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November 17, 2021

# iShares by BlackRock

## Megatrends: Own the Future

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iShares

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**Anna Verhaegen**

Megatrends and International iShares Product Strategist

November 17, 2021

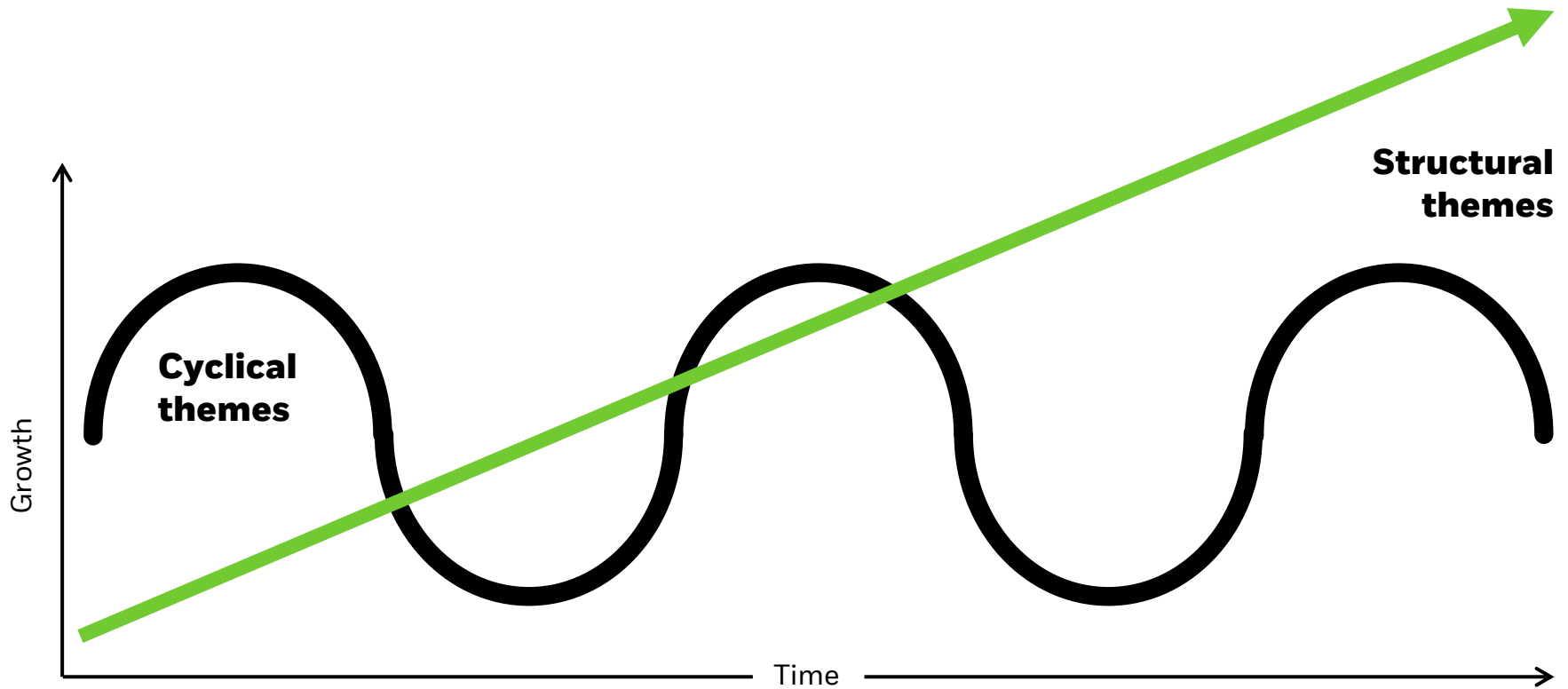
# MEGATRENDS OWN THE FUTURE

**iShares.**  
by BlackRock



# Structural > Cyclical

Structural themes are long-term opportunities driven by powerful transformations in our economy & society



For illustrative purposes only.

# What are Megatrends?

**Megatrends** are the long-term, transformational forces driving our global economy & society



**Technological  
breakthrough**



**Demographics  
& social change**



**Rapid  
urbanization**



**Climate change &  
resource scarcity**



**Emerging  
global wealth**

**Structural theme:**  
**horses**  
**vs. cars**





**From 1905-1930,  
the number of  
horse-drawn  
carriages fell**

**93%**



Source: [International Monetary Fund \(IMF\) Riding the Energy Transition](#), May 2017.

