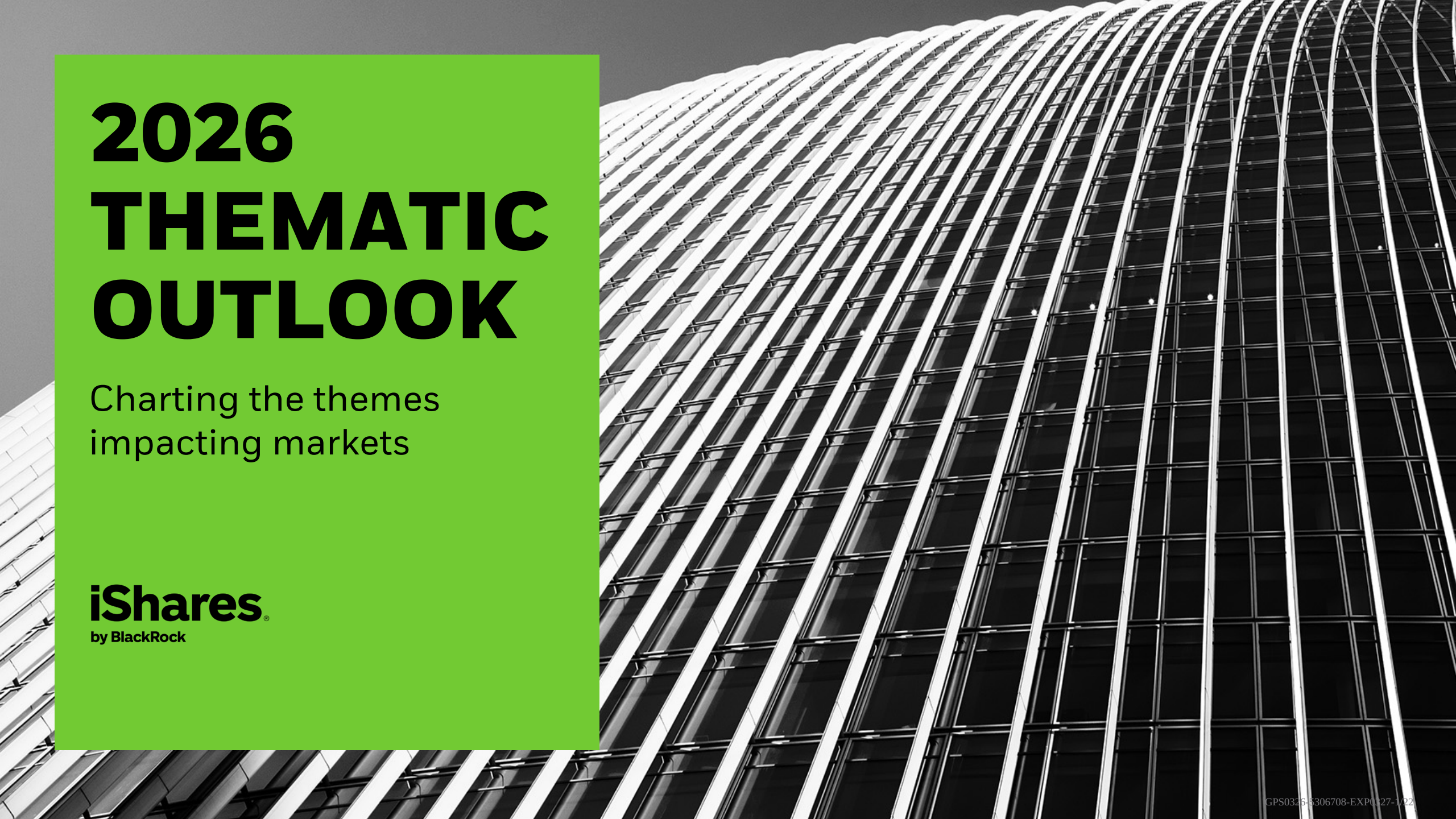
2026 THEMATIC OUTLOOK

Charting the themes impacting markets

iShares
by BlackRock



GPS0326-5306708-EXP0227-1/22



KEY TAKEAWAYS

Over the past 12 months, themes have driven markets in unprecedented ways. From AI, to cryptocurrency, to geopolitical fragmentation and infrastructure.

Our 2026 Thematic outlook explores **10 key charts** that illustrate what we've learned and what has changed along with **2 bonus charts** on what the next-order implications of these powerful mega forces may be.



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1. **Themes continue to drive markets as they converge in new and increasingly impactful ways**

2. **We have yet to scratch the surface on much of AI's potential, especially at the intersection of "compute and conflict"**

3. **Global infrastructure opportunities require more energy, with U.S. natural gas serving as a potential focus across "pipes and power"**

4. **As the thematic landscape changes– so may the ways we invest in it, including both private, public, and tokenized exposures**

THEMES CONTINUE TO DRIVE MARKETS AS THEY ARE….

BIG

U.S thematic fund AUM has grown 11x over the past decade.[1]

GROWING

2025 marked the highest flows for thematic ETFs across index & active since 2021 with $68B+ in flows.[2]

IMPACTING BEHAVIORS

One study found- "Sector & Thematic" funds accounted for 44% of investment queries in answer engines.[3]

MAKING HISTORY

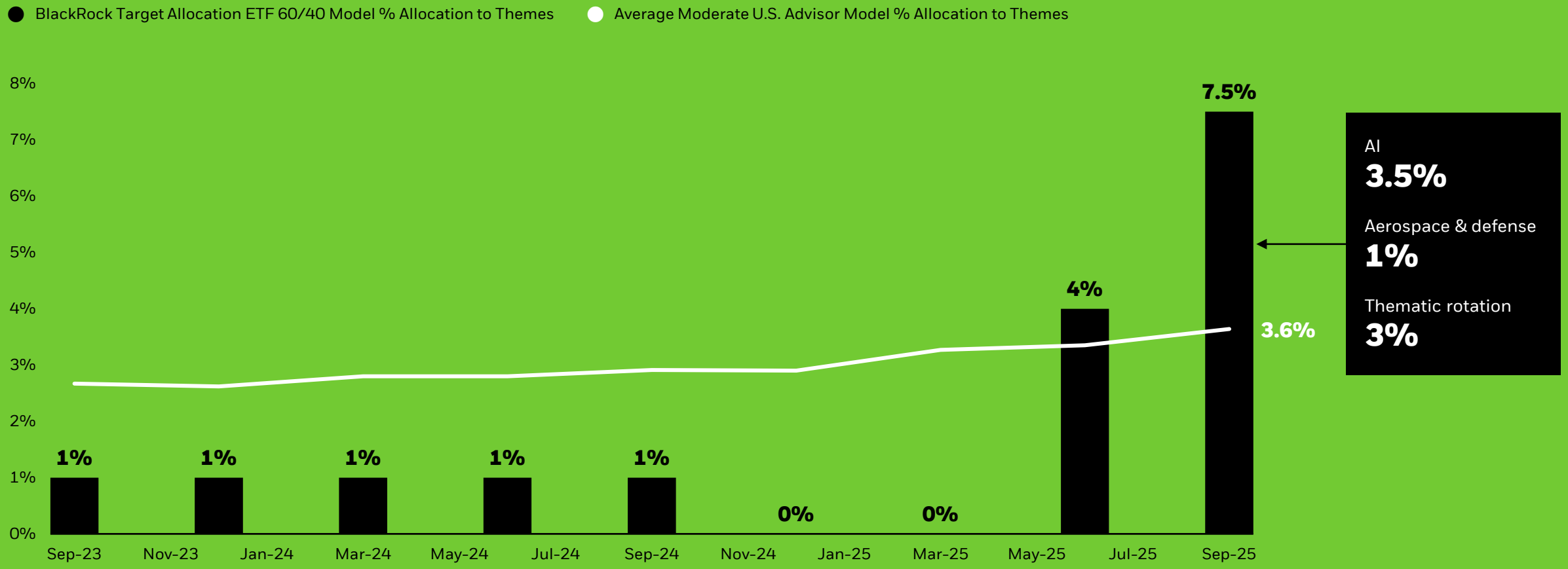
Themes like crypto remain top of mind for investors with iShares Bitcoin Trust ETF (IBIT) remaining the fastest growing ETP in history.[4]

