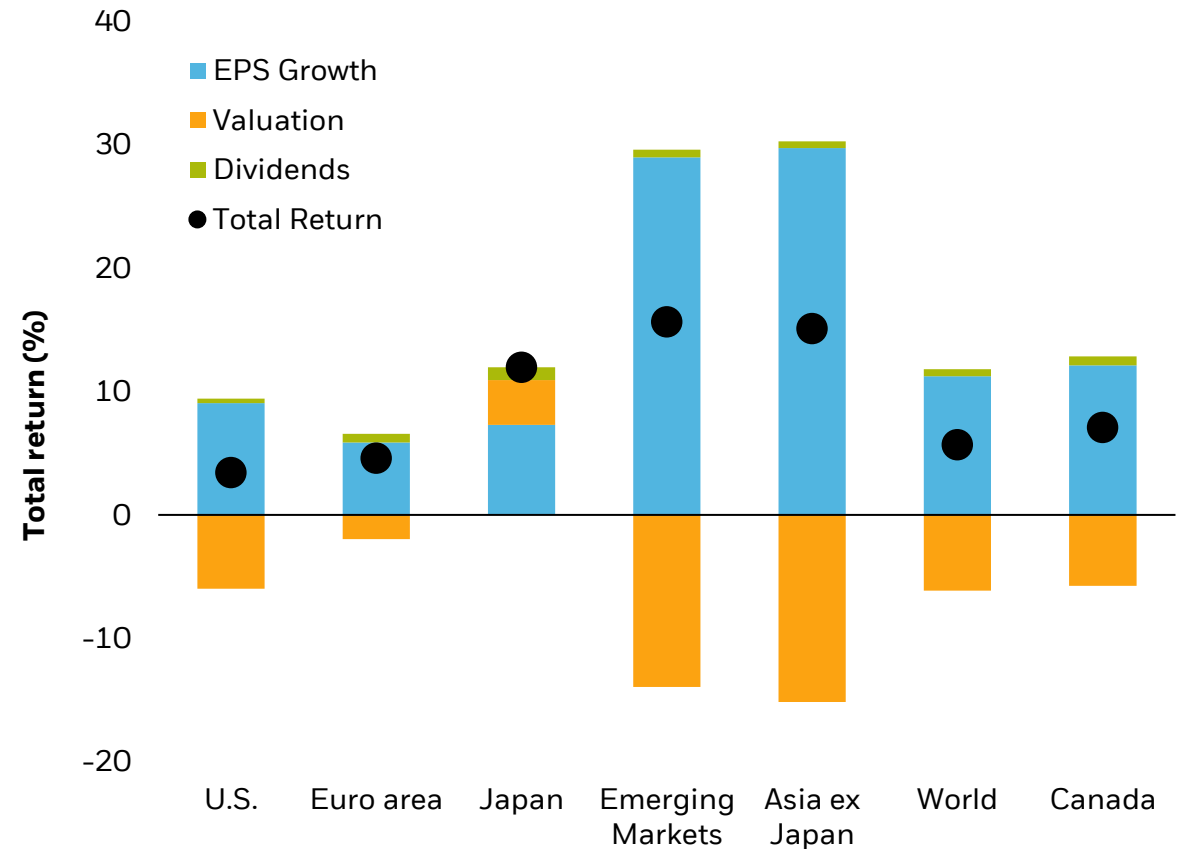
Euro area growth has not been as robust as EM, but we see opportunities for diversification away from tech-heavy portfolios into sectors such as financials and industrials, potentially benefiting from higher rates and increased defence spending.

¹⁷ Bloomberg, as of March 31, 2026. International equity represented by the MSCI ACWI ex-U.S. index. U.S. stock market represented by the S&P 500 index. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

¹⁸ Semiconductor Industry Association Report, "Turning the Tide for Semiconductor Manufacturing in the U.S. - Semiconductor Industry Association," September 2020.

¹⁹ Growth estimates from LSEG Datastream, BlackRock, as of March 01, 2026. Forward looking estimates may not come to pass. Multiples data from Bloomberg as of March 31, 2026.