## Televisions in U.S. households

# 0.01%

1946<sup>1</sup>

<sup>1</sup> ["1920s-1960s Television", Elon University School of Communications.](#)





## Televisions in U.S. households

# 83%

1958<sup>1</sup>

<sup>1</sup> ["Number of TV Households in America", Buffalo History Museum.](#)



# Years new technology takes to reach 1/4 of American Population<sup>1</sup>

# 2021

# TikTok 2 years<sup>2</sup>

<sup>1</sup> Pew Research Center: Social Media Use in 2021; Yahoo Finance for number of active users at Facebook over the years. Pew Research Chart of the Week: The ever-accelerating rate of technology adoption. <sup>2</sup> [Wallaqoo Media, Jun 2021](#). References to specific companies are strictly for illustrative purposes only and should not be construed as investment advice or recommendations regarding those companies. For holdings information for the iShares funds, please visit [www.iShares.com](http://www.iShares.com).

1876  
Telephone  
**35 years**

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1975  
PC  
**16 years**

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1991  
The Web  
**7 years**

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2004  
Facebook  
**4 years**





# Structural change

occurs over time,  
but is measured  
in moments



**The world has  
changed**

**Due to  
COVID-19...**

**\$501  
billion**

committed to  
green energy in  
2020<sup>1</sup>

**1<sup>st</sup>**

FDA-approved  
mRNA vaccine<sup>2</sup>

**72%**

of CFOs to  
offer more WFH  
flexibility<sup>3</sup>

<sup>1</sup> Bloomberg. What Does \$500 Billion for Clean Energy Mean for Climate Change. Jan 21. <sup>2</sup> FDA, Aug 2021. <sup>3</sup> PwC US CFO Pulse Survey. Jun 2020.