The iShares Trusts are not investment companies registered under the Investment Company Act of 1940, and therefore are not subject to the same regulatory requirements as mutual funds or ETFs registered under the Investment Company Act of 1940. Investments in these products are speculative and involve a high degree of risk

1. Source: BlackRock GBI using Morningstar data as of October 2025, based on assets undermanagement. BlackRock GBI defined Thematic Investments as funds with 100% single sub-sector exposure or exposure to themes allotted to BlackRock's five mega forces. AUM = Assets Under Management
2. Source: BlackRock GBI as of 12/31/2025 based on Morningstar flow data. **3.** . Source: Profound as of October 2025. **4.** Source: BlackRock GBI spanning the period of January 11th 2024 – December 31st 2025. In 2025, IBIT passed $70Bn in AUM in 341 trading days become the fastest ETF to ever hit that threshold.

...AND ARE BECOMING KEY TOOLS IN PORTFOLIO CONSTRUCTION

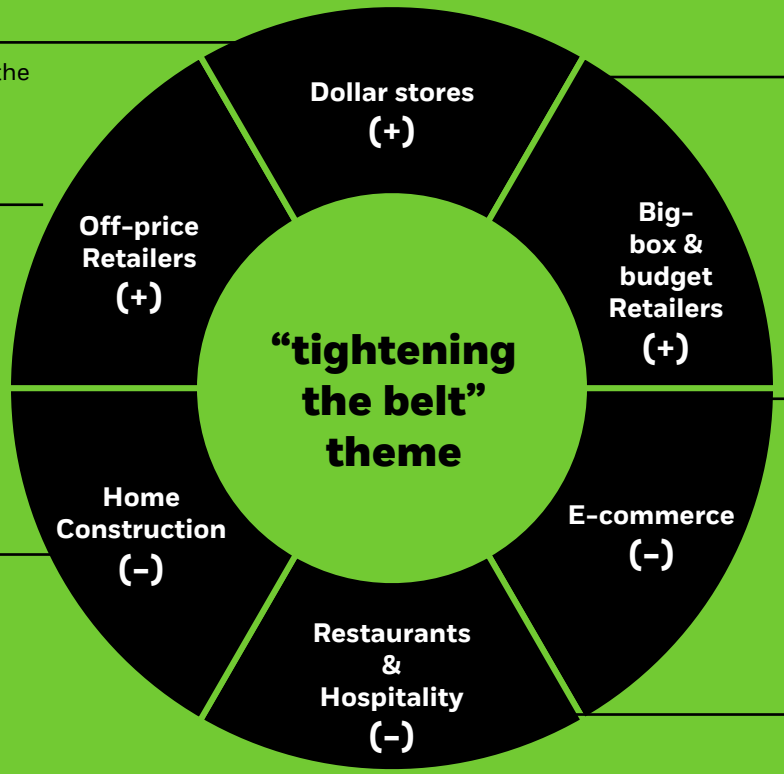
While advisor use of thematics have remained steady, BlackRock model portfolios have accelerated their thematic allocations to complement index, factor and alpha exposures.



BlackRock Target Allocation ETF 60/40 Model % Allocation to Themes data is sourced from BlackRock's Model Portfolio Solutions, as of 12/31/25. Average moderate 60/40 U.S. advisor model % allocation to themes data is as of 12/31/2025, based on analysis of 23,937 U.S. advisor portfolios analyzed by BlackRock's 360º Evaluator tool in Advisor Center over the 12-month trailing period. In the 12% of portfolios that held thematic ETFs, the average allocation to thematics was 3.6%. BlackRock GBI defined Thematic Investments as funds with 100% single sub-sector exposure or exposure to themes allotted to BlackRock's five mega forces. Alpha is the excess return of a fund relative to the return of a benchmark.

CAPTURING NUANCES WITHIN THEMES IS CRUCIAL

Themes like tightening consumer spending highlight both opportunities and risks within consumer sectors- distinguishing the importance of identifying resilient companies from those more exposed to spending pullbacks.



Dollar stores may benefit as consumers move further down the value chain, prioritizing the lowest-cost options.

Off-price retailers have benefited from consumers seeking branded goods at discounted prices, while inventory dislocations across the retail supply chain—including those driven by tariff uncertainty—create attractive buying opportunities that increase customer choice and support margins.

Higher interest rates and tighter household budgets may reduce affordability and discretionary home-related spending, pressuring demand for materials for new construction projects and large-ticket purchases.

Scale, pricing power, and private-label penetration can allow big-box and budget retailers to capture market share as consumers consolidate spending and prioritize value and essentials.

Rising fulfillment and shipping costs and a shift away from discretionary spending may challenge e-commerce profitability and growth as consumers have become more price-sensitive.

As consumers cut discretionary spending, dining out and travel are often among the first deferred, particularly for lower- and middle-income households.

+ / – indicates bullish or bearish views of the theme

INVESTING DYNAMICALLY IN THEMES

Investors interested in taking an active approach to thematic investing may consider the **iShares U.S. Thematic Rotation Active ETF (THRO)**, which seeks long-term capital appreciation via proprietary insights on U.S. market themes that can shape the global economic future.

Views representative of BlackRock Systematic Investors as of January 2026. Views are subject to change.

COMPUTE & CONFLICT

Number of users & depth of usage must be considered to understand AI's full growth potential

But ongoing fears around AI's spending may be overstated

From physical to digital; defense spending cannot be ignored

The shape of defense continues to evolve across autonomous systems and space

COMPUTE & CONFLICT INVESTMENT IDEAS

Investors looking to access the full AI value chain may consider the **iShares Future AI & Tech ETF (ARTY),** or take an active approach with the **iShares A.I. Innovation and Tech Active ETF (BAI),** which seeks to maximize total return and invest in companies across the AI tech stack. Investors interested in the theme of U.S. defense may consider the **iShares U.S. Aerospace & Defense ETF (ITA**), or take an active global approach to companies across aerospace, defense, and cybersecurity with the **iShares Defense Industrials Active ETF (IDEF).**

CHECKING THE AI FUEL GAUGE: TOKEN COUNTS ON THE RISE

Think of tokens as AI's fuel: more computing power or tasks requires more tokens.

More complex tasks (not just more users) are driving the next leg of compute demand

Token intensity rises sharply as AI moves beyond chat and into reasoning

Key term: Tokens are the smallest units of data that AI models process to understand and create content.

