

iShares
by BlackRock

**S&P Dow Jones Indices 18th Annual
Japan ETF Conference**

How active ETFs are enabling portfolio construction

NICOLAS PEACH

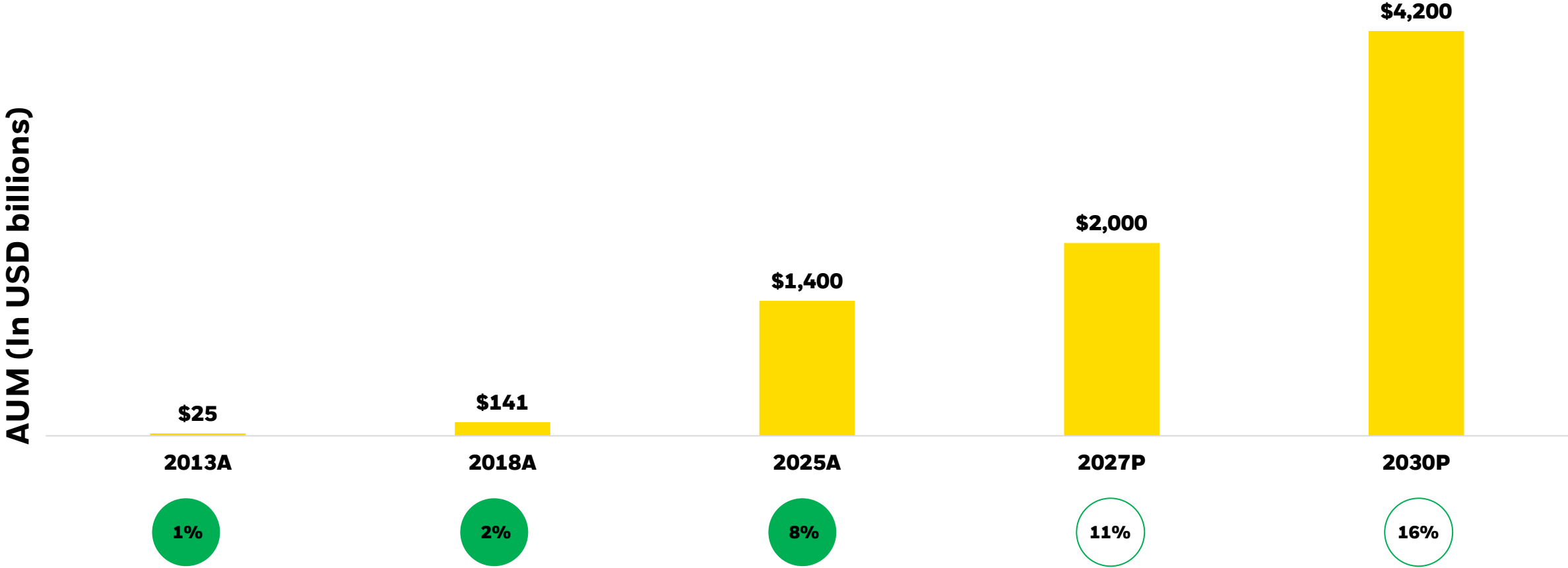
Managing Director, Head of APAC iShares

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Growth of active ETFs

We expect global active ETF assets to reach \$4.2T by 2030

Figure 1: Actual and projected growth of active ETFs



Source: BlackRock, as of June 30, 2025. The 2025 number is actual through the first half of the year. Estimates are for global figures and include 2027 and 2030 scenario calculations based. There is no guarantee that any expectations made will come to pass.

