BlackRock®

Fall 2020

# Advisor insights guide

Observations and trends

WAM1020U-1371293-1/16

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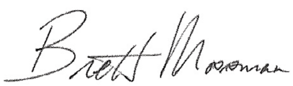

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As the heat of summer gives way to an array of autumn colors, markets search for solid footing against the changing investing landscape. The election comes into focus, while we await medical relief for the pandemic and fiscal relief to alleviate challenging labor statistics. With volatility remaining stubbornly high, the steady hand of advisors remains critical to ensuring clients maintain focus on their long-range investment plans.

In a regime that increasingly calls for redesigned portfolios, BlackRock® stands ready to work alongside advisors as you continue to seek the greatest probability of successful outcomes for your clients.

Whether it is re-defining investment goals, diagnosing unintended risks or weighing the securities of an investment model, our Portfolio Solutions team can assist you in making good on your pledge to clients.

In this Guide, we celebrate a milestone: this is the first edition that surpasses 20,000 models. Which means that, in the last year alone, BlackRock and our Aladdin® risk platform have helped to analyze over 20,000 models from advisors throughout the industry.[1] We believe this milestone is a testament to the value of our tools, our analysis and our insights. We hope you find them valuable too.

Some of the key takeaways from this edition are:

1. Alternatives can provide portfolio ballast to compensate for the waning effectiveness of bonds. However, the risk and cost profile of alternatives can be very different than bonds. We explore ways to implement thoughtfully.
2. Redesigned portfolios should include multi-asset products, yet advisor usage in our data has declined. Multi-asset products were included in 42% of models in 2016 but 25% today. We explore why usage is down and why they're worth another look now.
3. Advisor bond sleeve duration has jumped from 3.7 to 4.7 in the last year, and credit risk contribution as a percent of total bond volatility has doubled (30% to 60%) over the same time period. The duration decision is an active one by advisors, while the additional credit risk is a byproduct of the markets.

We hope you find this guide useful in your efforts. But more importantly, we continue to wish you and those around you a safe and healthy fall season.

**1** 20,739 models as of 6/30/20.
The analysis contained in this report was performed based on portfolios that were shared with BlackRock by advisors during a consultation with the Portfolio Solutions team or through their use of BlackRock's online Advisor Center, powered by Aladdin. BlackRock does not share individual advisor information or data/characteristics of individual portfolios. All portfolio data collected is presented in aggregate. We should note that the portfolios analyzed represent a subset of the industry, and not its entirety. As such, there may be certain biases present in the data that reflect the advisors who choose to work with BlackRock to analyze their portfolios.

# Contents

# Solving for less bond diversification

Bonds have served as the go-to diversifier within balanced portfolios for time immemorial. This diversification effect lies in bonds' risk DNA. Duration drives bond prices higher while interest rates tumble lower, a phenomenon that often coincides with choppy equity markets like we saw in the early innings of the pandemic.

With Federal Reserve rates glued near zero, the diversifying impact of bond duration in a portfolio is likely to be muted. So where will additional diversification come from? And what will it cost?

## Underweight, don't discriminate. Let alternatives participate.

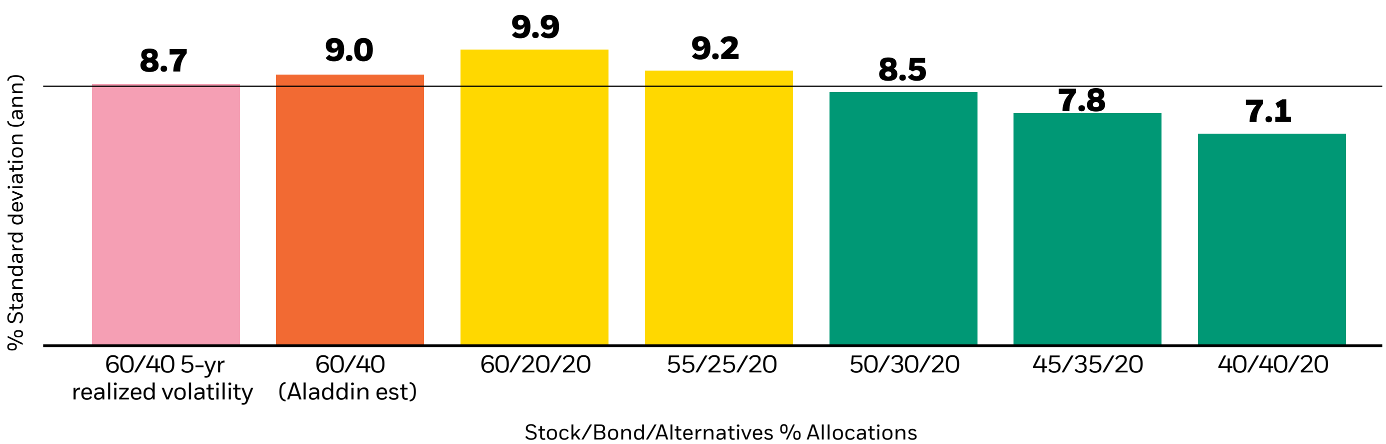
Bonds will likely diversify stocks less effectively than in the past, but they still have a role in a portfolio. A modest portfolio redesign may be in order. In this new regime of lower rates, investors should consider redeploying a portion of their bond sleeve to other potential diversifiers, while guarding against inadvertent increases in portfolio risk. Scenario testing may help fine-tune the proper mix of exposures to create the experience that clients seek.

Investment factors that diversify stock risk are elusive. Unfortunately, most portfolios have already tapped into the most easily accessible one — the interest rate risk in bonds — to help mitigate portfolio risk. However, other effective sources of diversification are available, namely the idiosyncratic exposures unique to specific managers or innovative strategies. The alternative investment universe is a prime area to seek these exposures when bonds can no longer provide enough.

## Challenge #1: Funding the trade

Consider a classic moderate portfolio of 60% global stocks (represented by the MSCI ACWI Index) and 40% core bonds (BBG Barclays U.S. Aggregate Bond Index), which exhibited an annual volatility of 8.7% over the past five years. Our Aladdin platform forecasts annualized volatility of the portfolio to be slightly higher at 9.0%, reflecting increasing risk in markets. At the same time, we anticipate lower overall returns for both stocks and bonds. Higher potential risk and lower anticipated returns is not an investor-friendly combination.