Relative token intensity*

1x baseline of a few hundred tokens compute assumes a single chat prompt

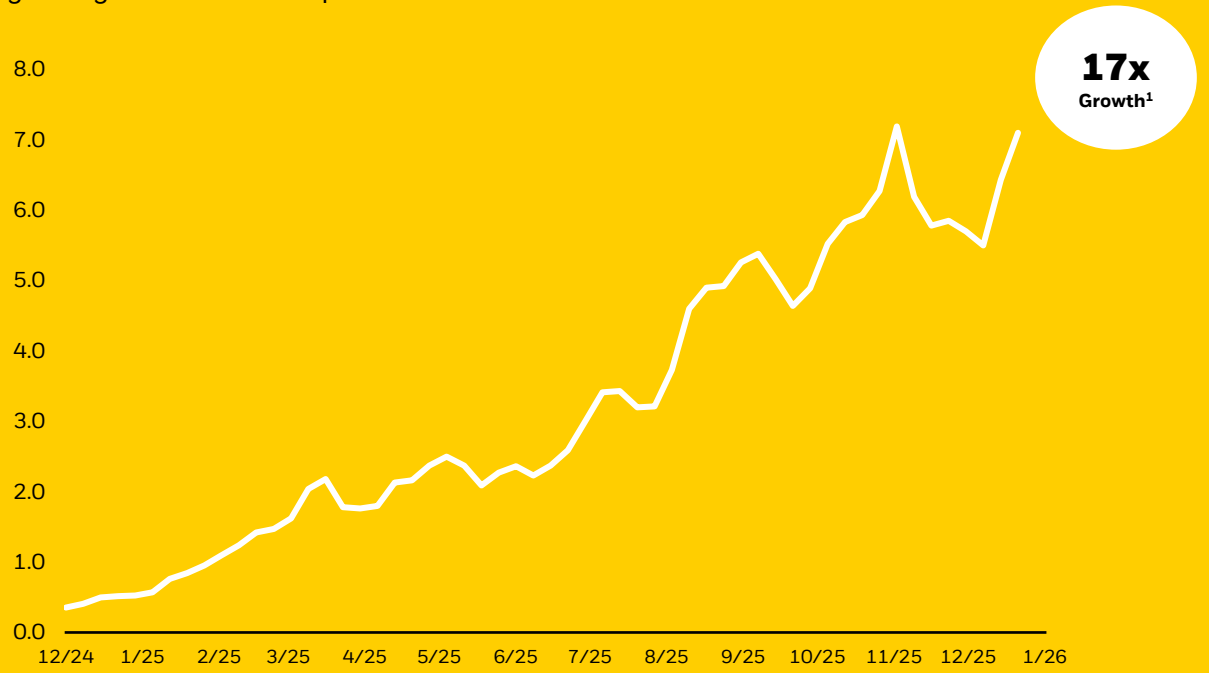
Chat	**1x**
Coding assistants	**10x – 50x**
Video generation	**100x – 500x**
Agentic workloads	**1000x – 10,000x**
Autonomous vehicles & robots*	**100,000x – 1,000,000x**
Drug discovery & molecular simulation*	**1,000,000x**

*These are examples of workloads don't just process text & tokens, they must model the physical and biological world.

Source: BlackRock Fundamental Equities as of 12/31/2025. Estimated token / compute multipliers for illustrative purposes based on public reporting and inference-cost scaling for multimodal and robotic workloads. Exact token counts vary by model, modality and usage.

Total AI token usage per week (in Trillions)

Rising token volume may signal rising and more complex AI workloads, which translates into growing demand for compute



Source: OpenRouter, "LLM Rankings," accessed January 2026. Figure shows the total sum of token usage, both in prompt and completion, across models (including reasoning models) on OpenRouter, a multi-model API gateway.

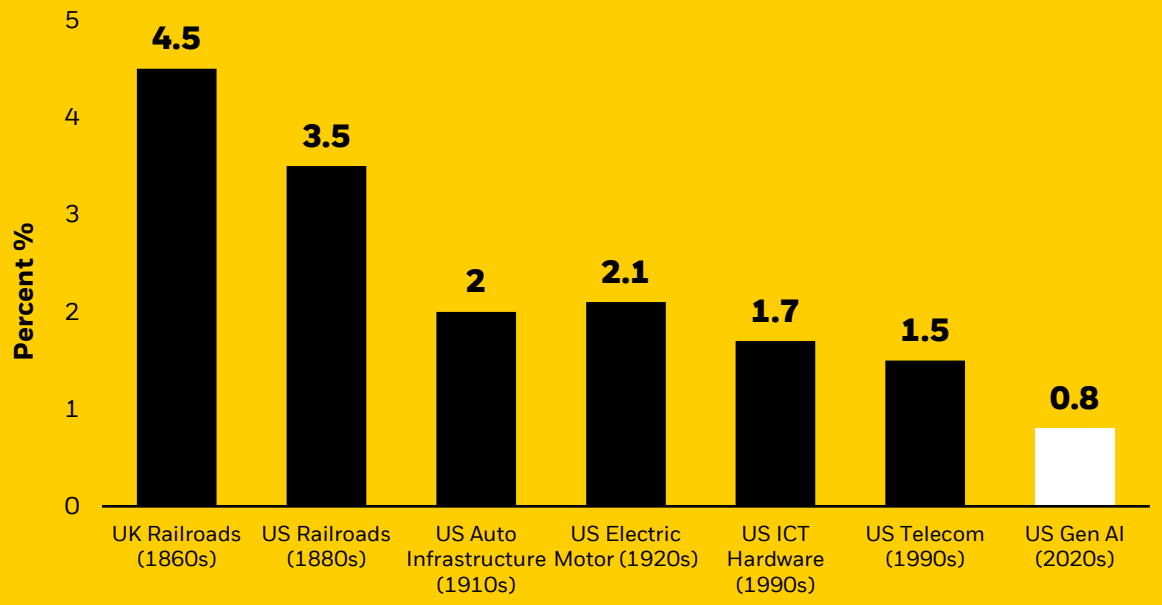
1. Growth measured from 12/24-2024 – 1/12/2026

AI'S GROWTH HAS BEEN MOMENTOUS, BUT BUBBLE FEARS MAY BE OVERSTATED

All eyes have been on the AI revolution amidst fears of entering "bubble" territory. But the data tells a different story.

AI spending is more moderate when put into a historical lens...

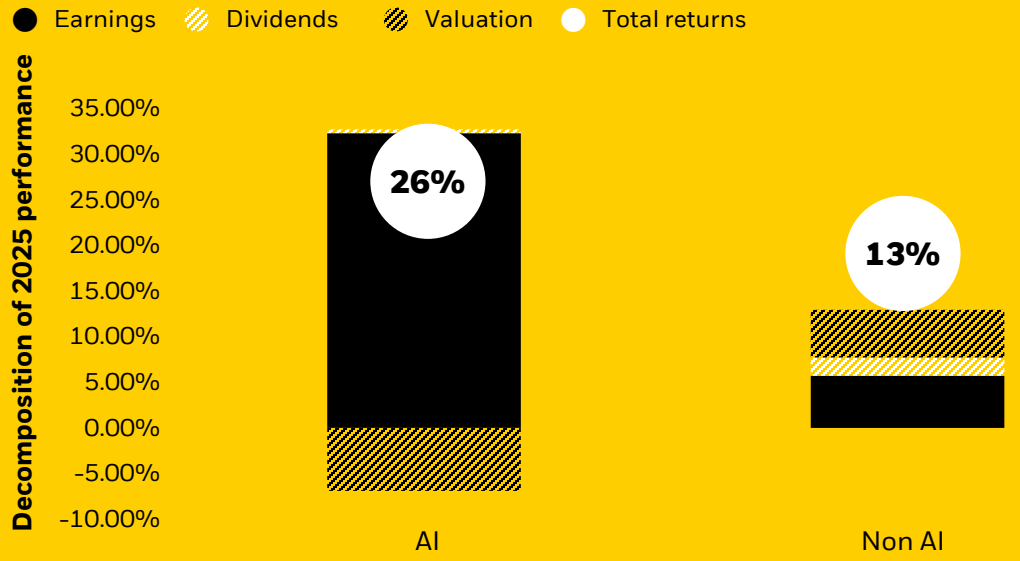
Percent of nation's GDP spent to buildout major historical innovations



Sources: BlackRock, US Bureau of Economic Analysis, Goldman Sachs, as of October 2025.