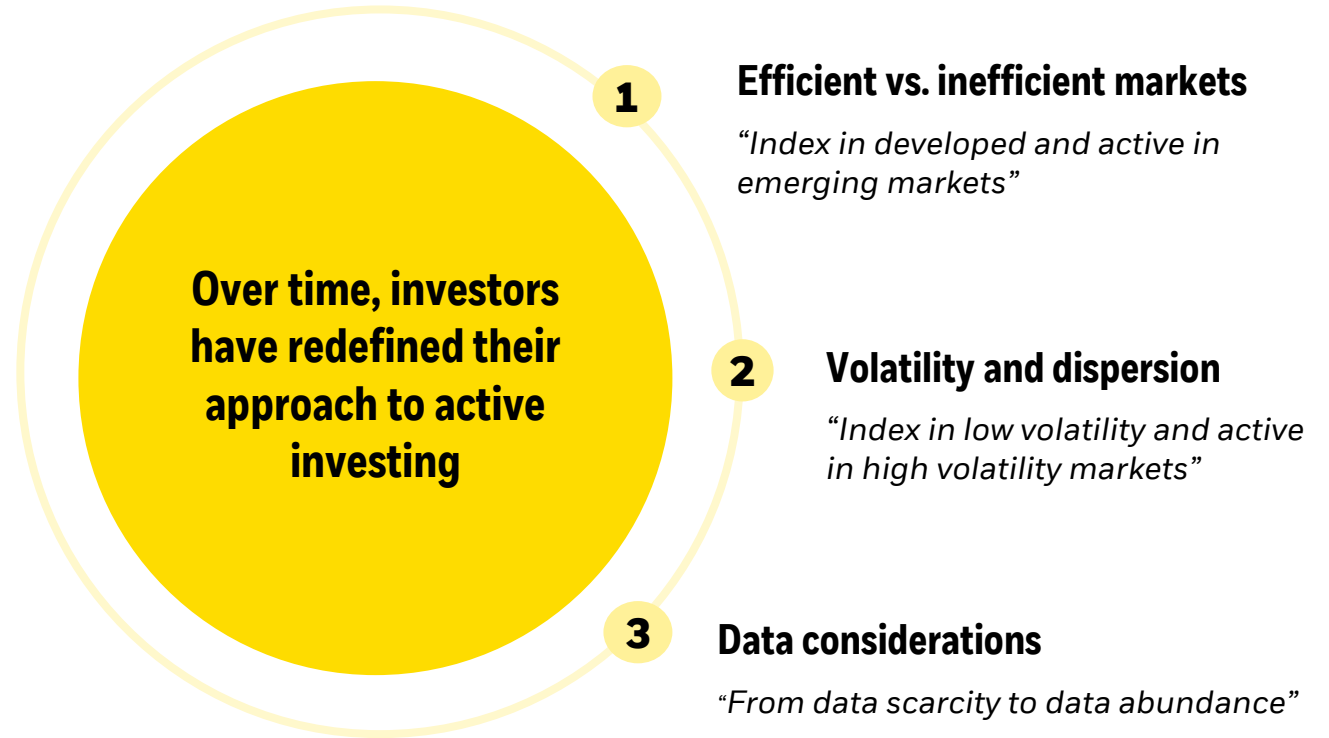
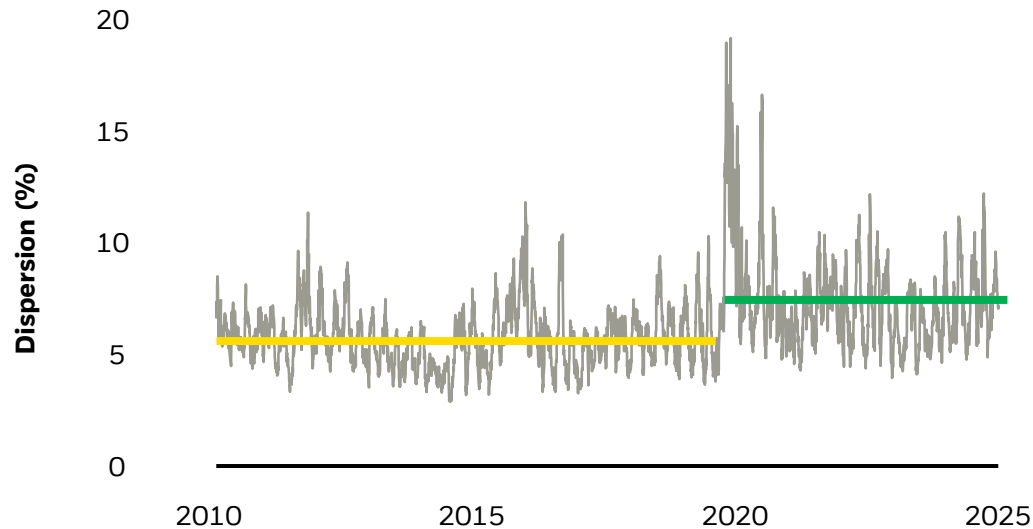
Active investing evolution

The decision-making process for active investing has evolved

Greater dispersion

Dispersion of S&P 500 performance, 2010-2025

● Stock dispersion ● 2010 – 2019 average ● 2020 – 2025 average



Source: BlackRock Investment Institute, with data from LSEG Datastream, as of August 29, 2025. Notes: Dispersion measures the degree of variation in stock performance. The chart shows the 20-day average of dispersion in S&P 500 monthly stock returns (grey line) and the median level of dispersion from July 2009 after the global financial crisis through 2019 (yellow line), and from 2020 to 2025 (green line).

