THIS DOCUMENT IS MARKETING MATERIAL

Turning views into action

BlackRock

Three themes for summer 2024

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.

We think there's a seismic structural transformation underway, with the potential to reshape the investment landscape. It's being driven by a potential surge in business spending on artificial intelligence (AI), the rewiring of global supply chains – with many companies moving production facilities closer to home – and the low-carbon transition. However, the speed at which businesses will invest in these themes – and the amount they will invest – remains unclear, and this comes against an uncertain economic backdrop, with muted growth and still-high interest rates in many countries. In our view, this calls for a more nimble, granular approach to investing – that is, reassessing investment decisions more frequently and being alert to opportunities in specific countries or industries.

> **We still see opportunity in US stocks, particularly those aligned to the AI theme, but we also like markets such as the UK, Japan, Europe and India. We look to the next leg of the AI trade, focusing on digital security, energy and infrastructure. And with interest rate cuts not having materialised as fast as expected, we still see an opportunity for investors to earn relatively attractive income in government bonds.**

Karim Chedid
Head of Investment Strategy, GPS EMEA

Our investment themes for summer 2024:

1. Going global to find opportunity

While US tech stocks have remained in focus, we see opportunities in other developed markets such as Japan, Europe and the UK. Some emerging markets also look attractive, in our view, such as India.

2. Generating income

Inflation has fallen this year, but not as fast as many expected, so developed market central banks have been slow to cut interest rates. This means that investors can still access attractive levels of income in government bonds.

3. AI: the next leg

Interest in AI and related companies – particularly semiconductor producers – has continued this year. As we look to the next leg of the trade, we see opportunities in digital security, infrastructure and energy, which we think will be crucial in building out the AI ecosystem.

1. Going global to find opportunity

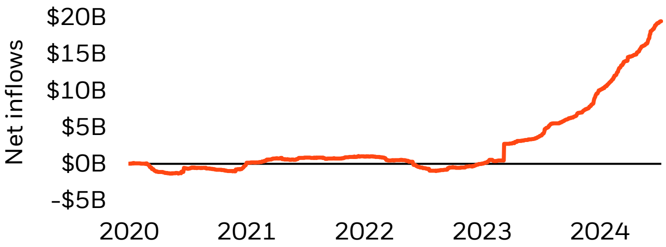
US tech has remained the key focus for many investors in recent months, but we've seen opportunities develop in other regions. For example, Japanese stocks have become more attractive, in our view, due to corporate reforms that we think will benefit investors, as well as a pickup in inflation in Japan – which is incentivising Japanese residents to invest to try to grow their savings, which could support the stock market. Opportunities are emerging in Europe too, although we prefer a selective approach, given a backdrop of recent political uncertainty and with tailwinds that could support some industries more than others. European banks are one area we like: valuations look appealing, and while the European Central Bank has started to cut interest rates, they remain at relatively high levels – which tends to be beneficial for banks' earnings. We also believe that UK stocks – particularly indices such as the FTSE 100, which comprise large, multinational companies – seem relatively cheap and may be well positioned to benefit from their strong tilt towards sectors such as energy and financial services.

EIIiH0724E/S-3718815-1/3

It's not only developed markets where we're finding opportunity: some emerging markets, such as India, also look attractive, in our view. We think India's stable economic and policy outlook (after the country's recent election) should be supportive of Indian stocks. Although they may appear relatively highly valued, we think this is justified, and we see India supported by long-term tailwinds including youthful demographics and the rewiring of global supply chains.

Chart 1: Investors have been warming to India

Cumulative flows into Indian equity exchange-traded products, 2020-2024



Source: BlackRock and Markit, as of 3 July 2024. **Past flows into global ETPs are not a guide to current or future flows and should not be the sole factor of consideration when selecting a product.**

2. Generating income

Inflation has fallen in recent months, but not as fast or as far as many had expected. It's close to central banks' targets in many countries, yet prices for some goods and services are still high. Meanwhile, economic growth has remained quite resilient, so central banks haven't been incentivised to try to boost activity by lowering interest rates. All of this means that most developed market central banks have been slower to cut rates than investors had expected. Bond yields have therefore remained relatively high and continue to offer income for investors.

As and when interest rates do fall, and yields follow, investors may see the value of their bonds increase, due to the inverse relationship between bond yields and bond prices. Added to which, we think it's important to build diversified portfolios, including bonds alongside stocks. Bonds issued by highly rated governments (e.g. UK Gilts) and firms with track records of delivering coupon payments and relatively low risk of defaulting on their debt could help bolster portfolios and provide an income stream.

Chart 2: Bond yields are still at their highest in over a decade

UK 10-year Gilt yields, 2000-2024

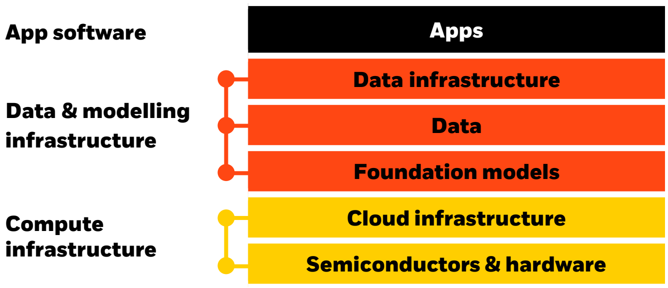
Source: LSEG Datastream and BlackRock Investment Institute, as of 5 July 2024.

3. AI: the next leg

Developments in AI have grabbed headlines and investor attention since early 2023. This has helped to drive focus on the companies that investors believe are best positioned to benefit – particularly US tech stocks and global semiconductor companies. We still like semiconductors as a foundational play, but also look to the next leg of the AI trade, centred on the rapid growth of tools and the vast data sets required to train them. We think this opens opportunities in three key areas: protecting data and consumers from digital threats, building out the vast infrastructure required to support AI, and powering these new energy-hungry applications.

We expect to see significant investment in digital security, as firms seek cutting-edge solutions to protect large datasets used to train AI models – and their consumers. Significant spending on infrastructure will also be needed as companies continue to invest in AI capabilities: the technology will require more servers and more data centres to house them – which will in turn drive demand for water cooling systems and energy infrastructure. AI data centres' electricity consumption is expected to total as much as 1k terawatt hours by 2026, roughly equal to the total current power demand of Japan and significantly outpacing current supply.[1] Beyond the power demands of data centres, the average search using generative AI can use nearly 10x the energy of a conventional web search.[2]

Chart 3: The AI ecosystem



Source: BlackRock Investment Institute, December 2023. The schematic shows the technologies we think will be needed to develop AI applications. Each layer builds on the one preceding as technologies get 'stacked' on top of one another, enabling further innovation. The schematic is for illustrative purposes only and intended as a guide based on what we know today. As the AI ecosystem evolves some categories may be replaced by newer ones.

[1] Source: BlackRock, The new infrastructure blueprint, June 2024. [2] Source: Joule, "The growing energy footprint of artificial intelligence," October 2023.

This document is marketing material: Before investing please read the Prospectus and the PRIIPs KID available on 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

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.

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 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 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.

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.

BlackRock.