...and strong AI stock returns have been supported by earnings growth

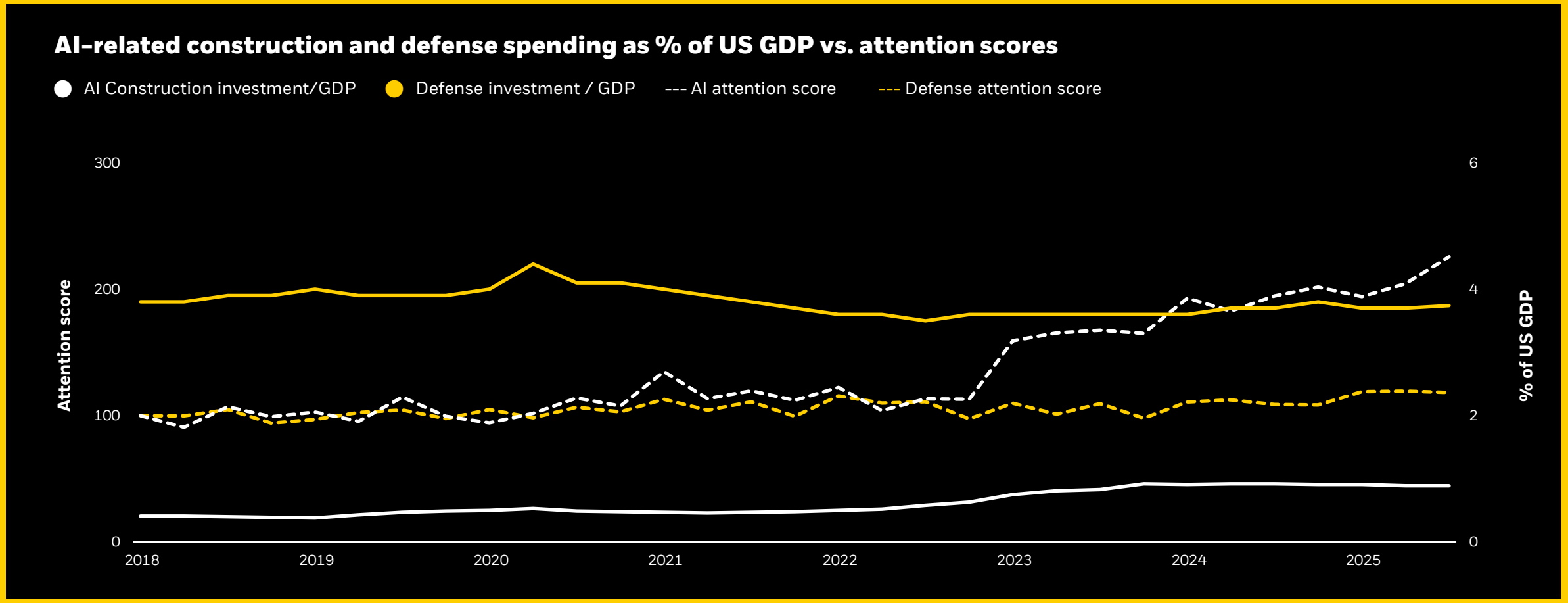
Decomposition of return- AI vs. non AI stocks



Sources: Bloomberg, data as of Dec. 31, 2025. AI companies were identified using an objective holdings-based screen: S&P 500 constituents were classified as 'AI' if, as of December 31st, 2025, they were held in at least one of the five largest (by AUM) U.S.-listed AI-themed ETFs, selected based on stated AI-focused investment objectives/strategy. The resulting AI basket includes 46 S&P 500 companies. Non-AI represents the S&P 500 excluding those AI-classified constituents. ETF selection and constituent classification are rules-based and do not reflect BlackRock's view of any company's current or future AI revenue, business exposure, or prospects. **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.**

DEFENSE SPENDING AND ITS IMPACT ON THE GLOBAL ECONOMY MAY BE OVERLOOKED

Construction related to AI infrastructure accounts for about 1% of GDP yet has attracted significantly more focus than defense, even as global military spending tracks 4x higher. Investor attention could increase as new defense technologies and risks emerge.

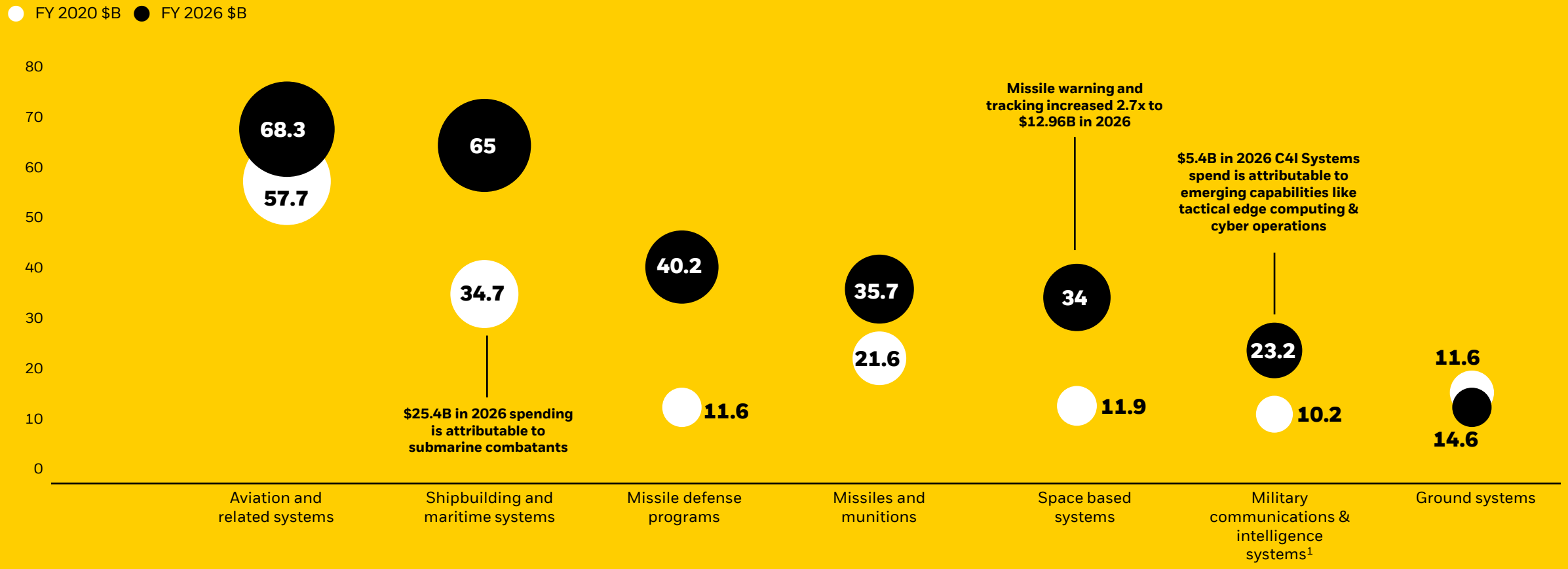


BlackRock as of October 2025. Source, BlackRock, Attention score based on proprietary text analytics to determine an attention score. Scores shown on a 3-month basis rebased to 100 as of April 2018. Defense exposure in the S&P 500 Index is expressed using the market capitalization of US defense beneficiaries identified utilizing BlackRock's proprietary analysis methodology. A.I. exposure in the S&P 500 Index is expressed using the market capitalization of US companies focused on artificial intelligence and technology innovation utilizing BlackRock's proprietary analysis. Subject to change.

ESPECIALLY AS THE SHAPE OF DEFENSE CONTINUES TO CHANGE

Emerging critical technologies saw large increases in the 2026 DoD Budget Request, with spending on space tripling and computing and intelligence doubling since 2020.

U.S. Department of Defense technology acquisition spend by system ($B)



Source: DoD Budget Request FY 2026 U.S. Department of War, Under Secretary of War (Comptroller) **1**. As represented by C4I systems which are integrated military and defense technologies for command, control, communications, computers, and intelligence.

