

# Japan

## A greater role in portfolios

May 2024

### A new policy paradigm

With Japanese inflation now at 2%,<sup>1</sup> the Bank of Japan (BoJ) exiting negative interest rate policy (NIRP) and on a normalisation path versus other developed market (DM) central banks starting to ease, and the growth backdrop stagnating, why look at Japan now?

Firstly, the growth backdrop appears challenged but not concerning, in our view. Final GDP readings for Q4 were revised higher and survey data and activity indicators, such as PMIs, point to a bottoming out of activity. The wage negotiation progress in March, resulting in a 5.3% rise in wages,<sup>2</sup> suggests that a virtuous cycle of inflation is starting to take hold.

Secondly, we believe the BoJ's shift towards positive policy rates should be taken as a step towards policy normalisation, not a tightening of financial conditions. We see this as a positive: Japan's financial system is functioning at a level that doesn't require constant central bank intervention. The policy shift has only been made possible by the hard-won return to inflation: we don't think the BoJ will risk undoing this, meaning that policy will likely remain relatively accommodative.

Thirdly, while the end of yield curve control removes a guaranteed buyer from the bond market, we see potential for institutional investors that historically only bought bonds to rotate into equities as the new policy paradigm takes hold.

### Reform momentum

Return on equity and capital efficiency have historically lagged in Japan versus other developed markets, causing some investors to steer away from the region. We see this changing, however, with momentum behind broad-based reforms supporting the BlackRock Investment Institute's positive tactical and strategic view on Japan. Increased focus on shareholder value is not a short-term trend, in our view: it represents the culmination of a decade of corporate reform driven by the Tokyo Stock Exchange. We think progress on shareholder reforms justifies a higher valuation premium for Japanese equities.

Meanwhile, the push to encourage domestic investors to participate in the equity market through favourable tax treatment offers another tailwind. With 55% of Japanese household assets in currency and deposits earning little or no interest and only 10% in equities (versus 39% and 20% in the US and eurozone, respectively – see chart 1),<sup>3</sup> this could be a catalyst for a shift in domestic allocations to Japanese equities.

### Overlooked

Japan has often been overlooked by international investors in the past. We see reasons for this to change, however, and double down on Japanese equities amid an inflation renaissance, corporate reform and increasing domestic investor participation.

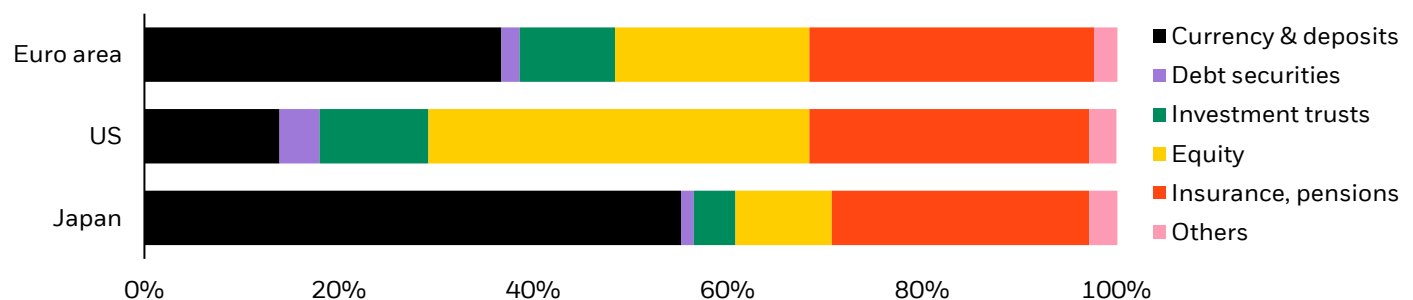
### Room to rise

Positioning data shows that investors are only just starting to warm to Japanese equities. We therefore see plenty of room for allocations to rise, especially in the context of the underweights we typically see in EMEA portfolios.

### Improving portfolios

Our analysis suggests that closing underweights to Japanese equities can significantly improve the average EMEA portfolio's risk-return profile. We outline a range of ways to access Japan through index or alpha-seeking exposures.