Figure 8: YTD total return decomposition



LSEG Datastream as of April 21, 2026. U.S. as represented by MSCI USA Index Total Return, Euro area represented by MSCI European Economic and Monetary Union Index USD, total return, Emerging markets represented by MSCI Emerging Markets Index USD total return, Asia ex Japan represented by MSCI All Country Asia Pacific ex Japan Index total return USD, World represented by MSCI All Countries World Index total return, USD, Canada represented by MSCI Canada Index, USD. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Tickers to consider:

XEC

XEF

What's our view on Canadian equity?

We are turning cautiously constructive on Canadian equities as global market leadership broadens. The Bank of Canada has eased policy over the past year and is now holding its benchmark rate at 2.25%, maintaining a data dependent stance.

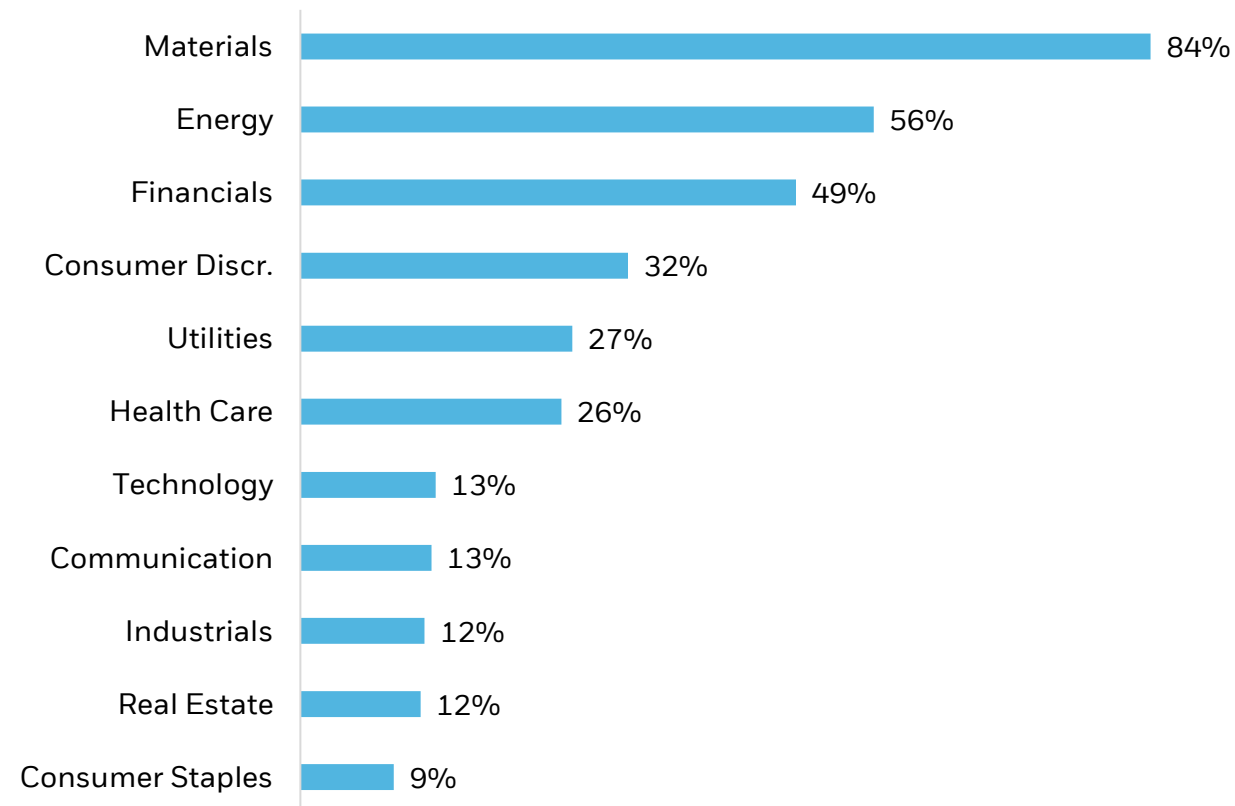
The macro backdrop points to moderating but stable growth. Labour market conditions have softened, with unemployment in the high 6% range, signaling more modest domestic demand and somewhat restrained earnings expectations.²⁰ At the same time, business sentiment remains subdued, with firms indicating cautious hiring and investment plans amid elevated uncertainty.