Active 2.0

Rotation, thematic, liquid alts & outcomes

A more efficient way to rotate exposures

Active rotation ETFs can target consistent and differentiated alpha by rotating across market segments

Concentration risk has risen in the US market

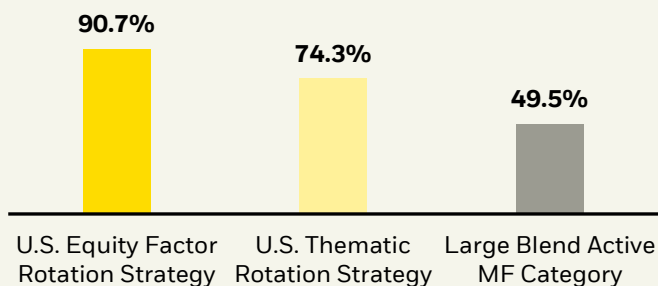
Dispersion has increased globally

Adapt to changing markets

Pursue tax efficiency

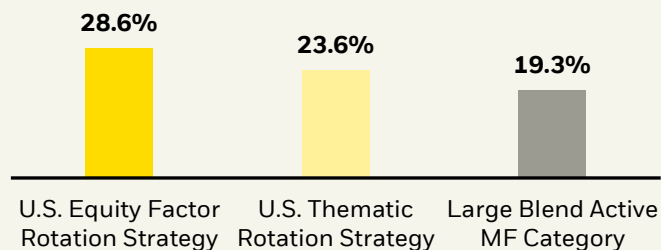
A nimble and dynamic approach...

3-yr avg. turnover ratio (%)[†]



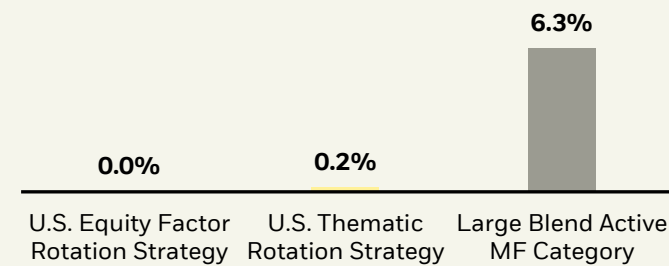
... that targets alpha...

3-yr annualized NAV return (%)[†]



... and can provide more tax efficiency

3-yr avg. cap gain (% of NAV)¹



[†] Source: BlackRock, Morningstar, as of 12/31/2025. Large Blend Active MF Peer group defined as active open end-funds in the Morningstar Large Blend category. ¹ Source: BlackRock, Morningstar as of 12/31/25. Avg cap gain distribution as a % of NAV = avg cap gain distribution in each year from 2023-2025. Analysis includes U.S. mutual funds with available NAVs as of 11/30 in each applicable year. Mutual fund universe includes only oldest share class funds. Past distributions are not indicative of future distributions. **Performance data represents past performance and does not guarantee future results. Investment return and principal value will fluctuate with market conditions and may be lower or higher when you sell your shares. Current performance may differ from the performance shown. For most recent month-end performance see www.iShares.com. For standardized performance, see the end of this document.**

Rotation can diversify sources of alpha

While both are rotation strategies, their underlying sources of alpha are differentiated

No overlap amongst key performance drivers

Top five contributors to excess returns¹

Factor Rotation Strategy

NVIDIA Corporation
Microsoft Corporation
Apple Inc.
Amazon Inc.
Meta Platforms Inc. – Class A

Thematic Rotation Strategy

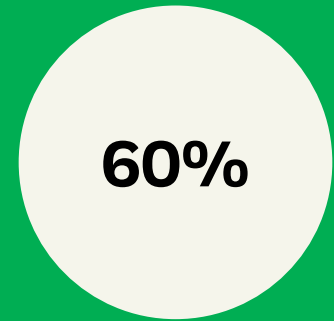
Broadcom Inc.
Palo Alto Networks, Inc.
Amphenol Corporation – Class A
TJX Companies Inc
Walmart Inc.