Chart 1: Composition of household assets across the euro area, US and Japan, June 2023



Source: Bank of Japan, Goldman Sachs Research, as of 1 June 2023. BoJ data as of August 2022.

<sup>1, 2</sup> Source: Bloomberg, as of 16 April 2024.

<sup>3</sup> Source: Bank of Japan, Goldman Sachs Research, as of 1 June 2023. BoJ data as of August 2022.

“I think Japan’s really interesting. For many years, the question on Japanese equities has been ‘why?’. For the first time, Japan actually has wage inflation. It’s really happening. And so, I think Japan is an interesting place to get equity exposure.”



**Rick Rieder, Head of BlackRock Global Allocation Team**

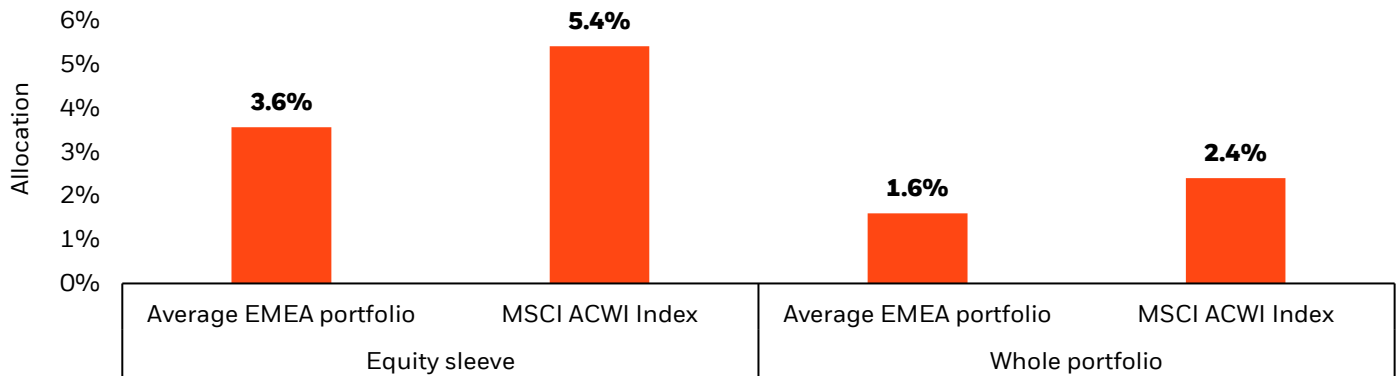
## Sizing Japan in portfolios

Foreign investors have been returning to Japanese equity ETPs with conviction in 2024: EMEA- and US-listed Japanese equity ETPs have gathered \$1.7B and \$3.5B YTD, respectively – already reaching 50% of the totals witnessed across 2023 as a whole.<sup>4</sup> This suggests that investors are starting to warm to Japan, but we think there’s further to go. Our analysis shows that the average multi-asset EMEA portfolio is currently significantly underweight Japanese equities, and that increasing allocations to the region can result in an increase in diversification properties.

### A significant underweight in EMEA portfolios

We analysed the positioning of 294 of the largest moderate risk multi-asset funds domiciled in EMEA, with assets under management amounting to nearly half a trillion US dollars. This analysis shows that the average allocation to Japanese equities stands at just 3.6% of the equity sleeve (or 1.6% of the whole portfolio, based on an average 45% allocation to equities). This is significantly below the indicative benchmark allocation based on the MSCI ACWI Index, in which Japanese equities account for 5.3% (or 2.4% of the whole portfolio, based on a 45% allocation to equities).

**Chart 2: Allocation to Japanese equities in average moderate risk EMEA portfolio versus MSCI ACWI Index, April 2024**



Source: BlackRock and MSCI, as of 30 April 2024. Time period: 10 years. Morningstar, EMEA average portfolio positioning as of 31 March 2024. These portfolios represent a sample of the various possible solutions on the efficiency frontier. 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. ‘Whole portfolio’ allocations based on equity sleeve accounting for 45% of portfolio.

### Japan’s role as a diversifier

We see an important role for Japanese equities in portfolios and a strong case for closing underweight allocations, due not only to the strategic investment case outlined on page 1, but also to their diversification benefits. As chart 3 highlights, Japanese equities are relatively uncorrelated to other markets, with sub-50% correlation to most; only Chinese equities provide comparable levels of diversification.