Against this backdrop, equity market leadership in Canada is evolving, with cyclically sensitive sectors and commodity-linked industries playing a larger role, as a pickup in global capital expenditure tied to the physical build out of AI and energy transition infrastructure driving strong earnings growth.

These dynamics may be supportive for value oriented sectors such as infrastructure and mining. For investors seeking non U.S. equity exposure with embedded commodity optionality, Canadian equities, particularly materials and miners, offer a differentiated and still underappreciated risk return profile.

Figure 9: Canadian equity performance by sector

1-year total return as of April 23, 2026



Source: Bloomberg data. Sector total return performance based on S&P/TSX Composite GICS Level 1 sectors. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

Tickers to consider:

XIC

XETM

XGD

²⁰ Bloomberg, as of April 23, 2026.



Fixed Income

Short-term in the near-term

Is private credit a systemic risk to the market?

We believe private credit is not currently exhibiting characteristics of systemic risk. Systemic risk would require widespread defaults, excessive leverage, and destabilizing liquidity spirals. The current environment is one of normalization and dispersion.

Private credit defaults are rising modestly, but from unusually low levels. Current default rates of about 2–3% remain below long-term averages (about 3.5%), and we believe even a move towards 7–8% would represent normalization rather than distress.²¹ Defaults remain idiosyncratic, with stress concentrated in pockets. A systemic event would likely require rising correlations and synchronized weakness – conditions not observed today.

Leverage and loss severity remain contained. Private credit is typically underwritten with conservative structures (about 40–45% loan-to-value), supported by strong documentation, concentrated lender groups, and covenant protections.²² This structural control is intended to help reduce the risk of disorderly loss transmission.

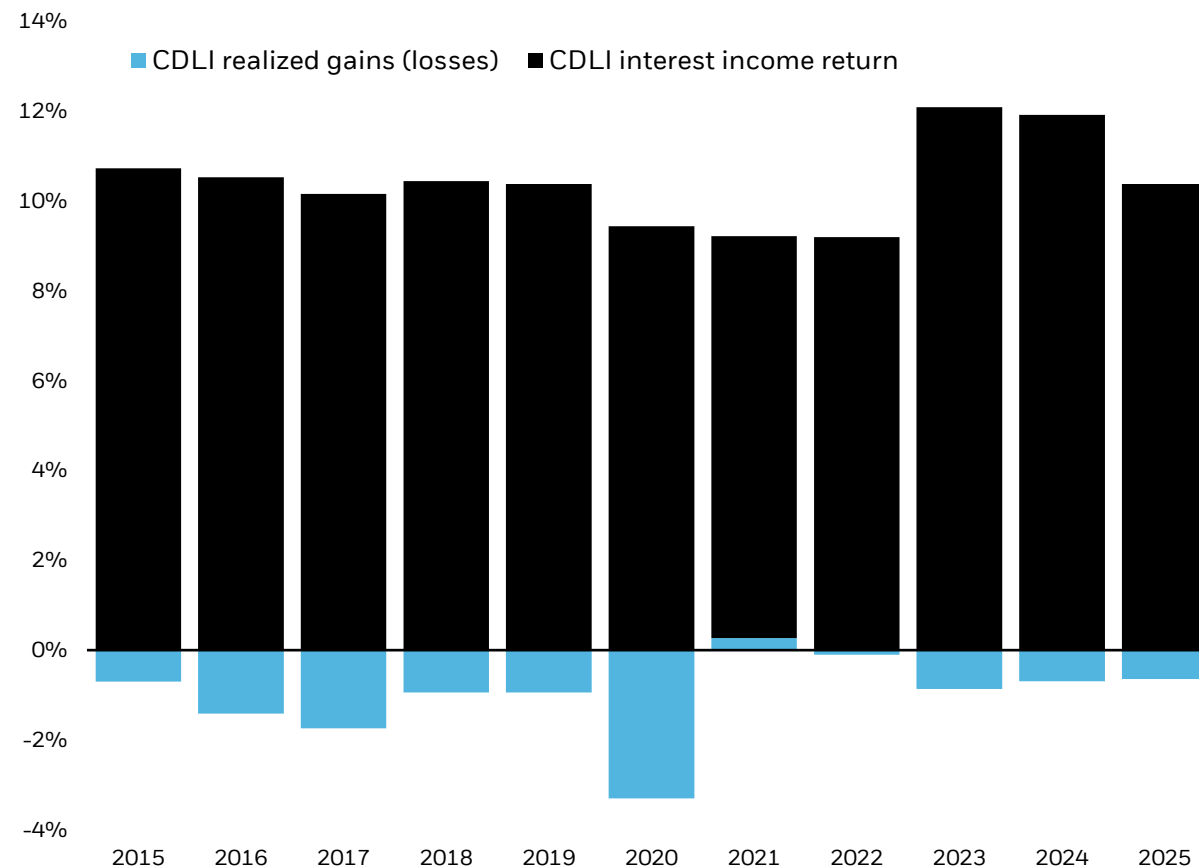
Liquidity concerns have been misrepresented in the media as “gating.” Redemption limits in private credit vehicles are a common design feature set forth in fund documents intended to ensure orderly liquidity. They exist to prevent forced-selling dynamics typical of systemic crises.