**Incorporating alternatives with an eye on volatility**




Source: BlackRock, Morningstar as of 7/31/20. The 60/40 portfolio (pink and orange bars) consists of global stocks (MSCI All Country World Index) and U.S. core bonds (BBG U.S. Aggregate Index) in a 60/40 blend. All other models add a 20% allocation to hedge funds (HFRI Global Hedge Fund Index) using different funding sources from the 60/40 model.

Adding alternatives may help the portfolio better balance risk and return for the upcoming market regime. Creating a 20% allocation to alternative investments (in this example, represented by the HFRI Global Hedge Fund Index) challenges us to sell the proper holdings in the right amounts to reduce risk.

Notice that the 60/20/20 portfolio, which sells only bonds to fund the trade, has a higher level of Aladdin-projected risk than our starting portfolio — not an ideal redesign for most investors. However, subtracting some stocks as well to fund the new alternative investment moderates the risk impact. Notice that the 50/30/20 portfolio, which funds the trade equally between stocks and bonds, reduces the forecasted volatility of the portfolio to below the volatility level we experienced over the past five years. The illustrated trades that sell even more stocks reduce risk more (other green bars).

The key: don't simply sell out-of-favor bonds. Source the trade thoughtfully and measure the impact to ensure the right balance of risks.

## Challenge #2: Cost creep

Alternatives can help reduce portfolio volatility, but they come with a higher price tag than traditional investments. The average overall cost of the typical advisor's moderate model is 47 bps. The average fee charged by open-end alternative funds is 147 bps.*

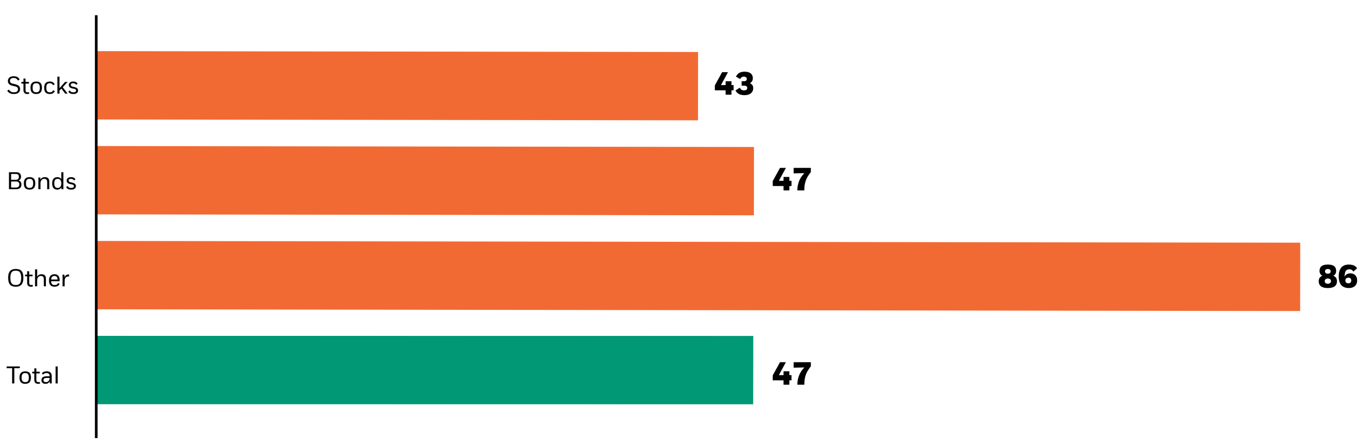
Any dollar shifted from stocks or bonds to alternatives in the average advisor model likely triples the expenses in that portion of the portfolio.

One solution is to lower the cost of core stock and bond exposures using low-cost ETFs. For example, the average intermediate core bond ETF — the plain-vanilla duration that has been the mainstay of portfolio diversification — costs only four basis points (0.04%).* Despite the widespread availability of this option, we've found that relatively few advisors use them, demonstrating a preference instead for more expensive mutual funds in their bond sleeves. A shift in this area could meaningfully help offset the cost of adding alternatives.

To illustrate this mix-shift in underlying expenses, consider the 50/30/20 approach referenced earlier. Before incorporating a hypothetical alternatives sleeve, the average advisor model includes an equity sleeve costing 43 bps and a fixed income sleeve at 47 bps. A small, existing "other sleeve" brings the overall portfolio average up to 47 bps.

If we fund the 20% in more expensive alternatives (using the 1.47% avg cost) from half stocks and half bonds, the cost of the portfolio balloons to 68 bps. However, if we reinvest the remaining bond sleeve into core ETFs, and split the stock sleeve between core ETFs and active strategies, we can decrease the portfolio fee close to 49 bps, approximately where it began.