Diversification may not fully protect you from market risk.

**Chart 3: 10-year forward-looking correlations between Japan and other major equity markets, April 2024**

	US	Europe ex UK	UK	Japan	APAC ex Japan	China	EM	Global
US	100%	76%	70%	54%	69%	49%	71%	98%
Europe ex UK	76%	100%	83%	46%	76%	46%	72%	84%
UK	70%	83%	100%	41%	75%	48%	65%	78%
Japan	54%	46%	41%	100%	44%	36%	48%	59%
APAC ex Japan	69%	76%	75%	44%	100%	57%	79%	79%
China	49%	46%	48%	36%	57%	100%	50%	57%
EM	71%	72%	65%	48%	79%	50%	100%	80%
Global	98%	84%	78%	59%	79%	57%	80%	100%

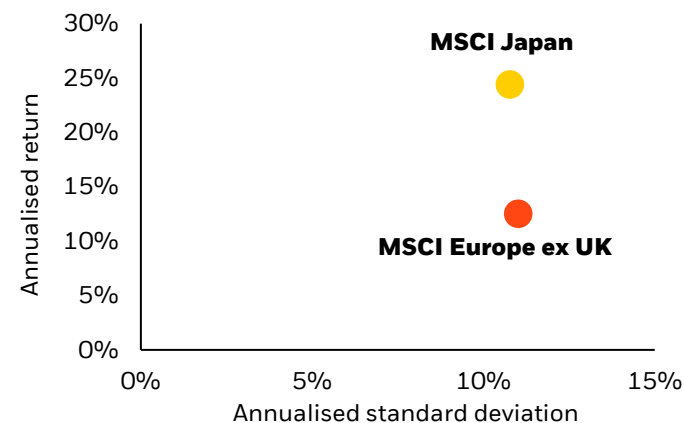
Source: BlackRock, April 2024. US = MSCI US Index; Europe ex UK = MSCI Europe ex UK Index; UK = MSCI UK Index; Japan = MSCI Japan Index; APAC ex Japan = MSCI Pacific ex Japan Index; China = MSCI China Index; EM = MSCI EM Index; Global = MSCI All Country World Index.

<sup>4</sup> Source: BlackRock and Markit, as of 16 April 2024.

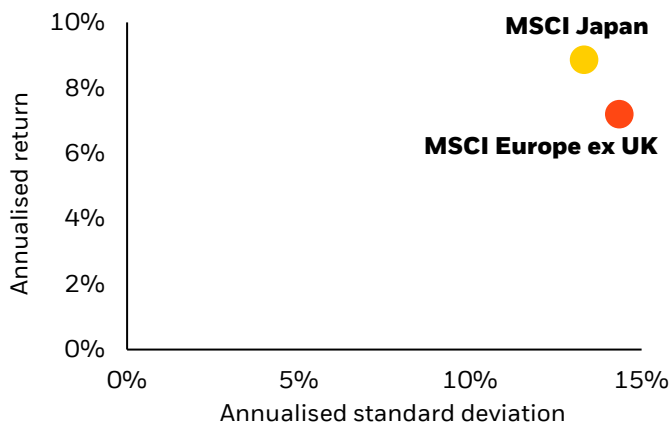
**An attractive risk-return profile for EMEA investors**

Not only does an increased allocation to Japanese equities offer an opportunity to benefit from the diversification properties outlined in chart 3, it could also improve the overall portfolio’s risk-return profile. Indeed, compared to European equities, for example – which are a core exposure in EMEA portfolios – Japanese equities have delivered greater risk-adjusted returns over the past one and 10 years (see charts 4 and 5).