Software exposure represents dispersion within private credit portfolios, not a systemic risk to the asset class. Software platforms with embedded customer relationships have remained resilient, while seat-based models face pressure. While private credit has meaningful software exposure, equity selloffs do not automatically translate into fundamental credit risk for senior secured lenders. Equity returns are driven by long-term growth and terminal value assumptions, while private credit returns depend on near- to medium-term cash flow generation.

21. HPS, “The Current State of Private Credit - HPS Partners,” February 25, 2026

22. HPS, “Distinguishing Between Changes in Equity Valuations and Credit Deterioration for Software Businesses - HPS Partners,” March 26, 2026.

Figure 10: Trailing 12-month income return and realized gains (losses) for the Cliffwater Direct Lending Index



Source: Cliffwater Direct Lending Index, BlackRock. As of December 31, 2025. Returns are based on earnings before interest, taxes, depreciation, and amortization (EBITDA) basis. Realized gains can be driven by equity stubs, warrants, and gains on exited investments. 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. We exclude unrealized gains and losses in this chart. Long-term unrealized gains (losses) are approximately zero, as they either convert to net realized losses upon a credit default, or are reversed when principal is fully repaid.

Where are attractive opportunities in fixed income?

We favour the front end and belly of the yield curve, where we feel yields remain attractive after moving higher at the start of the conflict in the Middle East. In Canada, front-end yields are compelling, with 2-year tenors currently yielding ~2.79%, up 30bps since the beginning of March.²³ Inflows in exchange-traded products reflect this preference, with short- and ultra-short-term bond U.S.-listed ETFs gathering \$53 billion year-to-date, representing 36% of all fixed income ETF inflows, compared to \$18.6 billion into medium- and long-term bonds.²⁴

The recent rise in short rates has been driven primarily by tighter interest rate policy expectations from elevated energy prices. This has also pushed real yields higher, making inflation-linked bonds like U.S. TIPS increasingly attractive to target elevated real yields.

We remain cautious on longer-duration rates given persistent inflation, deficit concerns, and structural supply pressures, which may keep upward pressure on global long-end yields. Ongoing U.S. fiscal imbalances continue to support rising term premium for long-term bonds, while potential normalization in Japanese monetary policy may further contribute to higher global long-term rates.

Wider spreads have created more compelling entry points in high-quality fixed income, particularly in sectors tied to the real economy and less exposed to technological disruption. We see increasing value in “HALO” assets (Heavy Assets, Low Obsolescence), which favour tangible assets that may be less subject to AI disruption. Commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), and other asset-backed securities (ABS) exemplify this theme, with CMBS yields around ~4.7% and ABS yielding ~4.5%, providing a practical way to incorporate evolving AI risks into fixed income allocation.²⁵

For investors considering international bonds, we prefer EM hard currency debt given the current regime of elevated energy prices and tighter global financial conditions. Wider spreads and improved all-in yields may offer more attractive carry, while limiting exposure to FX volatility and inflation pass-through that continue to weigh on local markets.