Different exposures can provide uncorrelated alpha

Excess return correlation²
12/31/22 – 12/31/2025



Common Holdings³
12/31/2025



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Achieving greater precision with thematic

Active Thematic ETFs target growth from structural forces reshaping global economies

Focus Themes

Related Strategies

AI: The latest tech innovation	A.I. Innovation and Tech Strategy
Infrastructure: Building for the future	Infrastructure Strategy
Defense: Too important to ignore	Defense Industrial Strategy

Source: BlackRock. For illustrative purposes only. Views are subject to change. Forward-looking estimates may not come to pass. 1 Morningstar, as of 2/10/26. The "AI index" is represented by the Morningstar Global Artificial Intelligence Select Index. 2 Style box data sourced from Morningstar as of 2/10/26. 3 Stockholm International Peace Research Institute.

Thematic investing introduces unique risk

Themes offer “unexplained” risk to portfolios, giving investors a new way to access potential long-term alpha

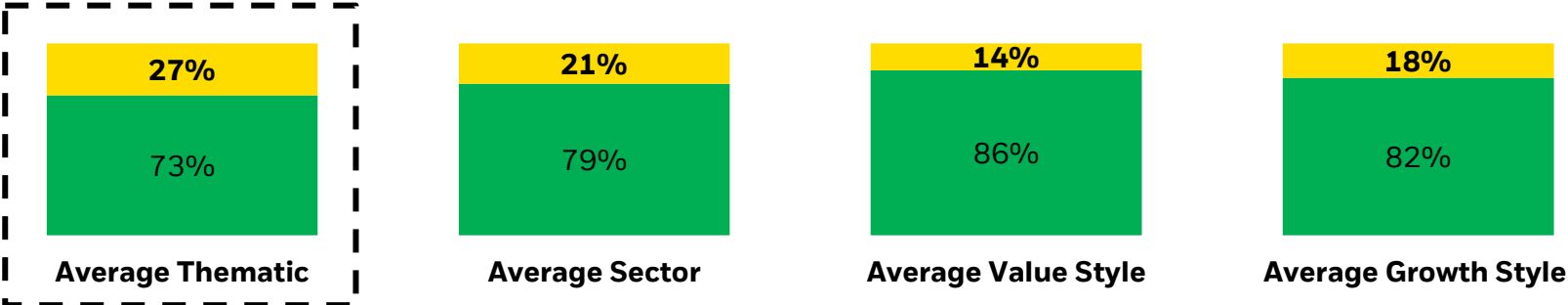
What is unique risk?

Unique risk is defined as risk that can’t be explained by traditional risk factors. 30% of the risk in thematic exposures can’t be explained by traditional sources.¹

Thematic tools offer large amounts of unique risk:

Unique risk
Risk not explained by traditional risk factors

Identifiable risk
Risk from identifiable sources like style, sector, country & FX

