

Three themes for spring 2026

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.

Updates to our investment outlook are underpinned by two key principles. Firstly, investing is all about the long term, so we try to identify opportunities that we think can stand the test of time. Secondly, we need to stay alert to opportunities and risks that might develop and adapt our outlook accordingly. Below, we outline how our existing investment themes have evolved and introduce some new ideas to position portfolios for today's markets.



Financial markets have been volatile so far this year, due largely to geopolitical events. The situation in the Middle East has raised concerns about energy-driven inflation, while investors have also been questioning whether heavy AI investment will translate into sustainable profits and how far the technology could disrupt existing business models. In this environment, we favour income-generating assets like UK dividend stocks for resilience, look to select emerging markets (EM) such as India as a source of diversification, and continue to see a role for gold to mitigate geopolitical risk.

Natasha Sarkaria, CAIA
Investment Strategy, BlackRock Global Product Solutions

Our investment themes for spring 2026:

1. UK dividends for income

We continue to highlight the importance of building resilient portfolios, favouring assets that provide reliable income streams in more volatile markets. We continue to like UK dividend stocks, supported by their sector mix, with exposure to financials and energy.

2. India for diversification

EM stocks offer potential opportunities to diversify portfolios and tap into different tailwinds, in our view. While India may face near-term headwinds as an energy importer, it could play a useful role as a portfolio diversifier over the long term. Valuations have fallen, creating a potentially attractive entry point.¹

3. Gold for geopolitical risk

Gold prices reached all time highs in January 2026.² Since then, we've seen some volatility in the precious metal, especially as the Middle East conflict triggered a supply shock and inflation concerns. Nonetheless, we continue to see a role for gold to mitigate geopolitical risk in portfolios.

1. UK dividends for income

We continue to highlight the importance of building resilient portfolios, which can include assets that provide reliable income streams in more volatile markets. Income stocks – companies that pay regular dividends – can offer investors a consistent source of returns even when share prices are uncertain, while still benefiting if share prices rise.

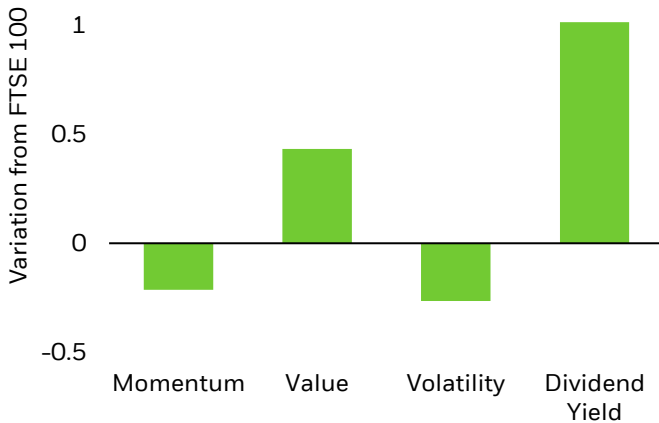
The UK market has historically been a strong source of income and UK dividend stocks also tend to have meaningful exposure to financials and energy³ – sectors where we see tailwinds in the current environment. Banks can benefit from interest rates remaining relatively high, while energy exposures can add resilience amid geopolitical tensions and inflationary pressures.

More broadly, UK dividend-paying companies exhibit distinct 'factor' characteristics – common attributes that help explain how stocks behave. These include value (companies that appear relatively inexpensive based on their price as a multiple of company earnings), minimum volatility (stocks with lower price swings), and momentum (stocks driven by recent price trends). As illustrated in Chart 1, the FTSE UK Dividend+ Index leans more towards companies with relatively low valuations. It has also historically demonstrated lower volatility than the FTSE 100 Index and less reliance on price momentum. Added to this, it offers higher dividend yield (income relative to share price – a key component of total returns). These characteristics combined could help to make the index relatively resilient, we believe.

1,2,3 Source: Bloomberg, as of 1 April 2026.

Chart 1: The FTSE UK Dividend+ Index is more value-driven and income focused than the FTSE 100

Exposure level (ranging from 1 to -1)



Source: Bloomberg, as of 1 April 2026. A value of 0 indicates no difference versus the FTSE 100, while positive and negative values indicate higher or lower exposure, respectively. The scale (from -1 to +1) is based on typical statistical variation. Values do not represent maximum or minimum levels, but rather the degree of difference relative to the FTSE 100.