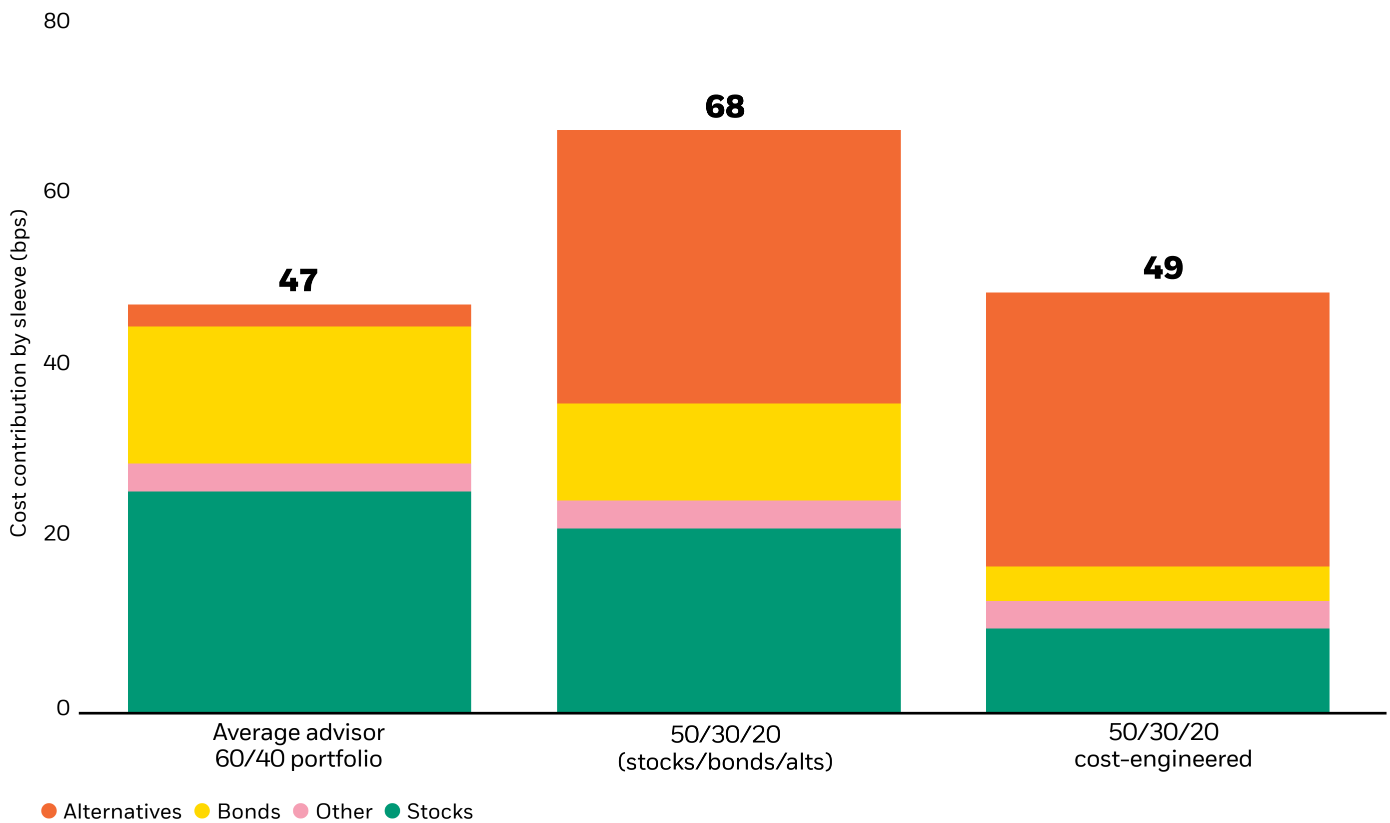
**Average moderate model expenses (bps)**




Source: BlackRock, Morningstar as of 7/31/20.

* Asset weighted figure from Morningstar as of 7/31/20.

**Cost-engineering a portfolio with alternatives**




Source: BlackRock, Morningstar as of 7/31/20. The average advisor 60/40 model is represented as an average of 6,210 moderate models collected from advisors during the 12 months ending 6/30/20. The 50/30/20 model assumes a 50/50 funding from the stock and bond portions of the portfolio, who have an average sleeve expense of 43 and 47 basis points, respectively. The cost engineered model assumes the reallocation of the remaining bond holdings and half the equity holdings into core fixed income and stock ETFs, and uses the average fee of such funds in the industry, which is 4 basis points.

## Success requires precise engineering around risk and cost

Re-imagining portfolios for the regime ahead, where bonds may deliver less than ever before, requires a delicate balance — shifting into alternative sources of diversification while keeping costs and risks down. Advisors must consider a wide array of tools to accomplish portfolio construction goals and very intentionally define what is needed from each security.

First, bond allocations should probably decrease a bit compared to their levels in the past, when rates were higher. Then, for the remaining bond exposure, core bond ETFs can provide the diminished ballast bonds can provide at lower cost. ETFs can also help lower expenses in the stock sleeve. This should free up fee budget, which can be re-deployed to alternative investment strategies. The selected alternatives should offer some combination of higher returns than bonds and low or modest correlation to stocks. Any decisions should be carefully measured for changes in portfolio risk.

A portfolio redesigned in this way may offer better outcomes than a traditional 60/40 portfolio going forward. By shifting some portfolio assets from the lower expected returns of bonds to something higher in alternatives, we can potentially overcome a more challenging market environment for clients. But we must manage risk and costs while we do it.





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# Multi-asset products' moment to shine

Investors are justifiably nervous about lower returns and higher risk in the markets. However, it is at precisely those moments that multi-asset products have shown their advantage historically. They deserve a deeper look for the road ahead.

These products have evolved since the "balanced funds" of decades ago. No longer are they simple, static asset allocations that can easily be replicated with ETFs. Instead, managers of multi-asset funds have a large, diverse set of tools at their disposal. Their advantages may include cutting-edge risk management technology, sophisticated methods of synthesizing huge swaths of new market data or access to a wide range of securities and investment techniques to implement their views.

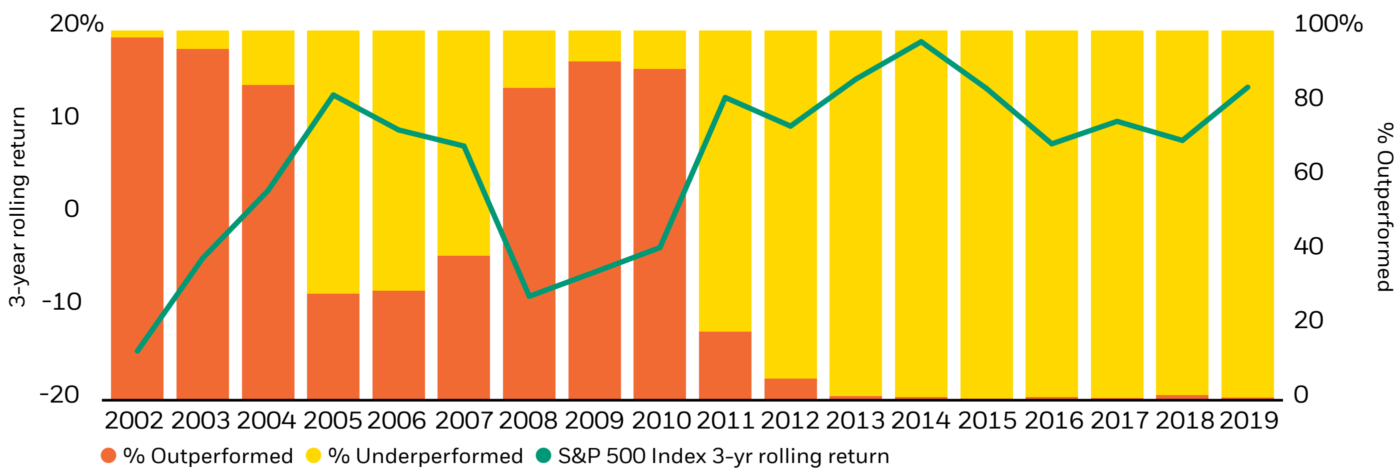
The best of these vehicles seek to deliver higher Sharpe ratios than stocks or bonds. However, given the terrific returns and relatively low volatility of the S&P 500 over the past decade, interest in multi-asset funds has been low for several years. Redesigning portfolios after the most serious stock market correction since 2008 should lead us to take another look.