# The Goldilocks problem



**F - A - A - N - G**



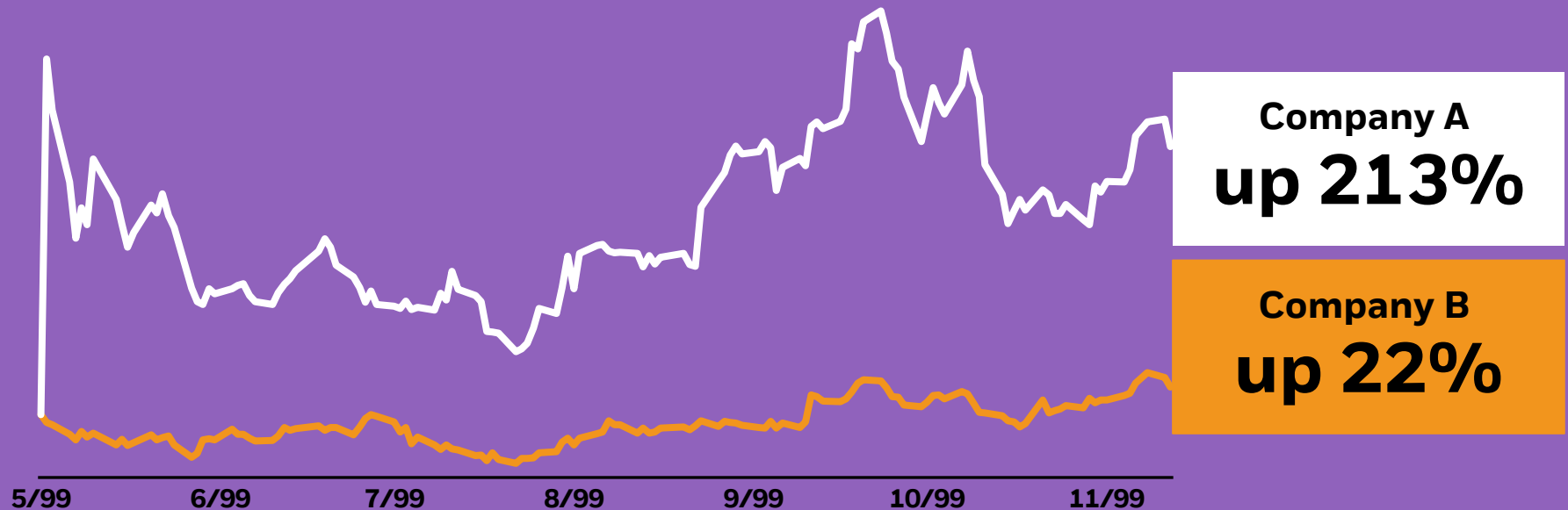


**T - R - E - N - D**

# Can you spot the FAANG?

Two “pure-play” e-commerce names had very different charts in 1999

May 19, 1999 to November 30, 1999

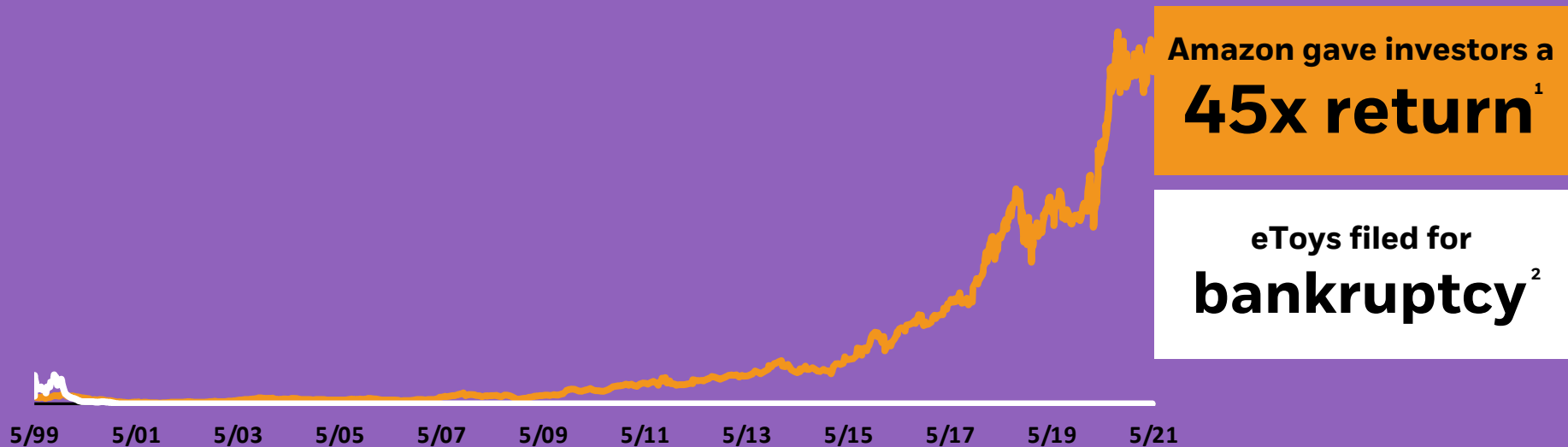


For illustrative purposes only. Source: Bloomberg, December 2019.

# Can you spot the FAANG?

They're even more different 20+ years later

Growth from May 19, 1999 to May 19, 2021



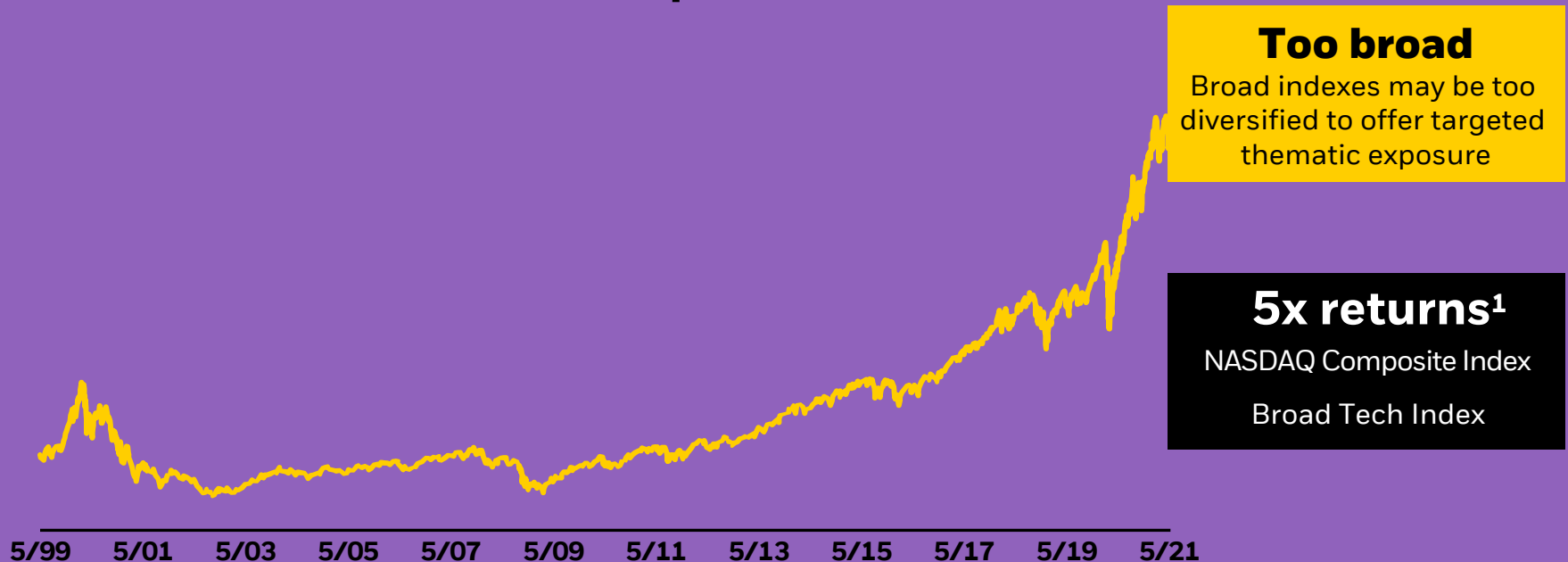
For illustrative purposes only. Source: Bloomberg, May 2021

**1** Amazon total return was 4,531% between 5/19/99 and 5/19/21. Includes dividends. **2** eToys filed for bankruptcy in February, 2001.