PIPES & POWER

Infrastructure is linking economic ambition with real-world capacity

For AI infrastructure, power availability & reliability remains a key constraint

But where will that power come from? The answer varies across different regions

U.S. natural gas is a pivotal energy source both domestically and globally

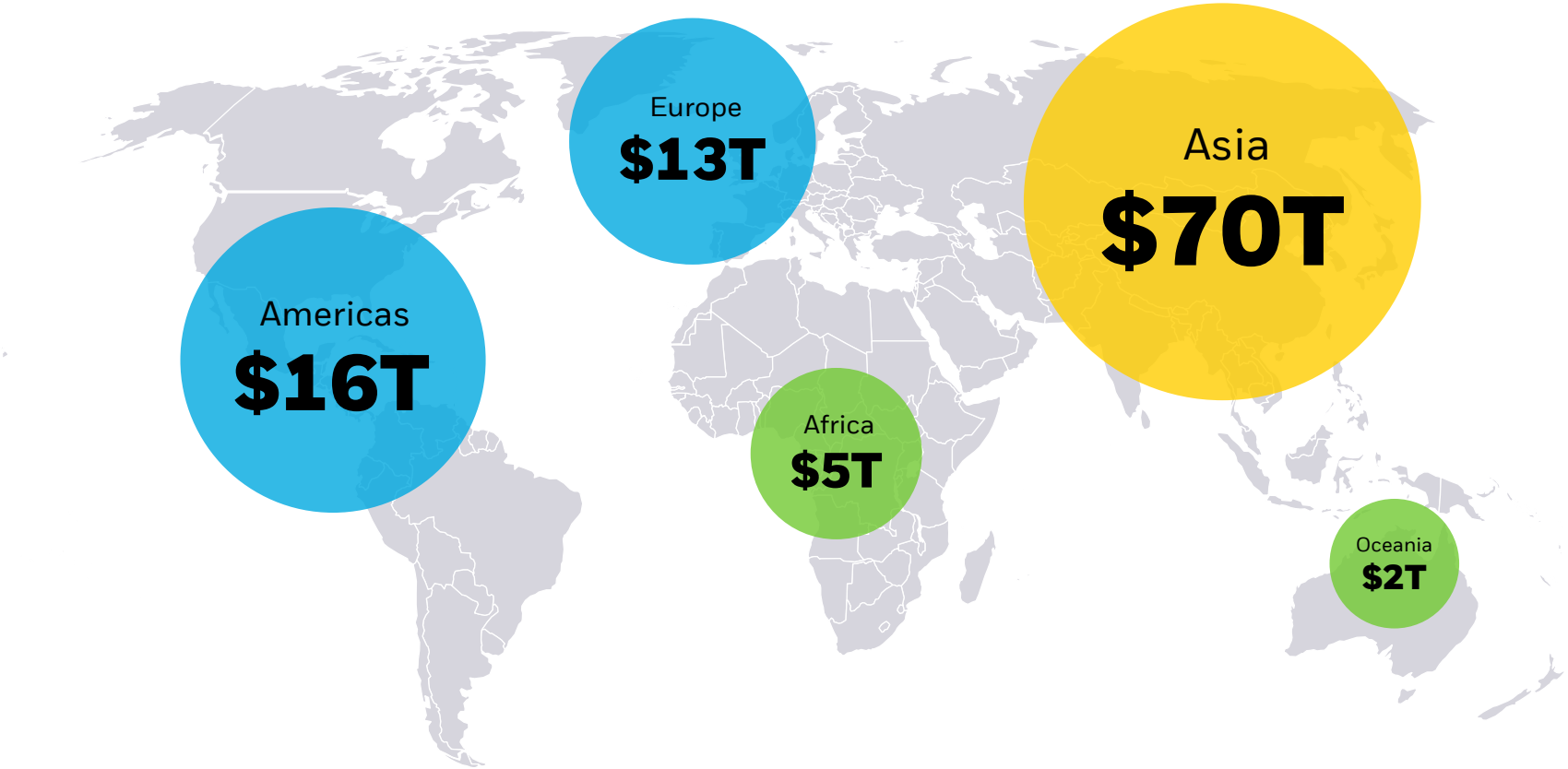
PIPES & POWER INVESTMENT IDEAS

Investors interested in infrastructure may take a global active approach with the **iShares Infrastructure Active ETF (BILT),** which seeks to maximize long-term total returns by investing in securities of infrastructure-related companies, or a U.S. focused approach with **iShares U.S. Infrastructure ETF (IFRA).** Investors interested in targeting U.S. power infrastructure exposure may consider the **iShares U.S. Power infrastructure ETF (POWR).**

GLOBAL OPPORTUNITIES CONTINUE TO EMERGE IN INFRASTRUCTURE

Driven by AI compute, national security, energy demand, and supply-chain resilience, infrastructure is the connective tissue linking economic ambition with real-world capacity.

Cumulative infrastructure investment is expected to reach over $100 trillion by 2040



- $0-10 Trillion
- $10-20 Trillion
- 20 Trillion & above

Transportation **$36T**	Energy + power **$23T**
Digital **$19T**	Social **$16T**
Water + waste **$6T**	Agriculture **$5T**
Defense **$2T**	

Source: BlackRock using data from McKinsey, "The infrastructure moment," 9/9/2025. Forward-looking estimates may not come to pass.

MAPPING THE CHALLENGE: POWER AVAILABILITY REMAINS A KEY CONSTRAINT IN AI INFRASTRUCTURE

On average, it takes 8-10 years to build new power transmission lines, vs 1.5 years to build a new data center[1], meaning the path to least resistance may be building in areas of the country with healthy grids.

There is a growing disparity between states where data centers are being built…

Announced data center builds

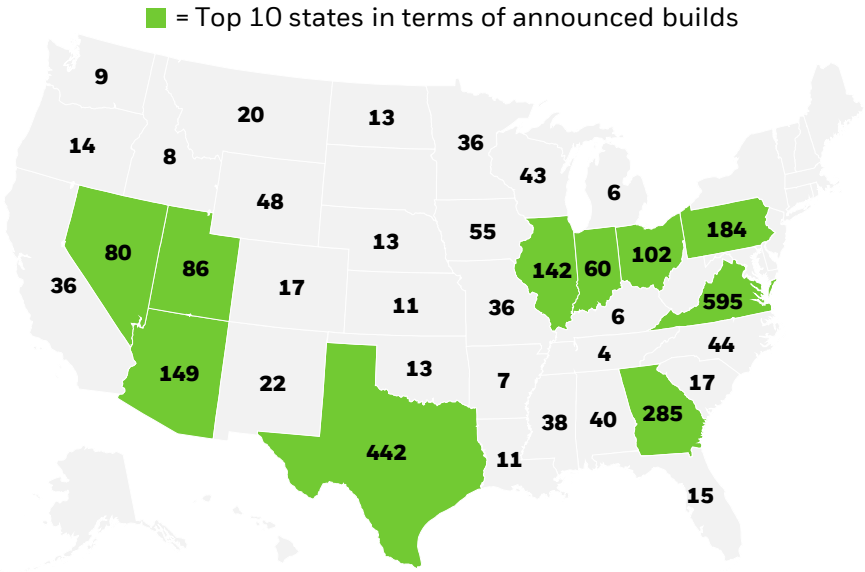


Chart Source: American Edge Project. "America's AI Surge" Accessed January 2026

… and if their power grids can sustain the increased demand

State rankings of grid reliability

#41	Virginia
#30	Texas
#35	Georgia
#26	Pennsylvania
#8	Arizona

Chart Source: U.S.News & World Report. "States with Greatest Power Grid Reliability." Accessed January 2026

Grid enhancement projects are necessary and underway in data center "hot spots" like VA[2], GA,[3] & SC[4]