## Emerging from a rough patch?

Up until the end of 2019, multi-asset funds had experienced a stretch of underperformance of epic proportions compared to U.S. stocks — roughly 99% of multi-asset funds failed to beat the S&P 500 on a rolling three-year period ending in each of the last seven years. It's important to note that the goal of most of these funds is not to beat the S&P 500. However, if your story is about Sharpe ratios, then your risk/return story has competition. Against this backdrop, it's easy to see why interest in multi-asset products has waned. At the end of 2016, roughly 42% of all models in our data contained at least one multi-asset product. As of 6/30/20, only 25% hold any.

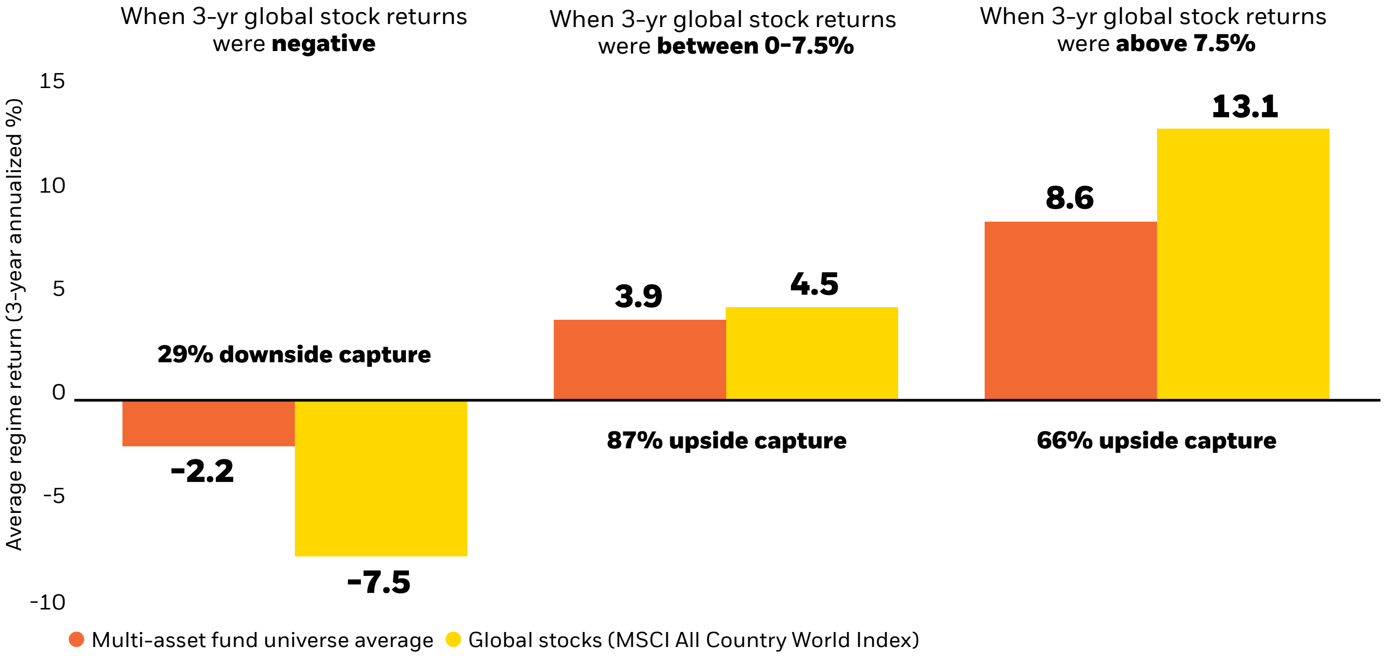
However, this year's volatility may prove to be a boon to multi-asset managers who navigated the pandemic well, by protecting in the decline and participating in the rebound.

**Rolling 3-year return comparison of multi-asset funds to the S&P 500**




Source: BlackRock, Morningstar as of 7/31/20. Multi-asset fund universe is defined as distinct U.S. funds in the following multi-asset Morningstar categories: Allocation 15% to 30% Equity, Allocation 30% to 50% Equity, Allocation 50% to 70% Equity, Allocation 70% to 85% Equity, Allocation 85%+ Equity, Tactical Allocation, and World Allocation, including funds that have been merged or liquidated.

**Protect and participate: The mantra of multi-asset funds (2000-2020)**




Source: Morningstar. Time period captured January 2000 through July 2020. Multi-asset fund universe is defined as distinct U.S. funds in the following multi-asset Morningstar categories: Allocation 15% to 30% Equity, Allocation 30% to 50% Equity, Allocation 50% to 70% Equity, Allocation 70% to 85% Equity, Allocation 85%+ Equity, Tactical Allocation, and World Allocation, including funds that have been merged or liquidated. Returns are shown for illustrative purposes only. Past performance is no guarantee of future results.

We may not see multi-asset funds outperform like during the financial crisis and the tech bubble, but their ability to both protect and participate makes them quite valuable in a world of moderating returns and rising volatility.

## What if the future doesn't look like the recent past?

Importantly, if the pandemic ends up doing lasting harm to the economy or markets in the coming years, any portfolio redesign should invite us to prioritize investments that seek to deliver superior risk-adjusted returns.

In the chart above, we separate rolling three-year global stock returns from January 2000 to July 2020 into three regimes: (1) periods when stock returns were negative, (2) periods when stock returns were between 0-7.5%, and (3) periods when they were above 7.5%. We then compare the average return of multi-asset funds to the average return of global stocks during such return regimes.

The picture that emerges demonstrates the value multi-asset funds can offer a portfolio. When global stocks lost money over a three-year window, the average multi-asset product lost far less — capturing only 29% of the downside of stocks (-2.2% versus -7.5%). When global stock returns were positive but low (middle bars), the average multi-asset product captured 87% of stock returns, but assumed only 66% of stocks' risk, on average. The 20-year average volatility for the multi-asset fund universe is 10.4% vs. 15.7% for global stocks.