References to specific companies are strictly for illustrative purposes only and should not be construed as investment advice or recommendations regarding those companies. For holdings information for the iShares funds, please visit [www.iShares.com](http://www.iShares.com).

# What about a tech-focused index?

## Nasdaq



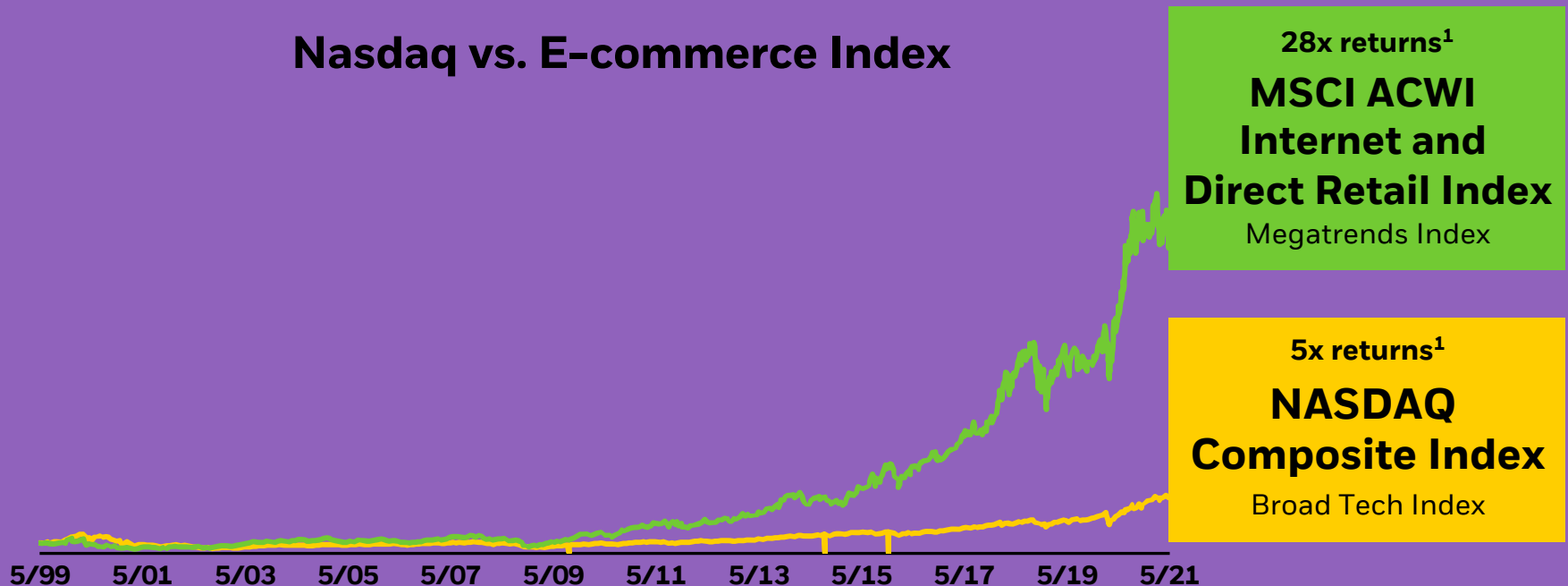
For illustrative purposes only. Source: Bloomberg, May 2021 .

<sup>1</sup> Nasdaq returned 539% between 5/19/99 and 5/19/21.

Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

# What about an e-commerce index?

## Nasdaq vs. E-commerce Index



<sup>1</sup> Reflects total returns, including dividends, from between 5/19/99 and 5/19/21. Data from Bloomberg as of May 2021. The MSCI ACWI Internet & Direct Marketing Retail Index has returned 2,843% and the Nasdaq Composite Index has returned 539% over this time period. **Index performance is for illustrative purposes only.** Index performance does not reflect any management fees, transactions costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

# The Goldilocks scenario

## Single stocks

Increased risk  
Lack diversification

??  
returns<sup>1</sup>

## Megatrend Index

Theme Beta

**28x**  
returns<sup>1</sup>

MSCI ACWI Internet &  
Direct Marketing Retail Index  
Targeted Index

## Broad Index

Lack targeted exposure

**5x**  
returns<sup>1</sup>

Nasdaq Composite Index  
Broad Tech Index

<sup>1</sup> Reflects total returns, including dividends, from 05/19/99 through 5/19/21. Data from Bloomberg as of May 2021. The MSCI ACWI Internet & Direct Marketing Retail Index has returned 2,843% and the Nasdaq Composite Index has returned 539% over this time period. **Index performance is for illustrative purposes only. Index performance does not reflect any management fees, transactions costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.**



# It's on the tip of your tongue

Are self driving  
cars cool?