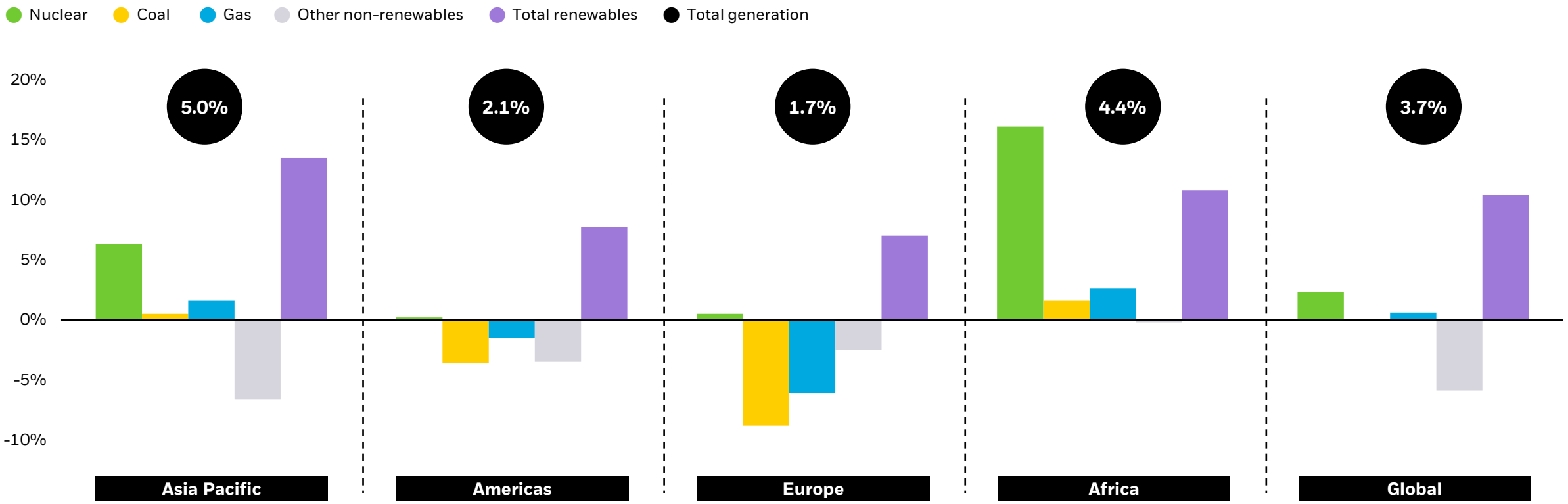
Source: **1.** Third Way. Tackling America's Electricity Challenges. April 2024. **2.**Grid Development Office. "Building Flexible, Grid-Enhancing Data Centers in Virginia and South Carolina." Accessed January 2026. **3.**Government Technology. "Georgia Regulators Approve Power Grid Expansion for Data Centers." December 2025. **4.**.Grid Development Office. "Building Flexible, Grid-Enhancing Data Centers in Virginia and South Carolina." Accessed January 2026

WHERE WILL NEW POWER GENERATION COME FROM?

Not all regions are betting on the same power mix.

Projected growth in power generation by type 2025–2027

Compound Annual Growth Rate (CAGR) %



Sources: BlackRock Investment Institute with data from IEA's Electricity 2025 Analysis and forecasted to 2027. Forward-looking estimates may not come to pass.

U.S. NATURAL GAS IS A PIVOTAL ENERGY SOURCE, GLOBALLY

Natural gas supplies 1/3 of the United States' primary energy consumption[1] and is priced nearly 70% lower than the European average[2], making it crucial for both domestic supply & international demand.

The largest gas pipeline boom in ~ 20 years is unfolding on U.S. soil – spurred by renewed focus on LNG

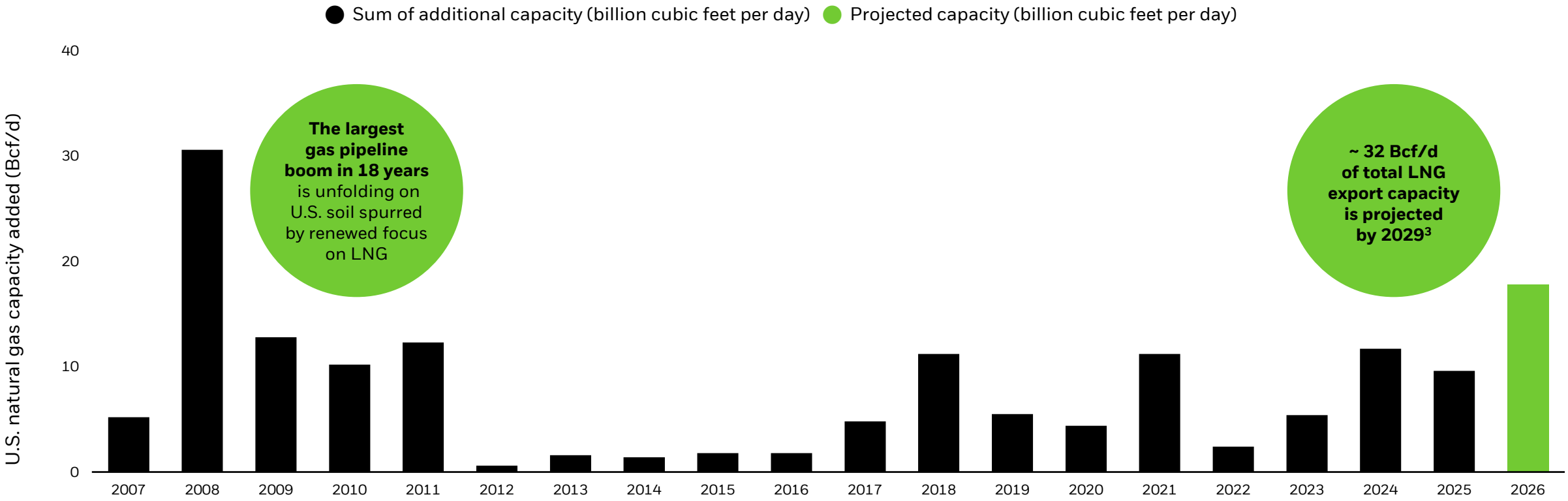


Chart Source: BlackRock using data from Bloomberg and the U.S. Energy Information Administration (as of October 2025)

In our view – by achieving record oil and natural gas production, the U.S. reduced dependence on imports, while rising as an export power, creating potential new opportunities to shape geopolitical relations

Source:: **1.** U.S. Department of Energy. "Liquefied Natural Gas (LNG)" . Accessed January 2026. **2**. Bloomberg. "How Natural Gas Became America's Most Important Export." March 2025. **3.** Expand Energy Corp (EXE) 3Q 2-25 Earnings Report. October 28, 2025. Forward-looking estimates may not come to pass.

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WHAT'S NEXT? NEW WAYS TO ACCESS MARKETS

The lines between public & private investments are starting to blur – especially in the AI space

The rise of stablecoins may open opportunities to go beyond cash into tokenized assets like private credit

AI'S SCALE REQUIRES BOTH PUBLIC & PRIVATE INVESTMENT

Flexibility in funding solutions is especially valuable for capex-intensive themes like AI.

Companies may be staying private for longer...