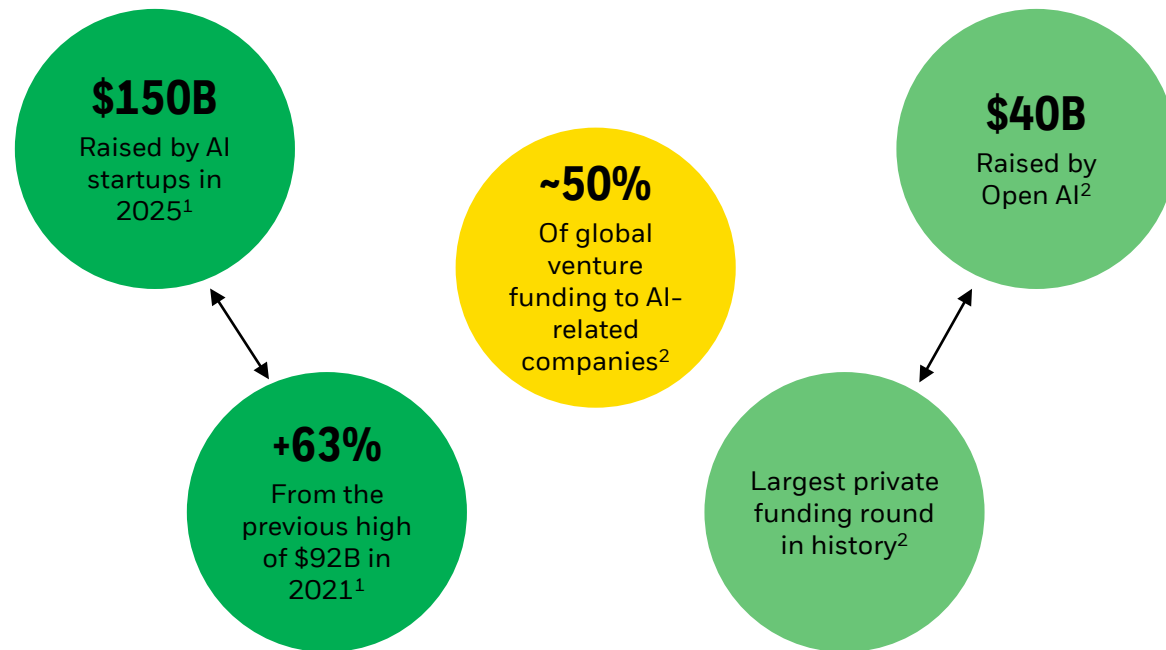


Source: BlackRock. Data as of 12/31/2025 relative to the MSCI ACWI IMI benchmark. A pre-2022 inception filter and a minimum AUM of \$10M were applied to select iShares ETFs in each category. Value and growth style factor tickers were selected to ensure broad representation across regions and market caps, reflecting the full range of available iShares offerings. The portion % of “Identifiable Risk” represents the sum of the average risk contributions from identifiable sources including sector, country, style, and foreign exchange (FX) risks for each group of funds. In contrast, “Unique Risk” refers to the average portion of risk attributable to equity specific risk, unexplained by the broader market or traditional risk factors.

Unlocking access to private markets

Selectively bridging public and private markets within a liquid ETF framework

2025 was a monumental year for AI investments...



... and some of the **most** important advancements are happening in private markets

A.I. Innovation & Tech Active Strategy

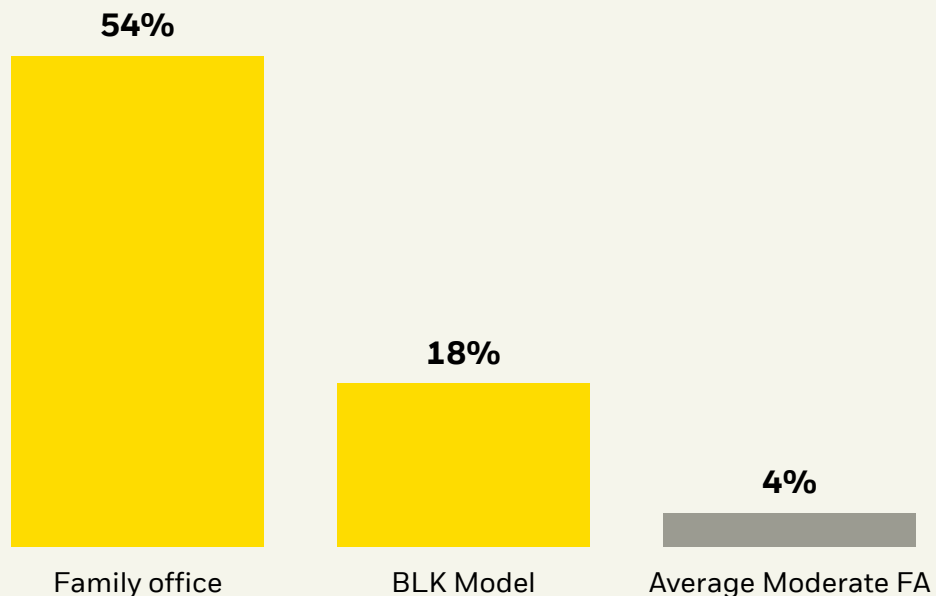
Private markets

- 1 Access to foundational AI businesses
- 2 Exposure to companies with strong near-term revenue growth potential
- 3 A focus on companies aiming for greater capital efficiency

1. CrunchBase. "Global Venture Funding in 2025 Surged As Startup Deals and Valuation Set All-Time Records." January 2026. 2. Source: Los Angeles Times. "The biggest startups raised a record amount in 2025, dominated by AI. January 2026.

Expanding the opportunity set with liquid alts

Average alts allocation across model type, (%)¹



Access to complex alternative strategies has historically been limited by **high investment minimums** and **eligibility requirements** tied to qualified/accredited investor status

ETFs can **democratize access** to hard-to-reach alternatives

Systematic Alternatives Strategy

Dynamic Macro

Market Neutral

Strategic Premia

1: Source for family office allocation: UBS Global Family Office Report, 2025, as reported on CNBC.com. Source for model allocations: Morningstar, BlackRock, Aladdin. "BLK Model" allocations as of 11/18/25. For illustrative purposes only. Allocation data compares the Target Allocation Hybrid with Alternatives 60/40 alternative model portfolio holdings as of 11/18/25 to the average alternatives sleeve across 1004 models collected by BlackRock in the 3 months ending 12/31/25. 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. Advisor allocations to alts include products in the US Fund Commodities Broad Basket, the US Fund Commodities Focused, the US Fund Digital Assets, the US Fund Equity Market Neutral, the US Fund Event Driven, the US Fund Infrastructure, the US Fund Macro Trading, the US Fund Multistrategy, the US Fund Option Trading, the Relative Value Arbitrage and the US Fund Systematic Trend categories as defined by Morningstar.