## And the top of your Twitter

Will there be more of them on the road in 10 years?



# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends

**Regulatory**

**Societal**

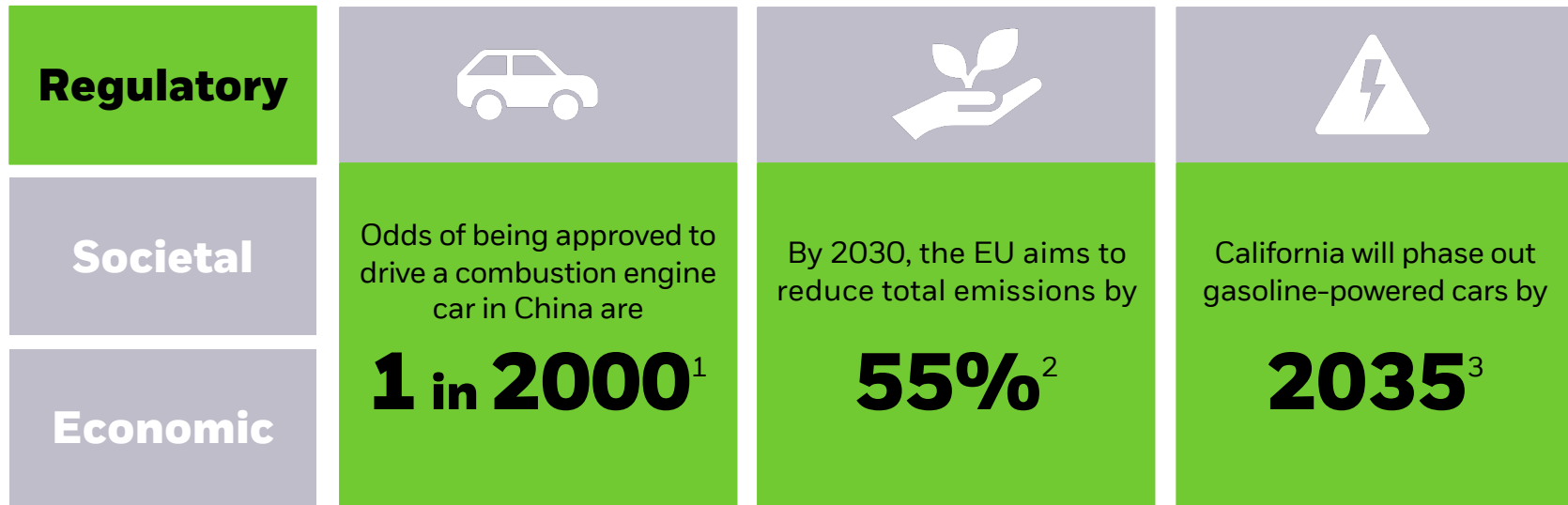
**Economic**

# forces

For illustrative purposes only.

# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends



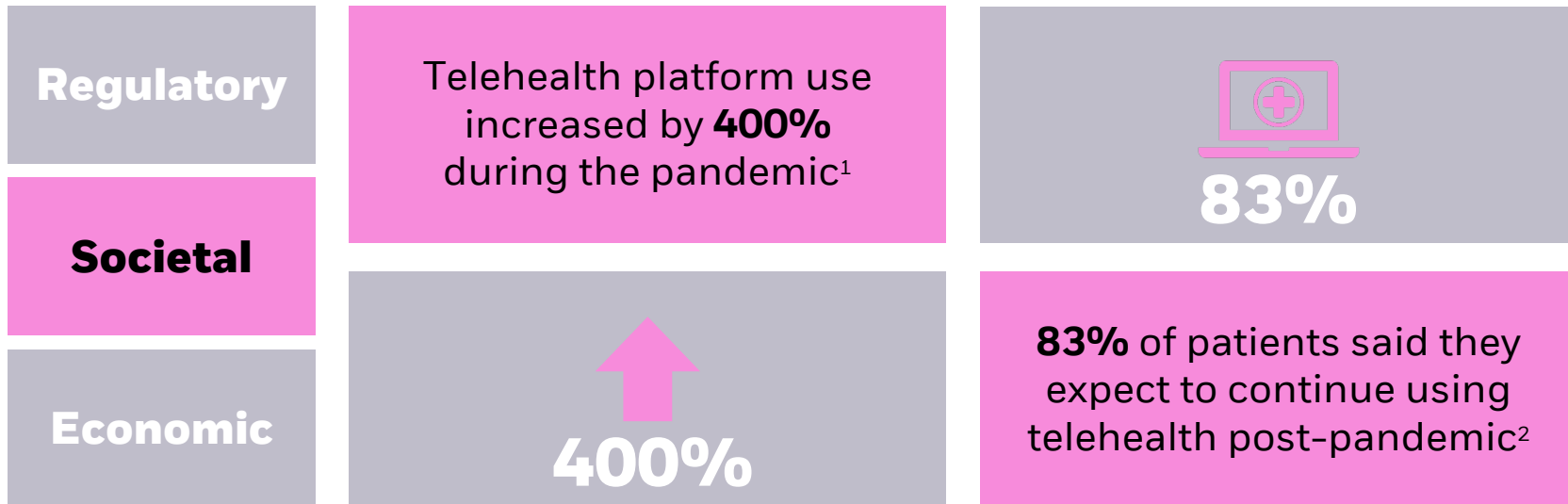
For illustrative purposes only. Forecasts may not come to pass. **1** [Chinosity, Oct 2020](#). **2** [ec.europa.eu, Jan 2019](#) **3** [Office of Governor Newson, Sep 2020](#)

# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends



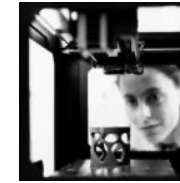
**Demographics  
& social change**



For illustrative purposes only. Source: **1** McKinsey: "Telehealth: A quarter-trillion dollar post-COVID reality?" May 2020. **2** Doctor.com, Jun 2020.

# At a tipping point

Regulatory, societal and economic forces are tailwinds for long-term, secular trends



**Technological  
breakthrough**

**Regulatory**

**Societal**

**Economic**



**360 hrs**

Global spending on artificial intelligence is expected to double in four years, reaching **\$110 billion** in 2024<sup>2</sup>

Automation frees **360 work hours** per year in 78% of businesses – saving \$4.7M per year on average<sup>1</sup>



**\$110B**

Forecasts may not come to pass. Source: **1** [Forbes, Aug 2017](#). **2** [IDC.com, Aug 2020](#) For illustrative purposes only.



# Megatrends are driving change

**Megatrends** are the long-term, transformational forces driving our global economy & society.



**Technological breakthrough**



**Demographics & social change**



**Rapid urbanization**



**Climate change & resource scarcity**



**Emerging global wealth**

# Technological breakthrough



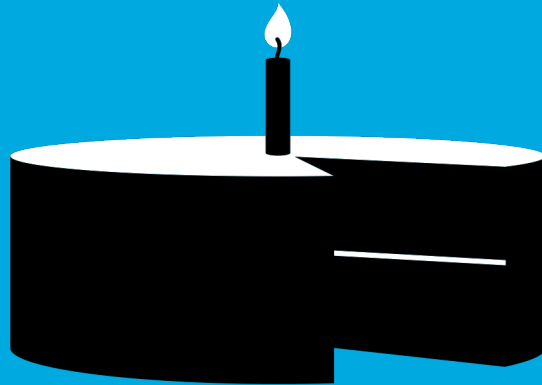
# What would you rather sacrifice for one week?



OR



# Drumroll please...



**49%**

**willing to  
give up dessert**



**74%**

**willing to  
give up alcohol**

Source: Delv, Digital Habits 2016 Survey Findings, June 2016.