Number of tech IPOs

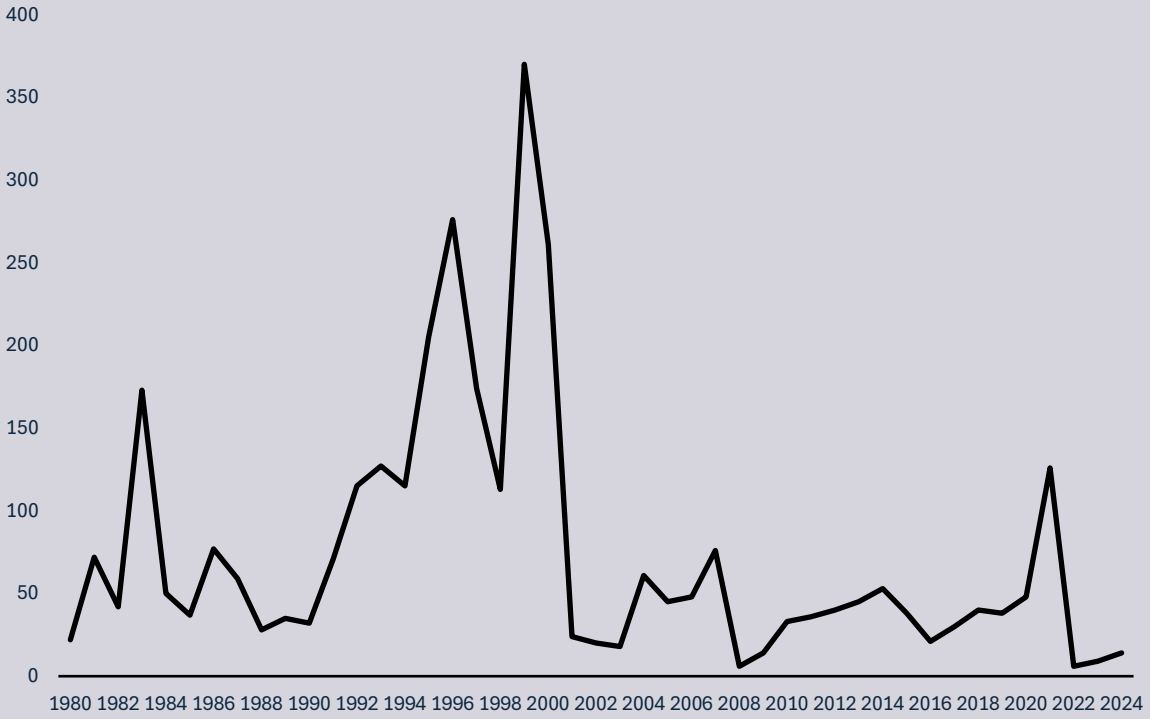
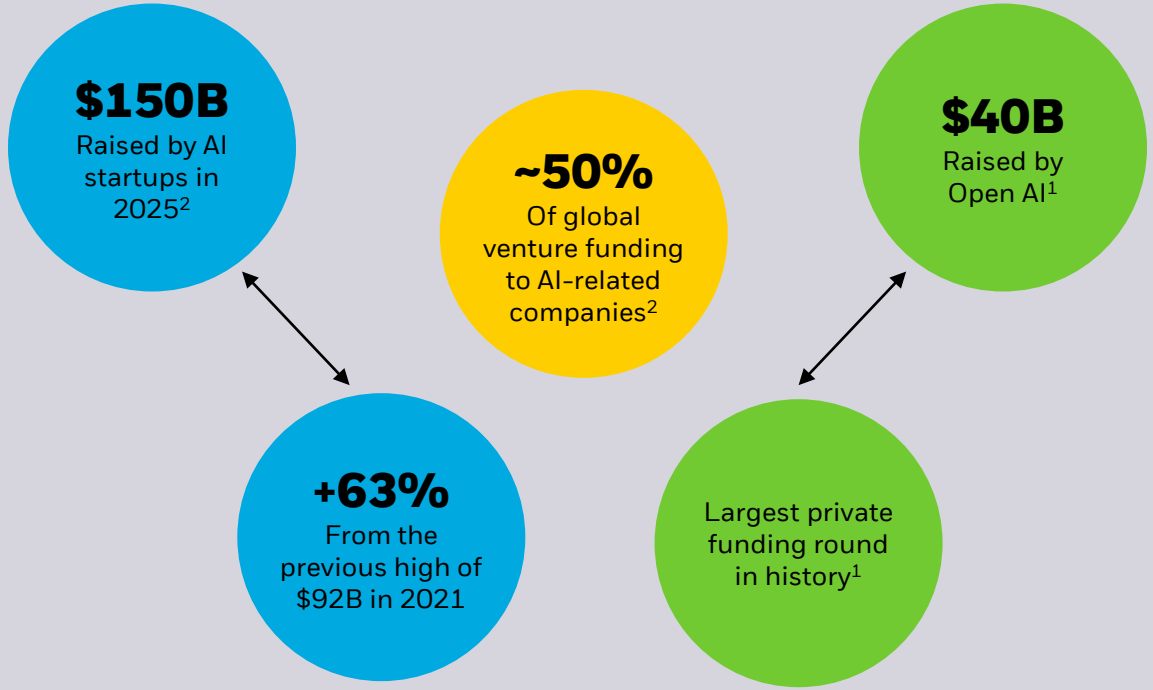


Chart Source: University of Florida. "Initial Public Offerings: Median Age of IPOs Through 2025." December 2025

...and 2025 was a monumental year for private AI investments



Are more IPOs on the Horizon? In our view, exposure to both public and private companies could broaden the AI opportunity set and potentially enhance long-term return potential

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

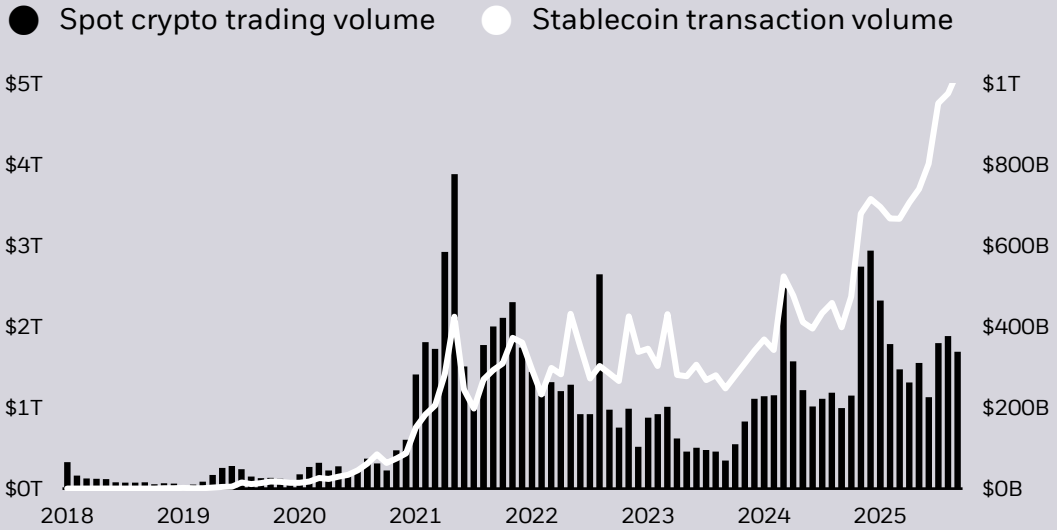
COULD ETHEREUM REPRESENT THE "TOLL ROAD" TO TOKENIZATION?

The rise of stablecoin adoption may be indicative of tokenization in action, and blockchains like Ethereum could be poised to benefit.

Key terms:

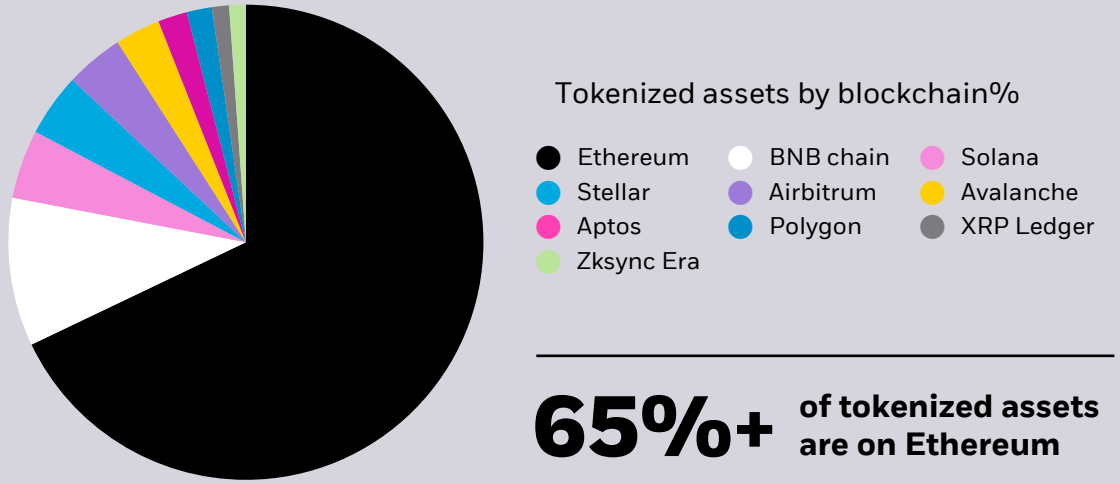
Tokenized assets: reflect ownership rights in token format that can be traded, settled, and recorded on a blockchain
Stablecoins: one example of tokenization where the underlying asset is a fiat currency like the U.S. dollar

Stablecoin adoption is outpacing crypto asset trading...