As the chart suggests, if you believe that global stocks are going to rip higher, then you may not need to consider multi-asset funds as a stock replacement. If, instead, you are anticipating a regime that looks like either the left or middle environment, then trading stocks for the right multi-asset product could improve the risk/return dynamic of a client's portfolio and increase the probability of success.





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# Advisor portfolio universe

The following pages summarize advisor model data collected by BlackRock over the prior 12 months. The models are grouped into risk profile cohorts determined by equity weighting. These groupings are defined at the bottom of each page.

Figures describe the average across all portfolios in the cohort for the metric in question. BlackRock's risk model data is supplemented by asset allocation and fund characteristic data from Morningstar.

We should note that the portfolios analyzed represent a subset of the industry, and not its entirety. As such, there may be certain biases present in the data that reflect the advisors who choose to work with BlackRock to analyze their portfolios.

All data is as of June 30, 2020 unless otherwise specified.

| Risk profile | Conservative | Moderate conservative | Moderate | Moderate aggressive | Aggressive |
|---|---|---|---|---|---|
| Equity weight | < 30% | 30-50% | 50-65% | 65-80% | >80% |

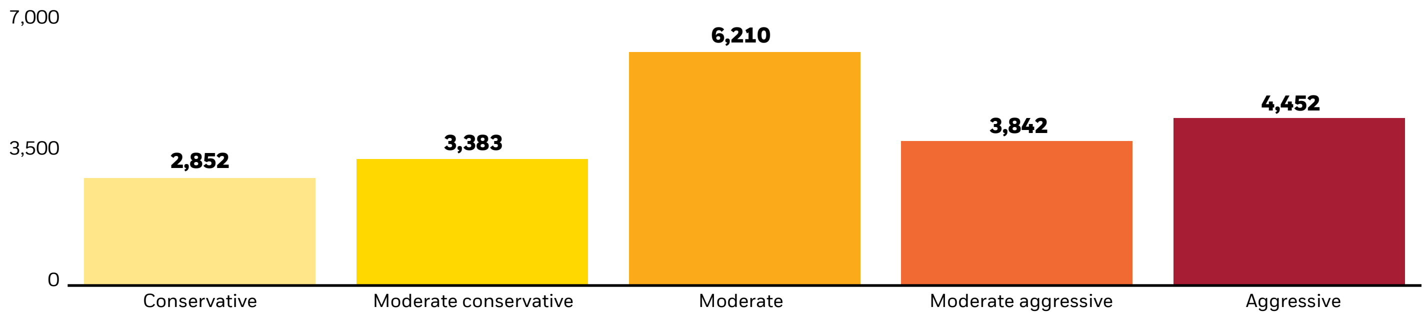
# Portfolio attributes

## ETF usage is on the rise, except for fixed-income heavy models

Across most of the risk spectrum, advisors are increasing their usage of ETFs by an average of four percentage points. This represents the largest 12-month increase we've seen in the history of our analysis. The lone exception is conservative models, where the usage rate has barely budged from a year ago. We see an opportunity for advisors to incorporate more bond ETFs.

### Model count by risk profile

20,739 unique advisor models




### Investment vehicle usage

| | ETF* | | OEF | CEF | Cash | Stock |
|---|---|---|---|---|---|---|
| **Avg % allocation** | **6/30/20** | **6/30/19** | **6/30/20** | | | |
| **Conservative** | 31.4 | 31.0 | 65.9 | 1.0 | 1.4 | 0.2 |
| **Moderate conservative** | 35.4 | 31.9 | 60.8 | 0.5 | 1.9 | 1.2 |
| **Moderate** | 39.1 | 35.9 | 57.1 | 0.3 | 1.4 | 2.0 |
| **Moderate aggressive** | 40.4 | 37.8 | 54.9 | 0.3 | 1.2 | 3.1 |
| **Aggressive** | 49.2 | 45.4 | 37.9 | 0.1 | 0.8 | 11.9 |
| **All models** | **39.9** | **37.3** | **54.4** | **0.4** | **1.3** | **4.0** |

* Left column refers to data as of 6/30/20. Right column, 6/30/19 data based on 16,581 portfolios.

| Risk profile | Conservative | Moderate conservative | Moderate | Moderate aggressive | Aggressive |
|---|---|---|---|---|---|
| Equity weight | < 30% | 30-50% | 50-65% | 65-80% | >80% |





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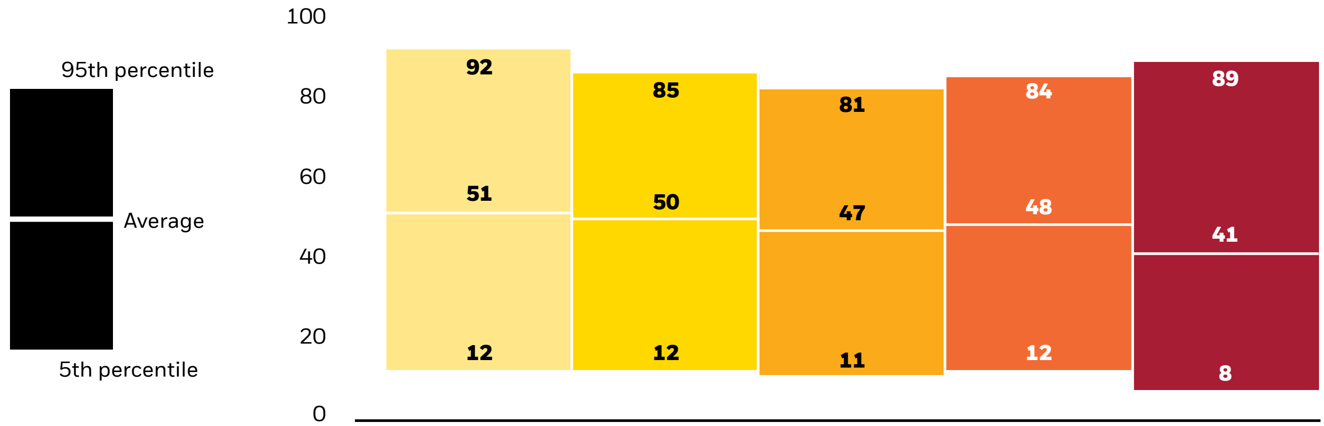
# Big duration increase over the past year

Average duration across the risk spectrum has jumped meaningfully from 3.7 to 4.7 over the past year. This is the largest 12-month increase in history of our analysis.