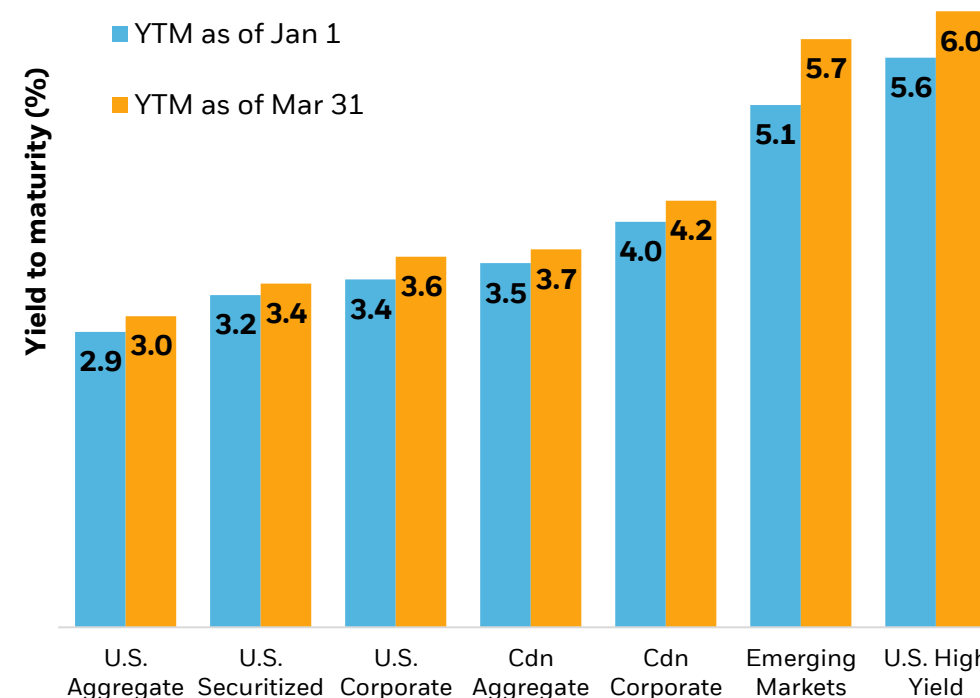
23. Bank of Canada, 2-year rates represented by the 2-year Government of Canada bond yield, as of April 15, 2026. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results

24. Bloomberg, as of April 14, 2026. ETF groupings determined by Markit.

25. CMBS yields representative of Yield-to-Worst yields in the Bloomberg U.S. Commercial Mortgage Backed Securities Index, ABS represented by the Bloomberg Asset-Backed Securities Index, as of April 7, 2026. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Figure 11: Yields remain attractive, and have moved higher YTD

Yield to Maturity net of estimated FX hedging cost (%)



Source: Bloomberg, BlackRock as of March 31, 2026. Yield to Maturity (YTM) is the discount rate that equates the present value of a bond's cash flows with its market price (including accrued interest). For U.S. and EM bonds, the YTM figure nets out an estimated CAD hedging cost. U.S. Aggregate: Bloomberg US Aggregate Bond Index, U.S. Securitized: Bloomberg U.S. Securitized index, U.S. Corporate: Bloomberg US Corporate Index, Cdn Aggregate: FTSE Canada Universe Bond Index, Cdn Corporate: FTSE Canada All Corporate Bond Index, Emerging Markets: J.P. Morgan EMBI Global Core Index, U.S. High Yield: BBG U.S. Corporate High Yield Index. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Tickers to consider:

XFLX

XSB

X SMB

XSTH

RCOR



iShares

2026-3417326-EXP0427-16/21

Portfolio Insights

Why was gold down in March 2026?

The recent spike in volatility has led to a rarity in asset performance, with simultaneous declines across equities, fixed income, and gold.²⁶ This reflects a repricing of macro risks rather than a single shock. The escalation in the Middle East pushed oil prices above \$100 per barrel, reinforcing inflation concerns and leading markets to push back expectations for policy easing.²⁷ This lifted bond yields, weighing on fixed income returns, while higher real yields and uncertainty around growth pressured equities.