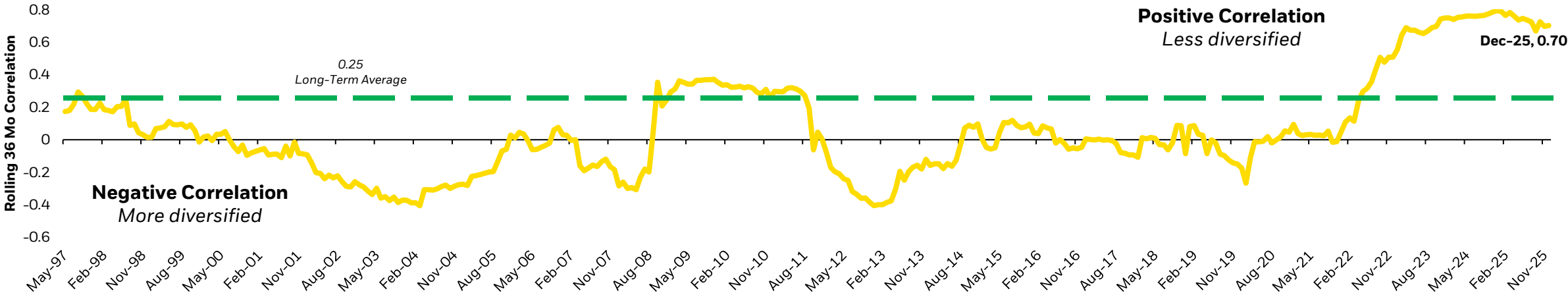
Diversification needs to come from new sources

1 - Durable Alpha

2 - Uncorrelated Returns

3 - Reduced Volatility

Increasing correlations have challenged traditional diversification
 36 Month Rolling Correlation between MSCI ACWI IMI & Bloomberg US Agg Bond Index



07/01/2016 to 12/31/2025. Source: BlackRock and Morningstar. Diversification may not protect against market risk of loss of principal. Index performance returns do 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. Past correlations not indicative of future correlations.

Seek more specific outcomes

Elevated uncertainty is driving a shift in investor demand

A desire to **buffer volatility**

35% of retirees say market volatility has negatively impacted their confidence – up from 30% year over year.¹

A desire for **stable income**

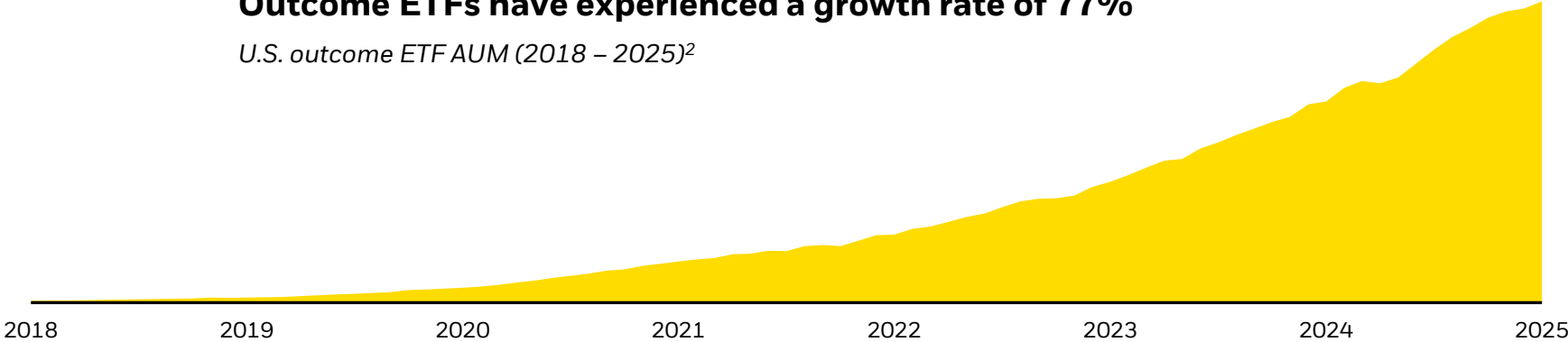
28% of retirees are worried about their ability to maintain a steady monthly income – up from 16% in 2020.¹