# Internet-connected devices

2025 **75bn**

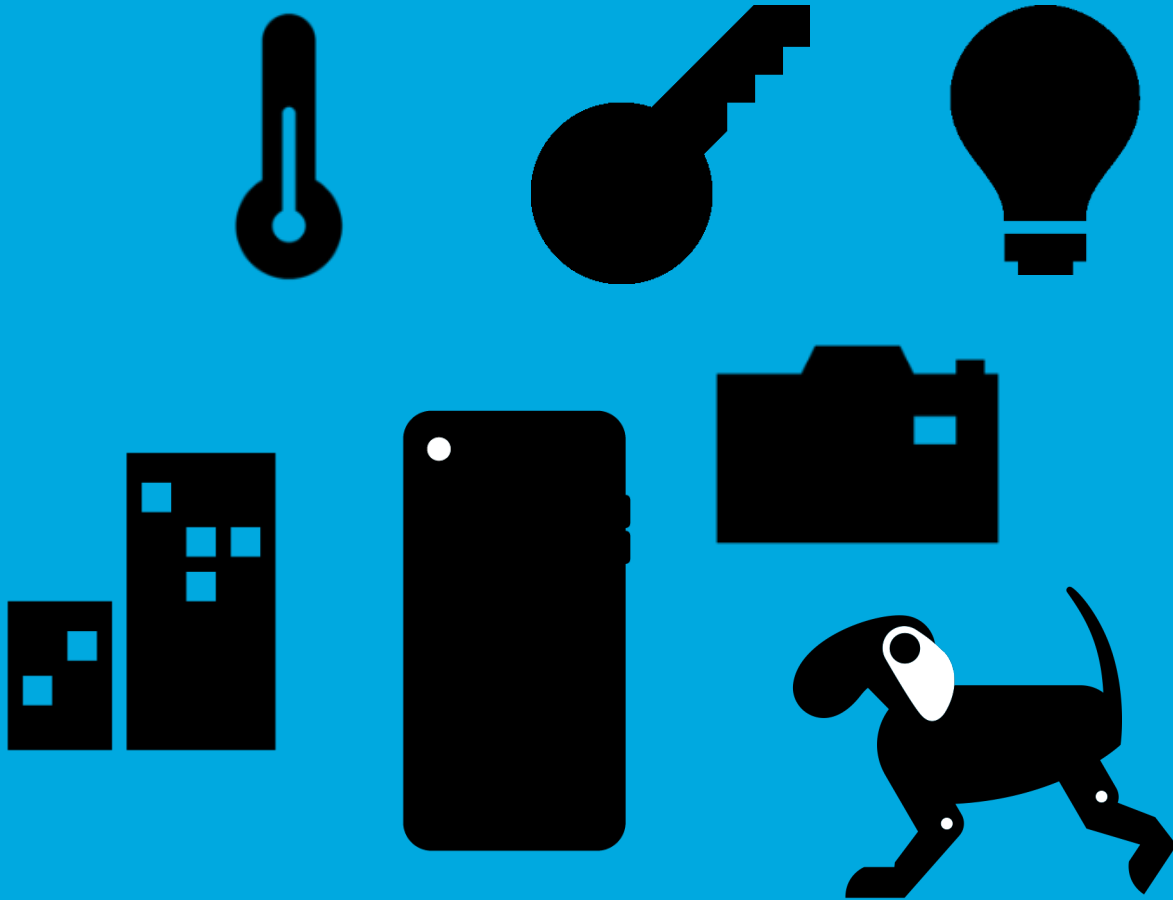
2023 **50bn**

2021 **35bn**

2019 **28bn**

2017 **20bn**

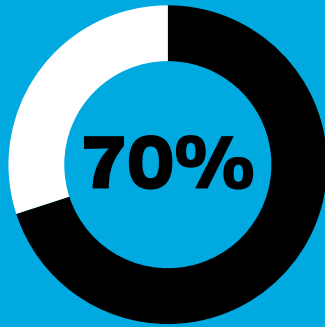
2015 **15bn**



Source: Statista, Internet of Things (IoT) Connected Devices Installed Base Worldwide from 2015 to 2025. For illustrative purposes only.

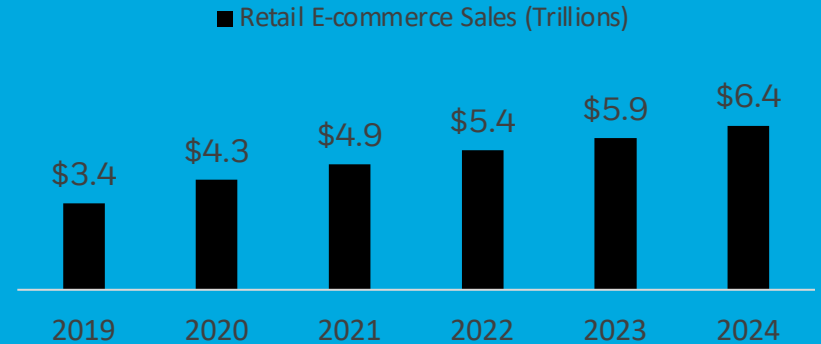
# Going Virtual

## % of execs to spend more on cybersecurity post-pandemic



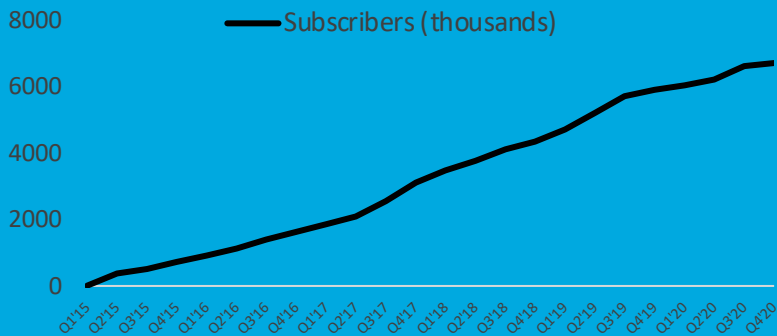
[Security Magazine, May 2020](#)