Higher real rates and a stronger U.S. dollar have also suppressed gold's performance.²⁸ Regional disruptions, including impacts from the closure of the Strait of Hormuz, alongside profit-taking after strong inflows, have added to gold's pullback. Even so, we continue to believe in the structural case for gold. With cleaner positioning and more attractive entry levels, we favour gold as a diversified allocation in portfolios, particularly around potential debasement risks.

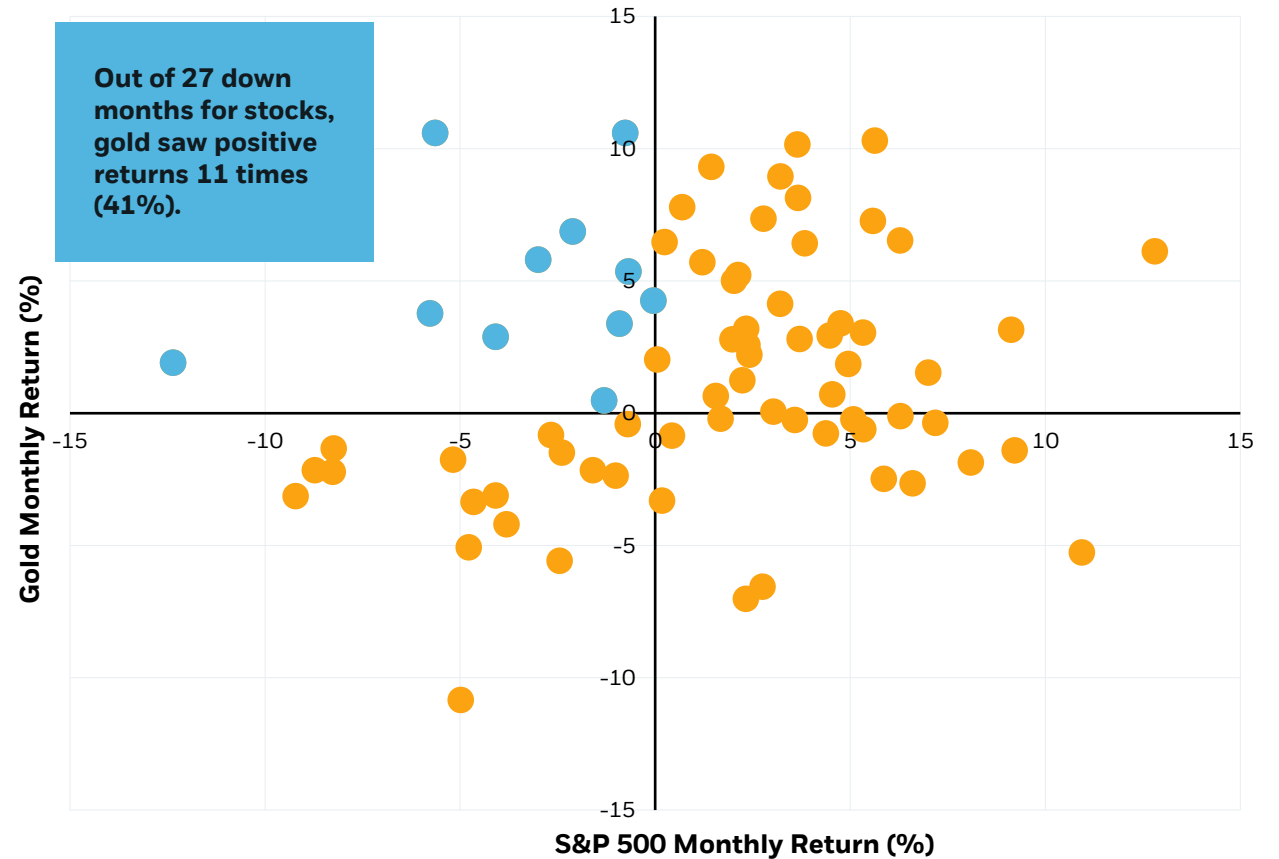
More broadly, we believe that more frequent bouts of volatility call for owning a broader basket of hedges in commodities and other alternative assets to capture a wider set of diversifiers.