Finding a convenient solution for evolving client needs

- ✓ Practice management
 - Better manage client emotions
 - Keep risk-sensitive clients invested
 - Shift cash off the sidelines
- ✓ Portfolio construction
 - Seek to reduce portfolio volatility
 - Balance income and growth
 - Seek amplified cash flow

Outcome ETFs have experienced a growth rate of 77%

U.S. outcome ETF AUM (2018 – 2025)²



¹ Source: 2025 BlackRock Read on Retirement ² Source: BlackRock GBI, as of 12/31/2025. 77% growth rate based on the 7-year compound annual growth rate (CAGR) of AUM for U.S. Outcome ETFs. Outcome ETF AUM is represented by a universe of 920 U.S.-based, solutions-oriented ETFs as defined by GBI, including 468 categorized as protection, 365 as income, 68 as growth, and 19 as other.

Buffer ETFs can provide downside protection

Seek clearer outcomes over a specific period or continuous protection

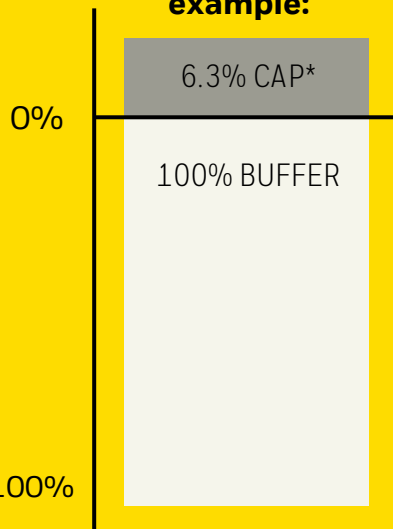
Target outcome ETFs

Max buffers

0% to -100%
Annual buffer

Goal: Protection over a defined period

Dec max buffer
example:



iShares Max Buffer ETFs		
Max buffer	Starting cap	Outcome period
Sep	7.30%	Oct 1 – Sep 30
Dec	6.30%	Jan 1 – Dec 31
Mar	7.61%	Apr 1 – Mar 31
Jun	7.06%	Jul 1 – Jun 30