Source: Coin Metrics, as of Sept. 30, 2025 & Allium via Visa Onchain Analytics Dashboard, as of Sept. 30, 2025. Stablecoin transaction volume is adjusted to strip out inorganic activity (e.g., bots) and reflect genuine user-driven activity.

... and tokenized assets are permitting the issuance, trading, settling, and recording of assets on the blockchain



65%+ **of tokenized assets are on Ethereum**

Source: BlackRock using data from RWA.. As of 1/5/2026. For illustrative purposes only. Subject to change. Not an exhaustive list.

In our view, this means tokenized assets may have a use-case outside of purely speculative crypto trading- and could expand beyond stable instruments of value into private credit and real assets

CONCLUSION

Thematic investments continue to grow in size, scale, and influence with themes converging across compute & conflict and pipes & power. With mega forces likes AI and geopolitical fragmentation shaping our daily lives.

The continued adoption & advancement of AI is driving its growth potential, but it's essential to look beyond headline user counts to depth of usage, especially as fears of AI spending may be overstated. We believe investors are looking to diversify within AI, and their attention could shift to areas like defense where spending rose amidst shifts from physical systems towards digital capabilities.

Meanwhile infrastructure is increasingly bridging the gap between economic ambition and real-world capacity, and rising investment in the space is driving a growing need for reliable energy- spurring regional and global opportunities.

As investors continue to explore ways to invest in the forces that are shaping the world around them, it is important to consider the nuances of themes and how their portfolios stack up in terms of positioning.

RELATED PRODUCTS

Invest dynamically in themes

THRO iShares U.S. Thematic Rotation Active ETF

Invest in digital assets

IBIT iShares Bitcoin Trust ETF

ETHB iShares Staked Ethereum Trust ETF

Invest in compute & conflict

ARTY iShares Future AI & Tech ETF

BAI iShares AI innovation & Tech Active ETF

ITA iShares U.S. Aerospace & Defense ETF

IDEF iShares Defense Industrials Active ETF

Invest in pipes & power

POWR iShares U.S. Power Infrastructure ETF

BILT iShares Infrastructure Active ETF

IFRA iShares U.S. Infrastructure ETF

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This information must be accompanied or preceded by a current iShares Staked Ethereum Trust ETF prospectus and iShares Bitcoin Trust ETF prospectus. Please read the prospectuses carefully before investing.

Investing involves a high degree of risk, including possible loss of principal. An investment in the Trust is not suitable for all investors, may be deemed speculative and is not intended as a complete investment program. An investment in Shares should be considered only by persons who can bear the risk of total loss associated with an investment in the Trust. The Trust is not a commodity pool for purposes of the Commodity Exchange Act. Before making an investment decision, you should carefully consider the risk factors and other information included in the prospectus.

Investing in digital assets involves significant risks due to their extreme price volatility and the potential for loss, theft, or compromise of private keys. The value of the shares is closely tied to acceptance, industry developments, and governance changes, making them susceptible to market sentiment. Digital assets represent a new and rapidly evolving industry, and the value of the Shares depends on their acceptance. Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network's ability to grow and respond to challenges Investing in the Trust comes with risks that could impact the Trust's share value, including large-scale sales by major investors, security threats like breaches and hacking, negative sentiment among speculators, and competition from central bank digital currencies and financial initiatives using blockchain technology. A disruption of the internet or a digital asset network would affect the ability to transfer digital assets and, consequently, would impact their value. There can be no assurance that security procedures designed to protect the Trust's assets will actually work as designed or prove to be successful in safeguarding the Trust's assets against all possible sources of theft, loss or damage.

Staking introduces a risk of loss of ether, which could adversely affect the value of the Shares. Staking includes an activation, exit, and withdrawal process. During each stage of the process, the Trust's staked ether cannot be sold or transferred, thereby making it illiquid for the period it is being staked. The Ethereum protocol limits validator activations and exits per epoch, so only a controlled amount of staked ether can turnover during each period. During periods of elevated validator demand, the activation queue may extend for days, weeks, or months. While queued for activation, the Trust's ether will not accrue rewards. The staked ether will also not accrue rewards during the withdrawal period. At each step in the staking process, staked ether may also be exposed to risks such as security breaches, smart contract vulnerabilities, and validator or custodian failure or compromise, any of which could result in a complete loss of the staked ether or associated rewards. There is no guarantee that the Trust will receive any rewards with respect to staked ether. Smart contracts, including those relating to decentralized finance applications, are a new technology and their ongoing development and operation may result in problems, which could reduce the demand for ether or cause a wider loss of confidence in the Ethereum network, either of which could have an adverse impact on the value of ether.

The iShares Staked Ethereum Trust ETF (the "Trust") is not sponsored, endorsed, issued, sold or promoted by Stiftung Ethereum (the "Ethereum Foundation"), nor does the Ethereum Foundation make any representation regarding the advisability of investing in the Trust. BlackRock is not affiliated with the Ethereum Foundation. Ethereum Marks are owned by the Ethereum Foundation, used under license.

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Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses, which may be obtained by visiting the iShares Fund and BlackRock Fund prospectus pages. Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal.

Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and the general securities market.

AI technology relies on large data sets, which can lead to inaccuracies. Companies in AI face competition, rapid obsolescence, and depend on demand from various industries. Regulatory scrutiny could limit AI development, with data collection facing closer examination and potential fines. Country-specific regulations could also impact AI and big data companies.

Technology companies may be subject to severe competition and product obsolescence.

Technologies perceived to displace older technologies or create new markets may not in fact do so. Companies that initially develop a novel technology may not be able to capitalize on the technology.

Actively managed funds do not seek to replicate the performance of a specified index, may have higher portfolio turnover, and may charge higher fees than index funds due to increased trading and research expenses. There is no guarantee that an active fund will meet its investment objective.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets or in concentrations of single countries.

The Fund's use of derivatives may reduce the Fund's returns and/or increase volatility and subject the Fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. The Fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that the Fund's hedging transactions will be effective.

Convertible securities are subject to the market and issuer risks that apply to the underlying common stock.

Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in IPOs may be highly volatile or may decline shortly after the IPO.

Small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger capitalization companies.

There is no guarantee that the classification system used to determine the rotation model or strategy will achieve its intended results. The fund may engage in active and frequent trading of its portfolio securities which may result in higher transaction costs to the fund. The fund is actively managed and does not seek to replicate the performance of a specified index.

Preferred stocks are not necessarily correlated with securities markets generally. Rising interest rates may cause the value of the Fund’s investments to decline significantly. Removal of stocks from the index due to maturity, redemption, call features or conversion may cause a decrease in the yield of the index and the Fund.

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Incorporating alternative investments into a portfolio presents the opportunity for significant losses including in some cases, losses which exceed the principal amount invested. Also, some alternative investments have experienced periods of extreme volatility and in general, are not suitable for all investors. Asset allocation and diversification strategies do not ensure profit or protect against loss in declining markets. Private credit funds are highly illiquid, making it difficult to exit early, and valuations often rely on subjective fair-value estimates. Borrowers tend to be smaller, riskier firms, which increases default risk, especially during economic downturns. Loan structures can include weak covenants and high leverage. Private credit funds may have limited regulatory oversight and transparency. Distributions are not guaranteed.

Diversification and asset allocation may not protect against market risk or loss of principal.

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