²⁶ Bloomberg, MSCI World Index, Bloomberg U.S. Aggregate Bond Index, spot gold prices. As of March 31, 2026. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

²⁷ Bloomberg, Brent crude oil prices. Fed funds futures and OIS market pricing. As of March 31, 2026.

²⁸ Bloomberg, U.S. real yields (10Y TIPS) and DXY Index. Gold represented by LBMA Gold PM Price. As of March 31, 2026.

Figure 12: Gold has provided ballast in down months for stocks



Source: Morningstar as of March 31, 2026. Data depicted is from January 1, 2020 to March 31, 2026. Stocks represented by the S&P 500 index and Gold by the S&P GSCI Gold Spot index. Index performance is for illustrative purposes only. Index performance does not reflect any management fees or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Tickers to consider:

CGL.C

XGD

RGPM

How are financial advisors positioning their portfolios right now?

Clients are turning more risk-on following the announcement of the ceasefire. Our latest polling shows 42% of investors are neutral, while bullish sentiment (40%) outweighs bearish (17%), after bearish briefly outweighed bullish in March.

U.S. equities have risen to be the highest conviction net allocation overall, even if demand differs among client-types. Advisors are also leaning into U.S. equities (+20% net), while demand among institutional clients is essentially flat (+0.56%). Investors are primarily funding using cash, with a net reduction rate of -12%.²⁹ Alternatives see the most consistent demand for additions among both client types.

Despite strong interest in alternatives, advisors remain under allocated. The average allocation among advisors who hold alternatives is ~7%, only 52% of moderate-risk portfolios include alternatives, highlighting potential room for further adoption.³⁰

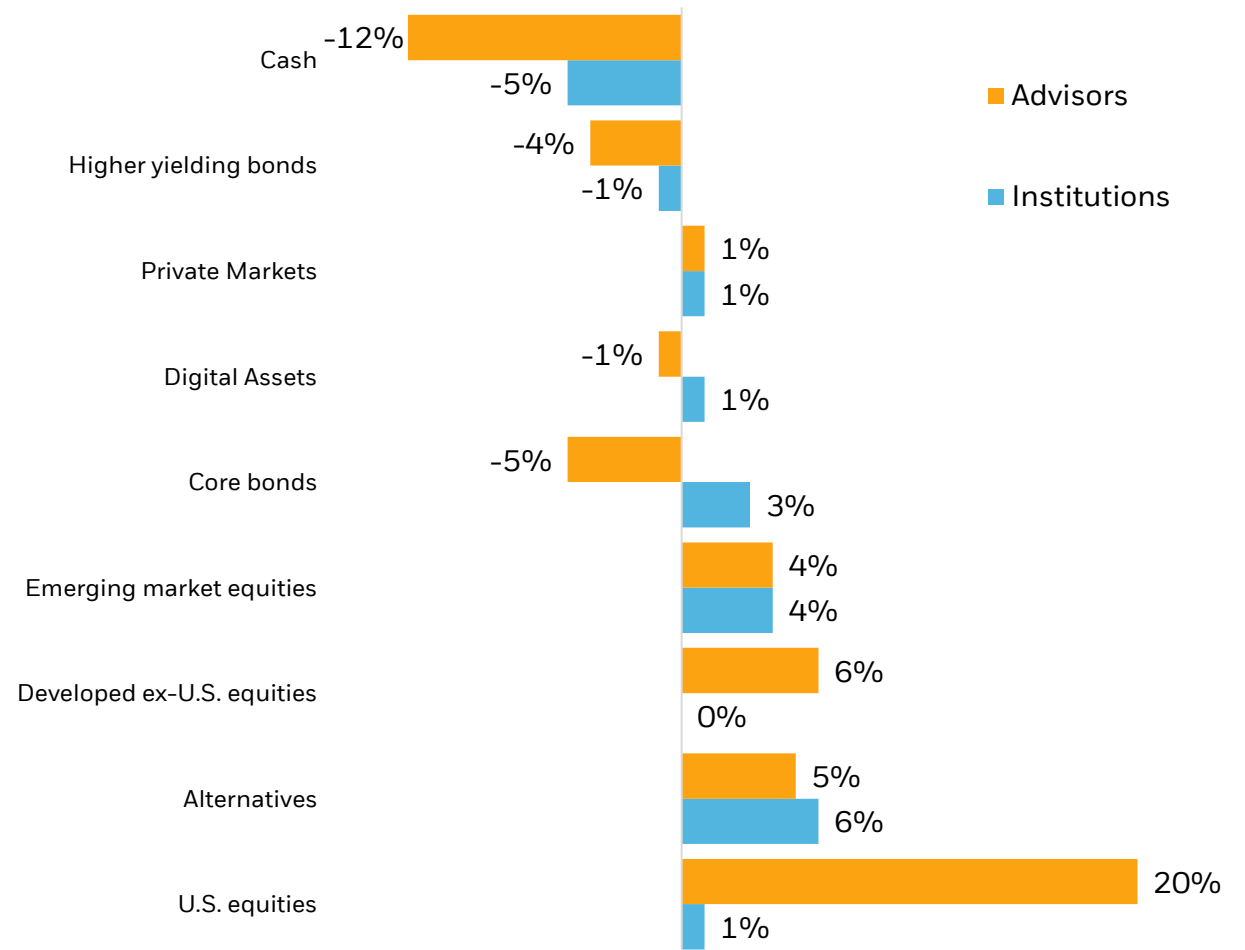
ETF flows underscore the cautious shift: equity inflows slowed to \$66 billion in March, and more than half of fixed income flows moved into ultra-short exposures.³¹