### Distribution of portfolio fees (bps)

Weighted average expense ratio




### Other portfolio attributes

| | All | | Conservative | | Moderate conservative | | Moderate | | Moderate aggressive | | Aggressive | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 |
| **Fees (bps internal expenses)** | 47 | 50 | 51 | 50 | 50 | 53 | 47 | 50 | 48 | 52 | 41 | 45 |
| **Trailing 12-month yield (%)** | 2.31 | 2.34 | 2.99 | 3.26 | 2.56 | 2.72 | 2.31 | 2.38 | 2.07 | 2.07 | 1.89 | 1.81 |
| **1-yr tax cost ratio (% return lost)** | 1.07 | 1.29 | 1.17 | 1.32 | 1.14 | 1.33 | 1.08 | 1.30 | 1.04 | 1.31 | 0.93 | 1.19 |
| **# of securities** | 15 | 17 | 10 | 11 | 16 | 17 | 17 | 19 | 16 | 19 | 14 | 17 |
| **Duration of fixed income sleeves (yrs)** | 4.66 | 3.74 | 4.33 | 3.51 | 4.68 | 3.76 | 4.64 | 3.77 | 4.89 | 3.77 | 4.79 | 3.80 |

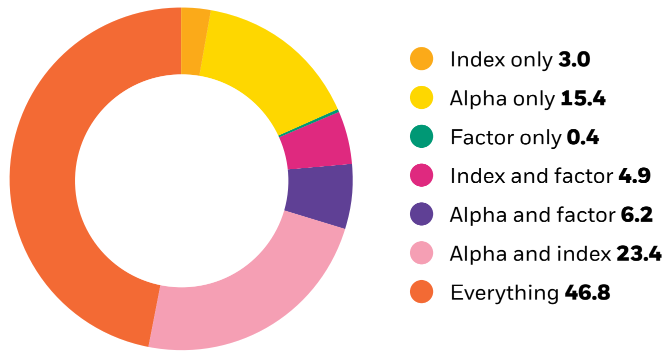
Source: Morningstar, BlackRock. For illustrative purposes only. 6/20 refers to data as of 6/30/20 and 6/19 refers to data as of 6/30/19. These attributes are calculated for each portfolio as a weighted average of the underlying holdings. The portfolio-level metrics are then averaged in each risk profile cohort to arrive at the numbers presented in the table.

| Risk profile | Conservative | Moderate conservative | Moderate | Moderate aggressive | Aggressive |
|---|---|---|---|---|---|
| Equity weight | < 30% | 30-50% | 50-65% | 65-80% | >80% |

## Blending index, factor AND alpha products is becoming the norm

In an industry that began with only mutual fund investments, index products (core, cap-weighted and low cost) became a way to get market exposure at a low cost. Alpha potential was lost in the trade. Factors like momentum, value or quality can help bridge the gap, offering excess return potential typically at a low cost. More advisor models now blend all three types than any other combination.

**Model approaches to blending products (%)**

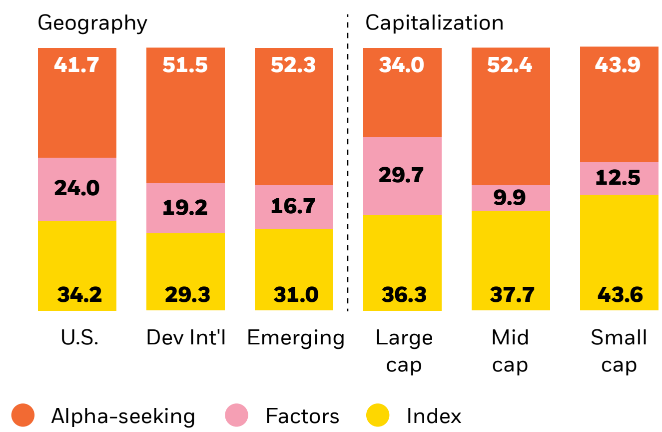



## Equity investment preferences

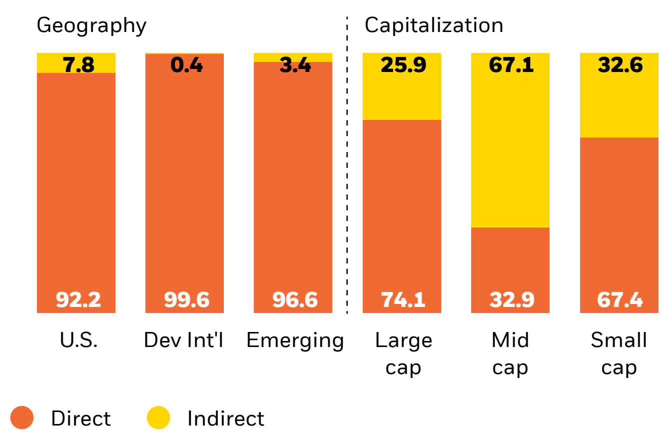
We see consistent use of core index products to derive both geographic and capitalization exposures. There is heavier use of alpha-seeking mutual funds across most segments, while the heaviest use of factor products is in the U.S. large cap space. This is intuitive given that U.S. large cap is the area that the largest factor product availability exists.

Direct exposures come from intentional category selection (e.g., selecting a fund from a small cap category to gain small cap exposure), while indirect exposures come from categories other than what the intended exposures are meant to provide (e.g., gaining U.S. exposure from an international fund). While geographic exposures appear to be intentionally selected, market cap exposures are accessed less directly. Mid cap, in particular, seems be coming much less through mid cap investments and more through other selections.