**Chart 4: One-year historical risk-return profile of MSCI Japan and MSCI Europe ex UK, February 2024**



**Chart 5: 10-year annualised historical risk-return profile of MSCI Japan and MSCI Europe ex UK, February 2024**

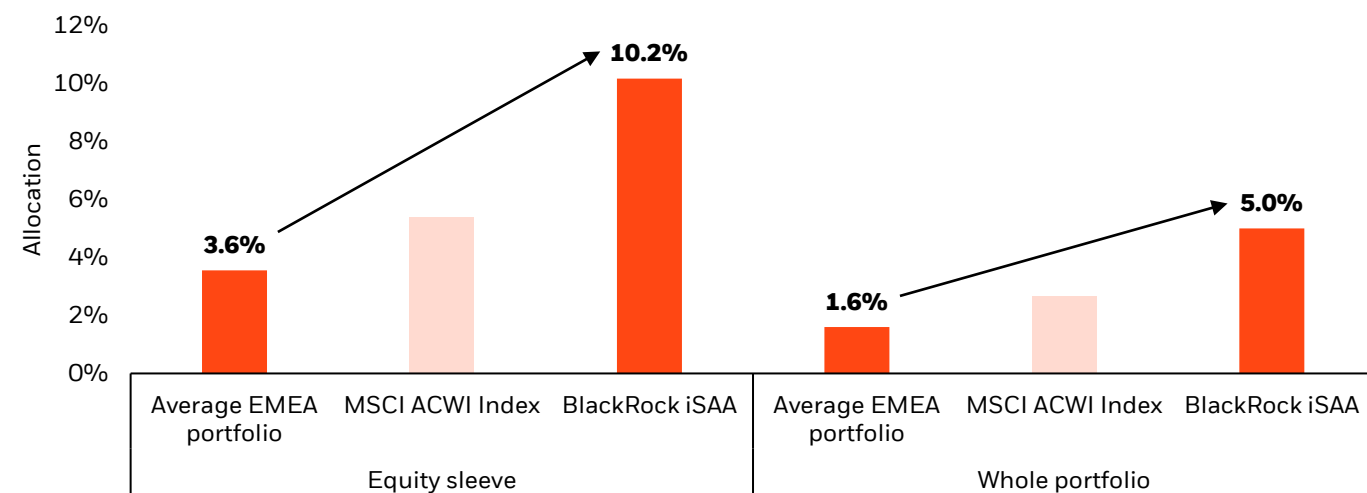


**The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock, as of 29 February 2024. Periods covered: 01/03/2023-29/02/2024 (chart 4); 01/03/2014-29/02/2024 (chart 5).

**The optimal Japanese equity allocation**

Taking into account the diversification benefits of Japanese equities and their attractive risk-return profile, we argue that even a benchmark-level allocation to the region is sub-optimal. To identify an optimal strategic allocation for the average moderate risk multi-asset EMEA portfolio, we leverage BlackRock’s EMEA Indicative Strategic Asset Allocation (iSAA) for Q1 2024, optimised for a moderate level of risk. As shown in chart 6, this calls for almost a trebling of current allocations to Japanese equities from 3.6% to 10.2% of the equity sleeve, within an overall increase in equity allocations in the average moderate risk multi-asset EMEA portfolio from 45% to 49.2%.

**Chart 6: Japanese equity allocation optimised for moderate risk multi-asset EMEA portfolio, May 2024**



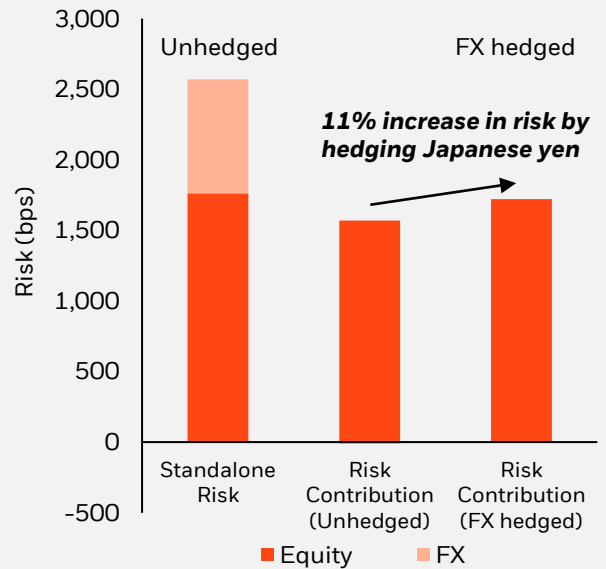
**This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise – or even estimate – of future performance.** Forecasts are not a reliable indicator of future performance. Source: BlackRock Investment Institute. Data as of 30 April 2024; time period: 10 years. Morningstar, EMEA average portfolio positioning as of 31 March 2024. 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. 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. ‘Moderate risk portfolio’ defined as one targeting 9% volatility. ‘Whole portfolio’ weighting for average EMEA portfolio based on equity sleeve accounting for 45% of average EMEA portfolio analysed; ‘Whole Portfolio’ weighting for MSCI ACWI Index and BlackRock iSAA based on equity sleeve accounting for 49.2% of a multi-asset EMEA portfolio optimised for a moderate level of risk.