²⁹ Polling conducted by BlackRock Investment and Portfolio Solutions, as of March 31, 2026. Answers reflecting 1,284 unique respondents from Canada, U.S., and Latin America.

³⁰ Morningstar, BlackRock, Aladdin. For illustrative purposes only. Allocation data averages alternatives sleeve across 901 models collected by BlackRock in the 3 months ending September 30, 2025. BlackRock's risk model data is supplemented by asset allocation and fund characteristic data from Morningstar. 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.

³¹ Bloomberg as of March 31, 2026. U.S. listed ETF flows with ETF bucketing as determined by Bloomberg.

Figure 13: Planned asset class moves differ among client-type



Source: Source: Polling conducted by BlackRock Investment and Portfolio Solutions, as of April 15, 2026. Answers reflect 1,569 unique respondents. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

ETF implementation ideas

Broad equities		
Canada	XIC	iShares Core S&P/TSX Capped Composite Index ETF
U.S. large-cap	XUS	iShares Core S&P 500 Index ETF
	XSP	iShares Core S&P 500 Index ETF (CAD-Hedged)
	XQQU	iShares NASDAQ 100 Index ETF
	XQQ	iShares NASDAQ 100 Index ETF (CAD-Hedged)
International	XEF	iShares Core MSCI EAFE IMI Index ETF
	XEC	iShares Core MSCI Emerging Markets IMI Index ETF

Style and thematic equities		
Style	XVLU	iShares MSCI USA Value Factor Index ETF
	RNAV	RBC North American Value Fund
	RNAG	RBC North American Growth Fund
	XMTM	iShares MSCI USA Momentum Factor Index ETF
Thematic	XCHP	iShares Semiconductor Index ETF
	CIF	iShares Global Infrastructure Index ETF
	XETM	iShares S&P/TSX Energy Transition Materials Index ETF

Fixed Income		
Core bonds	XSMB	iShares Core Canadian Short-Mid Term Universe Bond Index ETF
	XSB	iShares Core Canadian Short Term Bond Index ETF
	RCOR	RBC Core Bond Pool
Other	XFLX	iShares Flexible Monthly Income ETF (CAD-Hedged)
	XEB	iShares J.P. Morgan USD Emerging Markets Bond Index ETF (CAD-Hedged)
	XSTH	iShares 0-5 Year TIPS Bond Index ETF (CAD-Hedged)

Alternatives		
Physical gold	CGL.C	iShares Gold Bullion ETF
	CGL	iShares Gold Bullion ETF (CAD-Hedged)
Gold equities	XGD	iShares S&P/TSX Global Gold Index ETF
	RGPM	RBC Global Precious Metals Fund

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