**Average product mix (%)**




**Average exposure mix (%)**



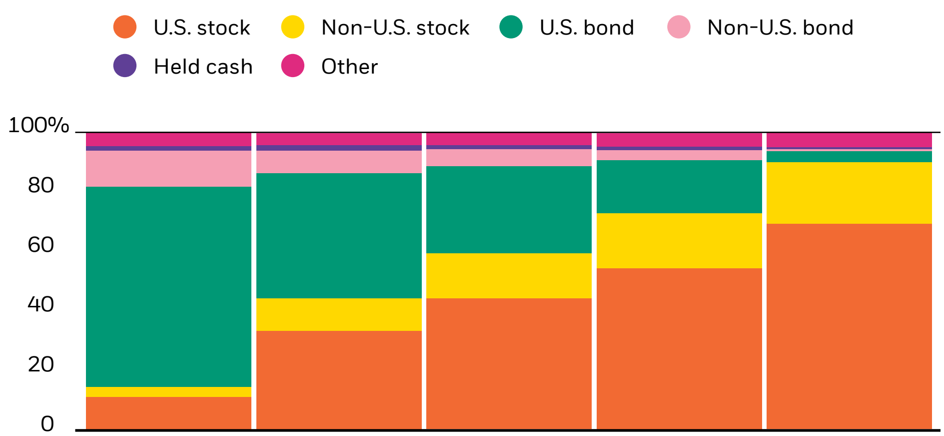

Charts shown for illustrative purposes only.

# Asset allocation

## Stock allocations rise across all risk types

In all five categories, stock allocations are higher than one year ago. That increase has come entirely via U.S. stocks, while non-U.S. allocations are flat to down in all categories.

**Average allocation to broad asset classes and geographies**




| % allocation vs. prior* | All | | Conservative | | Moderate conservative | | Moderate | | Moderate aggressive | | Aggressive | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 | 6/20 | 6/19 |
| **TOTAL STOCK (%)** | 60.2 | 61.0 | 13.6 | 11.9 | 43.4 | 41.3 | 59.3 | 58.5 | 73.6 | 72.4 | 92.8 | 92.4 |
| **U.S. stock** | 45.4 | 44.9 | 10.5 | 8.9 | 32.6 | 30.4 | 44.0 | 42.4 | 55.0 | 52.9 | 71.3 | 69.3 |
| **Non-U.S. dev stock** | 10.3 | 11.3 | 2.3 | 2.2 | 7.8 | 8.0 | 10.6 | 11.3 | 13.0 | 13.5 | 14.7 | 16.0 |
| **EM stocks** | 4.5 | 4.8 | 0.7 | 0.8 | 3.0 | 3.0 | 4.7 | 4.8 | 5.7 | 6.0 | 6.8 | 7.1 |
| **TOTAL BOND (%)** | 33.9 | 33.1 | 76.6 | 79.2 | 48.9 | 50.9 | 34.9 | 35.2 | 21.5 | 22.4 | 4.4 | 4.4 |
| **U.S. bond** | 28.6 | 27.4 | 64.9 | 65.5 | 41.4 | 42.3 | 29.3 | 29.1 | 18.1 | 18.5 | 3.7 | 3.6 |
| **Non-U.S. bond** | 5.3 | 5.7 | 11.7 | 13.7 | 7.5 | 8.7 | 5.6 | 6.2 | 3.4 | 3.9 | 0.7 | 0.8 |
| **Held cash** | 1.3 | 1.5 | 1.4 | 1.8 | 1.9 | 2.2 | 1.4 | 1.7 | 1.2 | 1.3 | 0.8 | 0.9 |
| **Real assets, Leverage, other** | 4.5 | 4.4 | 8.4 | 7.1 | 5.8 | 5.5 | 4.4 | 4.7 | 3.7 | 4.0 | 2.0 | 2.3 |

Source: Morningstar, Aladdin. For illustrative purposes only. * Left column refers to data as of 6/30/20. Right column, 6/30/19.

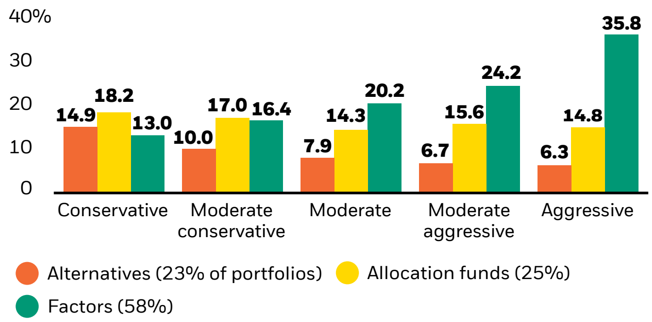
| Risk profile | Conservative | Moderate conservative | Moderate | Moderate aggressive | Aggressive |
|---|---|---|---|---|---|
| Equity weight | < 30% | 30-50% | 50-65% | 65-80% | >80% |

# Healthcare swings to overweight, technology remains largest underweight

Two high-conviction themes in equities for the current environment include technology and healthcare companies. The technology underweight in advisor models has been a consistent observation. Last quarter, healthcare was a meaningful underweight and has now flipped positive.

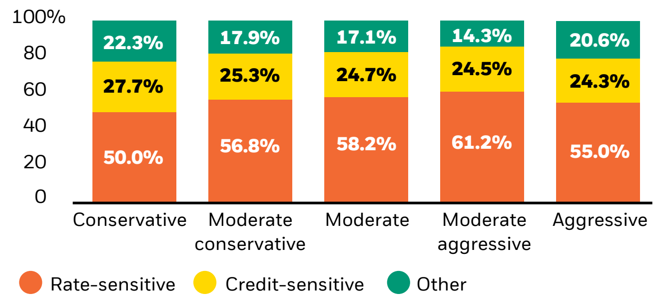
### Allocation to product categories of interest (%)