Laddered buffer ETFs

Moderate

0% to -5%

Quarterly laddered buffer

Goal: More immediate, less protection

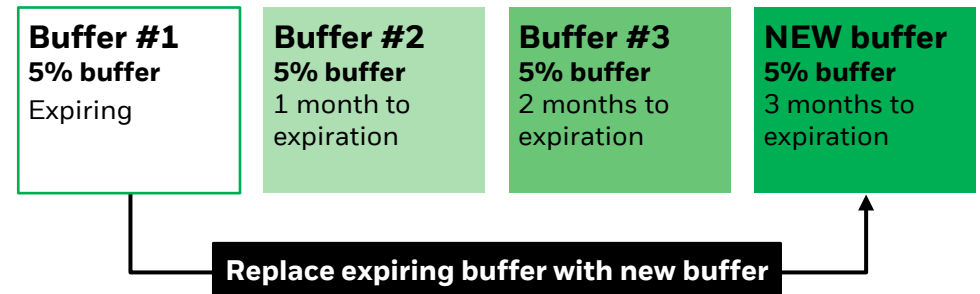
Deep

-5% to -20%

Quarterly laddered buffer

Goal: More protection, less immediate

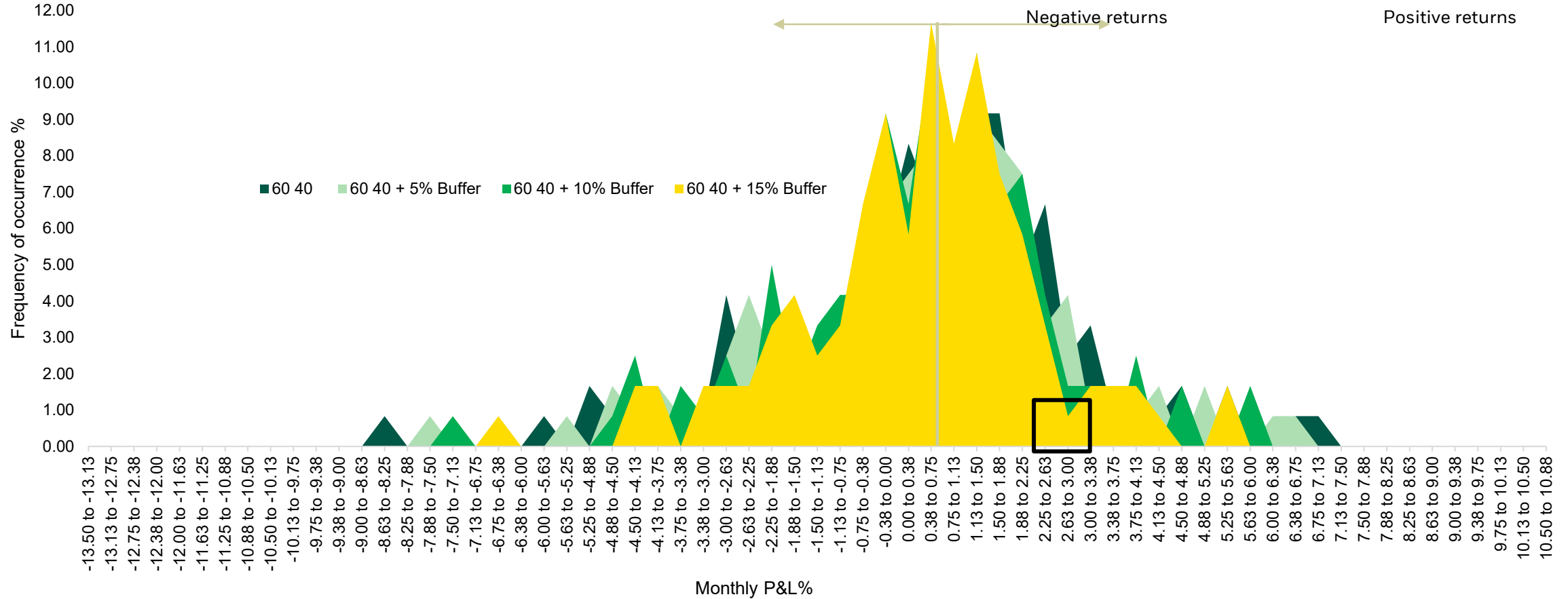
Moderate buffer example: what happens each month?



For illustrative purposes only.*Approximate starting caps and starting buffers are as of the start of each fund's current outcome period. Buffer and cap price levels are reset on an annual basis. Caps will be adjusted based on the cost of the downside buffer.

Cutting off the tails with buffer ETFs

Portfolio Return Distribution



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. 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.

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What's next?

ETF share class: evaluating efficiency

Following SEC approval in January 2025, the ETF share class structure permits the same underlying portfolio to be offered through both mutual fund and ETF vehicles

Potential benefits

Choice of vehicle and **ease of movement** from one structure to the other

Access to potential **tax-efficiency** commonly associated with ETFs

Utilization of **established track record** and **scale** from mutual fund share class

ETF share class

Additional considerations

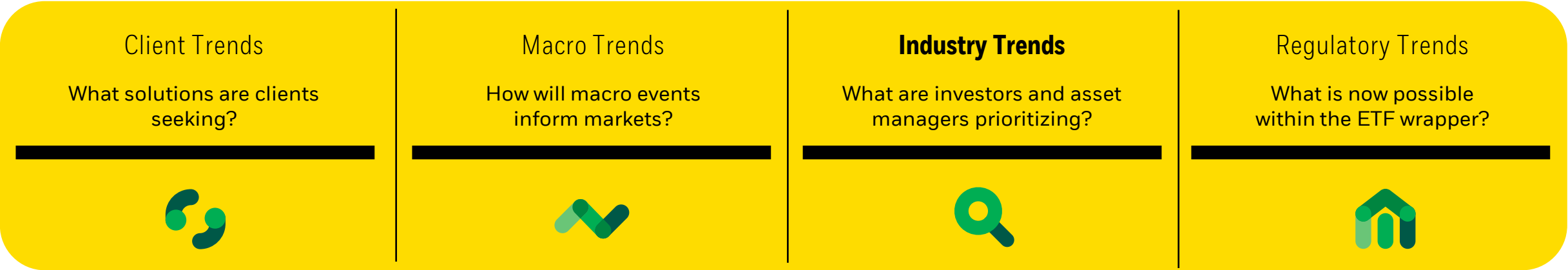
Operational complexity requires an **advanced ecosystem** that remains new to many asset managers

Mutual fund activity may introduce **inefficiencies**, requiring careful analysis by both asset managers and advisors

All strategies may not be well-suited, including those that are **capacity constrained** or **less liquid**

The next wave of innovation

Disciplined, client-centric product innovation. Purpose-built tools designed to help investors reach long-term goals



← **Our innovation principles** →



Example areas under research



For illustrative purposes only.

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