2. India for diversification

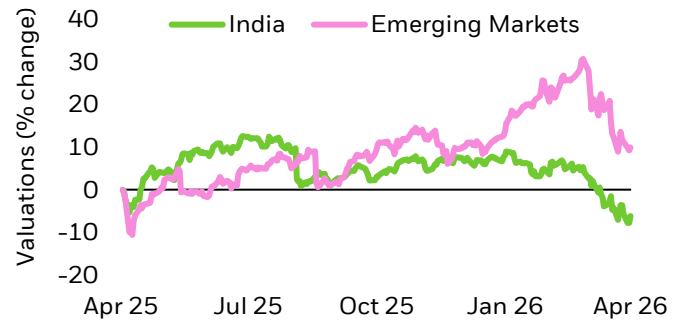
A more fragmented geopolitical backdrop is increasing dispersion across emerging markets, making country selection more important. Against this backdrop, we see selective opportunities, particularly in Asia, with India standing out.

India may face near-term pressures as an energy importer in a volatile price environment. However, it can play a valuable role as a portfolio diversifier over the long term, in our view. Indian equities have historically shown low correlation with developed markets⁴ – meaning they don't always move in the same direction or to the same extent. India's diplomatic relations have also allowed it to navigate shifting global dynamics with some flexibility, reflected in trade negotiations with the US, alongside continued access to Russian oil. Looking at the longer term, structural tailwinds remain supportive. Economic growth and corporate profitability are being driven by increasing digitalisation and favourable demographics, alongside resilient domestic investor participation. Around 225m investors purchase Indian stocks via systematic investment plans, with average monthly inflows of c.\$3B providing a potential buffer, even during periods when overseas investors retract.⁵

As shown in Chart 2, valuations – referring to how expensive stocks are relative to company earnings – have adjusted meaningfully. From the beginning of 2025, India's valuations have declined by around 6%, while broader emerging markets have risen by roughly 9% (measured using price-to-earnings ratios, which compare a company's share price with the profits it generates).⁶ While this may reflect some near-term caution, we see the recent reset strengthening the attractiveness of current entry points for Indian stocks for long-term investors.

Chart 2: India's valuations have become more attractive relative to broad EM exposures

Price-to-earnings ratios



Source: Bloomberg, as of 1 April 2026. The chart shows price-to-earnings (P/E) ratios rebased to a common starting point (April 2025) to illustrate how valuations have changed over time.

3. Gold for geopolitical risk

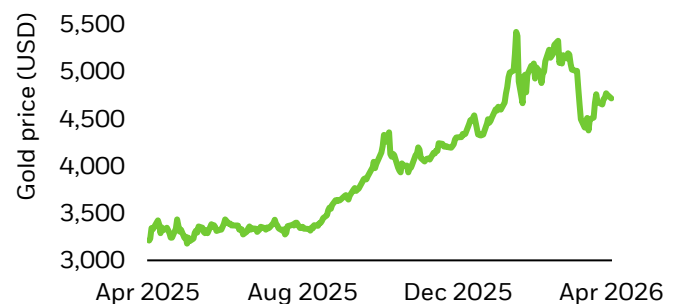
Following the escalation of the conflict in the Middle East, gold prices declined sharply.⁷ At first glance, this might come across as surprising, as gold is typically seen as a 'safe haven' during times of uncertainty.

However, when uncertainty spikes, investors often reduce risk and raise liquid assets such as cash, selling even strong performers like gold regardless of their longer-term role in portfolios. Given gold's strong run in 2025, with record inflows⁸ and prices hitting new highs more than 50 times,⁹ it may have served as a ready source of cash, driving the short-term decline rather than signalling a change in the underlying drivers of demand. Central bank buying is a key demand driver, providing a structural cushion that could help limit downside risk for gold prices, in our view.

It's important to recognise that rising energy prices have led to concerns among investors about a pickup in inflation, which can reduce the appeal of gold since it doesn't generate income – and inflation can impact its value negatively. However, we continue to favour gold as a diversifier against geopolitical risks, which we see continuing to shape the market environment.

Chart 3: Gold has been relatively volatile in 2026, however, prices remain elevated versus history

Gold prices in USD



Source: BlackRock, as of 1 April 2026. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.**

⁴ Source: Bloomberg, as of 31 December 2025. ⁵ Source: Bloomberg, as of 10 October 2025. ^{6,7,9} Source: Bloomberg, as of 1 April 2026. ⁸ Source: BlackRock and Markit, as of 31 December 2025.

Performance of stock market indices referenced in this document, 2021-2026 YTD

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 YTD |
|--|-------------|-------------|-------------|-------------|-------------|-----------------|
| FTSE UK Dividend+ Index (Total Return) | 24.23% | -1.47% | 6.87% | 12.84% | 32.96% | 7.03% |
| FTSE 100 Index (Total Return) | 18.44% | 4.70% | 7.93% | 9.66% | 25.82% | 7.44% |
| MSCI India Net Index (Total Return) | 26.23% | -7.95% | 20.81% | 11.21% | 2.62% | -9.18% |
| LBMA Gold Price | -3.64% | -0.28% | 13.10% | 27.22% | 64.58% | 9.19% |

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: Bloomberg, as of 31 March 2026.

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