% of portfolios including at least one product in the category



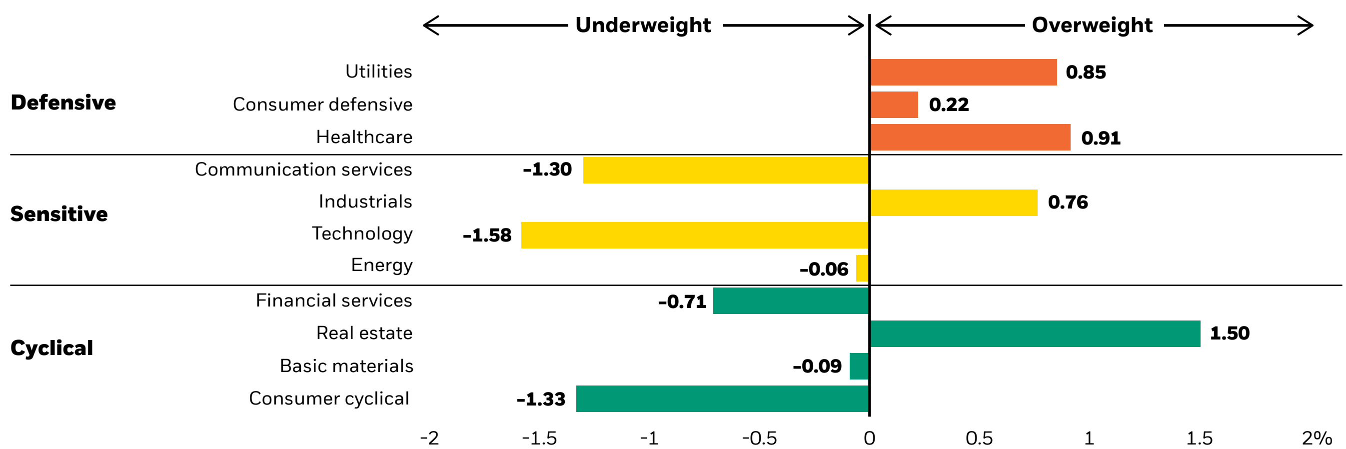

Source: Morningstar, BlackRock. For illustrative purposes only. See back page for descriptions of each category.

### Allocation within fixed income




Source: Morningstar, BlackRock. See back page for descriptions of each category.

### Sector allocation within equities




Source: Morningstar, BlackRock. For illustrative purposes only. Based on sector weightings relative to a benchmark consisting of 75% S&P 1500 Index and 25% MSCI ACWI ex-U.S.

| Risk profile | Conservative | Moderate conservative | Moderate | Moderate aggressive | Aggressive |
|---|---|---|---|---|---|
| Equity weight | < 30% | 30-50% | 50-65% | 65-80% | >80% |





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# Risk allocation

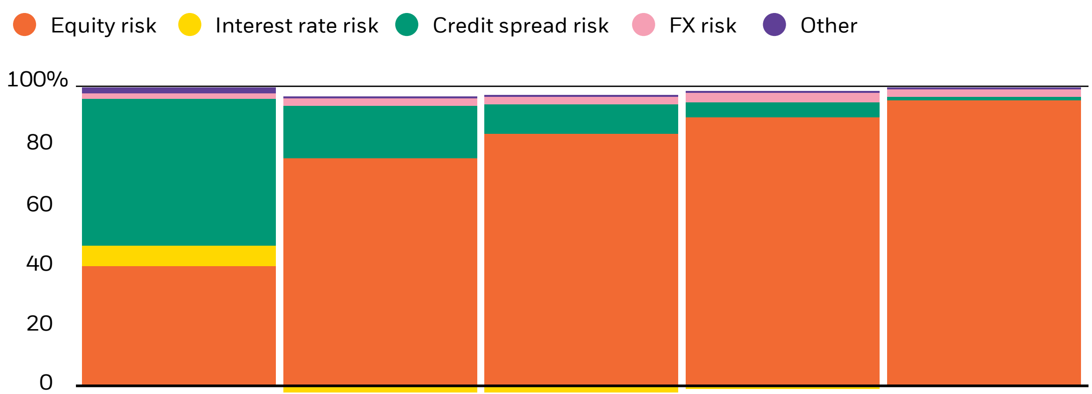
## Risk keeps building...

The pandemic-induced volatility is evident in our data. On average, benchmark risk has increased by 1.4% while the average model risk has jumped by 2.2%. Importantly, the average model went from below-benchmark risk a year ago to above-benchmark risk today.

## ...Credit risk is one of the reasons

The credit risk contribution in bond sleeves has doubled from a year ago, from roughly 30% to 60% of total bond risk, on average. This does not appear the result of advisors buying a lot more credit in their portfolios, but rather the byproduct of increased credit risk in the markets.

**Portfolio volatility decomposition — exposures to broad risk factors**




| | Conservative 6/20 | Conservative 6/19 | Moderate conservative 6/20 | Moderate conservative 6/19 | Moderate 6/20 | Moderate 6/19 | Moderate aggressive 6/20 | Moderate aggressive 6/19 | Aggressive 6/20 | Aggressive 6/19 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total portfolio volatility (%)** | 4.79 | 3.14 | 7.99 | 5.90 | 10.19 | 8.11 | 12.26 | 9.80 | 15.41 | 12.60 |
| **Total benchmark volatility (%)** | 4.10 | 3.51 | 7.07 | 5.92 | 9.85 | 8.32 | 12.00 | 10.19 | 14.19 | 12.11 |
| **% fixed income risk from credit** | 66.0 | 32.0 | 61.9 | 28.9 | 60.8 | 29.0 | 58.1 | 29.7 | 48.6 | 30.8 |
| **Benchmark blend (S&P 1500 \| ACWI x U.S. \| BBG Universal)** | 11% \| 4% \| 85% | | 30% \| 10% \| 60% | | 45% \| 15% \| 40% | | 56% \| 19% \| 25% | | 67% \| 23% \| 10% | |

Source: Aladdin. For illustrative purposes only.

| Risk profile | Conservative | Moderate conservative | Moderate | Moderate aggressive | Aggressive |
|---|---|---|---|---|---|
| Equity weight | < 30% | 30-50% | 50-65% | 65-80% | >80% |

## Want to know more?

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**Alternatives** refer to products in the following Morningstar categories: Long-Short Equity, Options-Based, Multialternative, Managed Futures, Long-Short Credit, Market Neutral, Multicurrency and Bear Market. **Allocation** funds refer to products in the Target Date and Allocation series of Morningstar categories, as well as World Allocation, Convertibles, and Tactical Allocation categories. **Factor** products refer to non-market cap weighted ETFs and OEFs in categories determined by BlackRock, including: dividend-weighted strategies, multi-factor, single factor exposures, equal weight strategies, low volatility, active factor, and certain fixed income strategies. The chart calculates the average weight to each product category among portfolios that include at least one from the category.

**Rate-sensitive** fixed income Morningstar categories include: Corporate Bond, Inflation-Protected Bond, Intermediate Government, Intermediate-Term Bond, Long Government, Long-Term Bond, Static Intermediate Bond, Static U.S. Government, and all Municipal categories. **Credit-sensitive:** Convertibles, Bank Loan, Emerging Markets Bond, Emerging-Markets Local-Currency Bond, High Yield Bond, Multisector Bond, Nontraditional Bond, Preferred Stock, and High Yield Muni. **Other** refers to all other fixed income categories, mostly short term in nature.

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