## To hedge or not to hedge?

In the short term, we see a case for hedging yen exposure due to the carry on offer and low hedging costs – although directionally, we see more two-sided risks for the yen after its substantial depreciation, especially as the BoJ has exited NIRP and communicated its willingness to intervene should the currency weaken much beyond current levels. On a strategic asset allocation basis, we favour unhedged exposure, given that it has traditionally cushioned to the downside in times of market stress. It's also worth noting that while Japanese equities are broadly negatively correlated with the Japanese yen, this correlation has become weaker since 2020. As a result, the direction of the yen may no longer have such a strong influence on equity market returns.

Another reason behind our preference for an unhedged allocation: yen exposure can provide additional diversification benefits in portfolios. Hedging yen exposure has often added risk, especially when incorporating local equity and FX correlations. As shown in chart 7, hedging JPY has actually historically increased volatility by 11%.<sup>5</sup>

Chart 7: Risk contribution of hedging the yen vs. unhedged



Source: BlackRock, April 2024.

## How to access Japanese equities

We look across the spectrum at ways to access Japanese equities:

**Broad beta:** large and mid cap market-weighted funds offer simple access to Japanese equities, providing diversification benefits and serving as a core portfolio building block for those seeking to track the broader market. Given their inclusion in international/global equity benchmarks, we expect these indices will remain the most popular way to invest in the region.

**Alpha-seeking:** style leadership in Japanese equities changes frequently, a feature that may lend itself to an active management style that is able to exploit frequent rotations in market leadership. Funds that combine bottom-up and top-down thematic approaches may be well-positioned to identify the winners from economic shifts. Given that Japan is a highly macro-sensitive market, a balanced and risk-controlled approach is crucial, in the pursuit of stable alpha.

<sup>5</sup> Source: BlackRock, April 2024.

**This document is marketing material:** Before investing please read the Prospectus and the PRIIPs KID available on [www.blackrock.com/it](http://www.blackrock.com/it), which contain a summary of investors' rights.

## Risk Warnings

**Capital at risk.** The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

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.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

## Important Information

**This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.**

**This document is marketing material.**

**In the UK and Non-European Economic Area (EEA) countries:** this is issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

**In the European Economic Area (EEA):** this is issued by BlackRock (Netherlands) B.V., authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded.

**In Italy:** For information on investor rights and how to raise complaints please go to <https://www.blackrock.com/corporate/compliance/investor-right> available in Italian.

**In Israel and South Africa:** this is issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

## For investors in Bahrain

**The information contained in this document is intended strictly for sophisticated institutions.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are "forward looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

## For investors in Dubai (DIFC)

BlackRock Advisors (UK) Limited - Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of 'Advising on Financial Products' and 'Arranging Deals in Investments' in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

**The information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority ("DFSA") Conduct of Business (COB) Rules.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

#### **For investors in Israel**

BlackRock Investment Management (UK) Limited is not licensed under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the “Advice Law”), nor does it carry insurance thereunder.

#### **For investors in Kuwait**

**The information contained in this document is intended strictly for sophisticated institutions that are ‘Professional Clients’ as defined under the Kuwait Capital Markets Law and its Executive Bylaws.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

#### **For investors in Oman**

**The information contained in this document is intended strictly for sophisticated institutions.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

#### **For investors in Qatar**

**The information contained in this document is intended strictly for sophisticated institutions.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.



## **For investors in Saudi Arabia**

**This material is for distribution to Institutional and Qualified Clients (as defined by the Implementing Regulations issued by Capital Market Authority) only and should not be relied upon by any other persons.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

## **For investors in Switzerland**

This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services (“FinSA”).

For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: [www.blackrock.com/finsa](http://www.blackrock.com/finsa).

## **For investors in United Arab Emirates**

The information contained in this document is intended strictly for Professional Investors.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

## **For investors in South Africa**

Please be advised that BlackRock Investment Management (UK) Limited is an authorised Financial Services provider with the South African Financial Services Conduct Authority, FSP No. 43288.

## **For investors in South Africa and Mauritius**

**The information contained in this document is intended strictly for Sophisticated Investors.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or

for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

## **For investors in Botswana, Namibia, and Kenya**

**The information contained in this document is intended strictly for Central Banks and Sovereign Investors.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

### **For investors in Egypt**

**The information contained in this document is intended strictly for Central Banks and Sovereign clients.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

### **For investors in Azerbaijan, Jordan, Kazakhstan, and Pakistan**

**The information contained in this document is intended strictly for Central Banks and Sovereign Investors.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

**The information contained in this document is intended for the exclusive use of Central Banks and Sovereign Investors and is not for redistribution or further dissemination.**

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

BlackRock does not hold any regulatory licenses or registrations in **Egypt, Azerbaijan, Jordan, Kazakhstan, and Pakistan** and is therefore not licensed to conduct any regulated business activity under the relevant laws and regulations as they apply to any entity intending to carry on business in MEA, nor does BlackRock purport to carry on, any regulated activity in any country in MEA. BlackRock funds, and/or services shall not be offered or sold to any person in any jurisdiction in which such an offer, solicitation, purchase, or sale would be deemed unlawful under the securities laws or any other relevant laws of such jurisdiction(s).



This material is provided to the recipient on a strictly confidential basis and is intended for informational or educational purposes only. Nothing in this document, directly or indirectly, represents to you that BlackRock will provide, or is providing BlackRock products or services to the recipient, or is making available, inviting, or offering for subscription or purchase, or invitation to subscribe for or purchase, or sale, of any BlackRock fund, or interests therein. This material neither constitutes an offer to enter into an investment agreement with the recipient of this document, nor is it an invitation to respond to it by making an offer to enter into an investment agreement.

The distribution of the information contained herein may be restricted by law and any person who accesses it is required to comply with any such restrictions. By reading this information you confirm that you are aware of the laws in your own jurisdiction regarding the provision and sale of funds and related financial services or products, and you warrant and represent that you will not pass on or utilize the information contained herein in a manner that could constitute a breach of such laws by BlackRock, its affiliates or any other person.

## Latin America

**In Latin America, for institutional investors and financial intermediaries only (not for public distribution).** This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not be registered with the securities regulators of Argentina, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

**In Argentina,** only for use with Qualified Investors under the definition as set by the Comisión Nacional de Valores (CNV).

**In Brazil,** this private offer does not constitute a public offer, and is not registered with the Brazilian Securities and Exchange Commission, for use only with professional investors as such term is defined by the *Comissão de Valores Mobiliários*.

**In Chile,** the sale of each fund not registered with the CMF is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF.

**In Colombia,** the sale of each fund discussed herein, if any, is addressed to less than one hundred specifically identified investors, and such fund may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia. With the receipt of these materials, and unless the Client contacts BlackRock with additional requests for information, the Client agrees to have been provided the information for due advisory required by the marketing and promotion regulatory regime applicable in Colombia.

**IN MEXICO, FOR INSTITUTIONAL AND QUALIFIED INVESTORS USE ONLY. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. THIS MATERIAL IS PROVIDED FOR EDUCATIONAL AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SHARES OF ANY FUND OR SECURITY.** This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the "CNBV") and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services ("Investment Services") is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. These materials are shared for informational purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Securities (*Ley del Mercado de Valores*). Each potential investor shall make its own investment decision based on their own analysis of the available information. Please note that by receiving these materials, it shall be construed as a representation by the receiver that it is an Institutional or Qualified investor as defined under Mexican law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión ("BlackRock México Operadora") is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services. For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in [www.blackrock.com/mx](http://www.blackrock.com/mx). This material represents an assessment at a specific time and its information should not be relied upon by you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. For more information on BlackRock México, please visit: [www.blackrock.com/mx](http://www.blackrock.com/mx).

BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora. For the full disclosure, please visit [www.blackrock.com/mx](http://www.blackrock.com/mx) and accept that your personal information will be managed according with the terms and conditions set forth therein.

**In Peru**, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the *Superintendencia de Banca, Seguros y AFP*.

**In Uruguay**, the securities are not and will not be registered with the Central Bank of Uruguay. The Securities are not and will not be offered publicly in or from Uruguay and are not and will not be traded on any Uruguayan stock exchange. This offer has not been and will not be announced to the public and offering materials will not be made available to the general public except in circumstances which do not constitute a public offering of securities in Uruguay, in compliance with the requirements of the Uruguayan Securities Market Law (Law N° 18.627 and Decree 322/011).

**For investors in Central America**, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor's own risk. In Costa Rica, any securities or services mentioned herein constitute an individual and private offer made through reverse solicitation upon reliance on an exemption from registration before the General Superintendence of Securities ("SUGEVAL"), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities ("Reglamento sobre Oferta Pública de Valores"). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon their request and instructions, and on a private placement basis. In Guatemala, this communication and any accompanying information (the "Materials") are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this "Jurisdiction"), or the conducting of any brokerage, banking or other similarly regulated activities ("Financial Activities") in the Jurisdiction. Neither BlackRock, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BlackRock, nor the securities, products, services or activities described herein, are regulated or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BlackRock only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations, if any.

**For investors in the Caribbean**, any funds mentioned or inferred in this material have not been registered under the provisions of the Investment Funds Act of 2003 of the Bahamas, nor have they been registered with the securities regulators of Bermuda, Dominica, the Cayman Islands, the British Virgin Islands, Grenada, Trinidad & Tobago or any jurisdiction in the Organisation of Eastern Caribbean States, and thus, may not be publicly offered in any such jurisdiction. The shares of any fund mentioned herein may only be marketed in Bermuda by or on behalf of the fund or fund manager only in compliance with the provision of the Investment Business Act 2003 of Bermuda and the Companies Act of 1981. Engaging in marketing, offering or selling any fund from within the Cayman Islands to persons or entities in the Cayman Islands may be deemed carrying on business in the Cayman Islands. As a non-Cayman Islands person, BlackRock may not carry on or engage in any trade or business unless it properly registers and obtains a license for such activities in accordance with the applicable Cayman Islands law. In the Dominican Republic, any securities mentioned or inferred in this material may only be offered in a private character according to the laws of the Dominican Republic, falling beyond the scope of articles 1 numeral (31), 46 et al of Law 249-17 dated 19 December 2017, as amended and its Regulations. Since no governmental authorizations are required in such offering, any "securities" mentioned or inferred in this material have not been and will not be registered with the Stock Market Superintendency of the Dominican Republic (Superintendencia de Mercado de Valores de la República Dominicana), and these "securities" may only be circulated, offered and sold in the Dominican Republic in a private manner based on the criteria established under Dominican laws and regulations.

**For Offshore Wealth Investors, for institutional investors and financial intermediaries only (not for public distribution).** The information contained herein is for informational purposes only and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. An assessment should be made as to whether the information is appropriate for you having regard to your objectives, financial situation, and needs.

This information does not consider the investment objectives, risk tolerance, or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations.

**This material is restricted to distribution to non-U.S. Persons outside the United States within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Any securities described herein may not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and may not be offered, sold, pledged or otherwise transferred except to persons outside the U.S. in accordance with Regulation S under the Securities Act pursuant to the terms of such securities. In particular, any UCITS funds mentioned herein are not available to investors in the U.S. and this material cannot be construed as an offer of any UCITS fund to any investor in the U.S.**

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

© 2024 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS and iSHARES are trademarks of BlackRock, Inc. or its affiliates. All other trademarks are those of their respective owners.

## Want to know more?



[BlackRock.com](https://www.blackrock.com)



[GPSEMEAIvestmentStrategy@blackrock.com](mailto:GPSEMEAIvestmentStrategy@blackrock.com)