## Forecasted retail e-commerce growth from 2019-2024



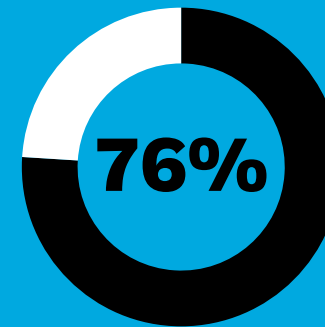
[eMarketer, Dec 2020](#)

## Growth of Tinder subscribers by quarter (Q1'15-Q4'20)



[Match Group, Jan 2021](#)

## % of people favor telehealth platforms over in-person visits

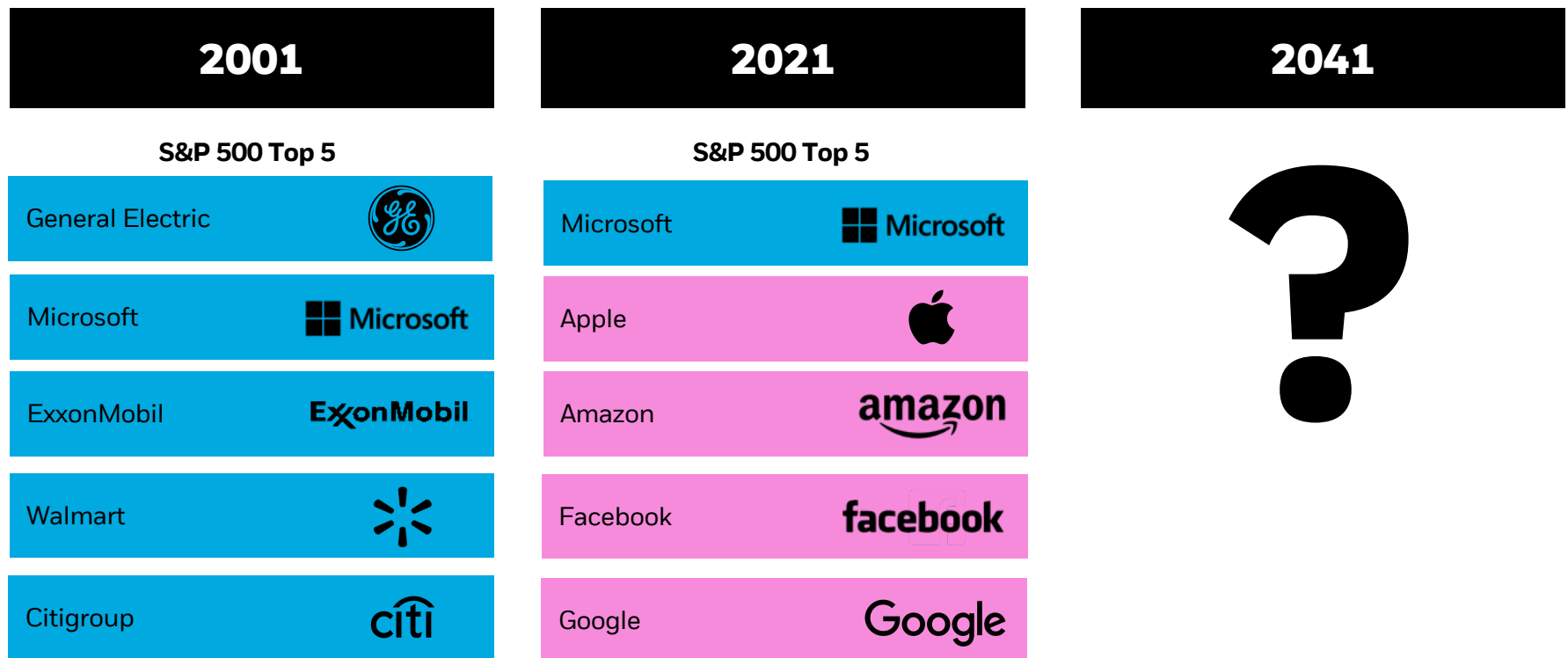


[McKinsey & Co., May 2020](#)



# MegaRule #1: Weight for tomorrow

The top 5 companies in the S&P 500 have changed over time, with only Microsoft retaining its place. What will the next 20 years look like?

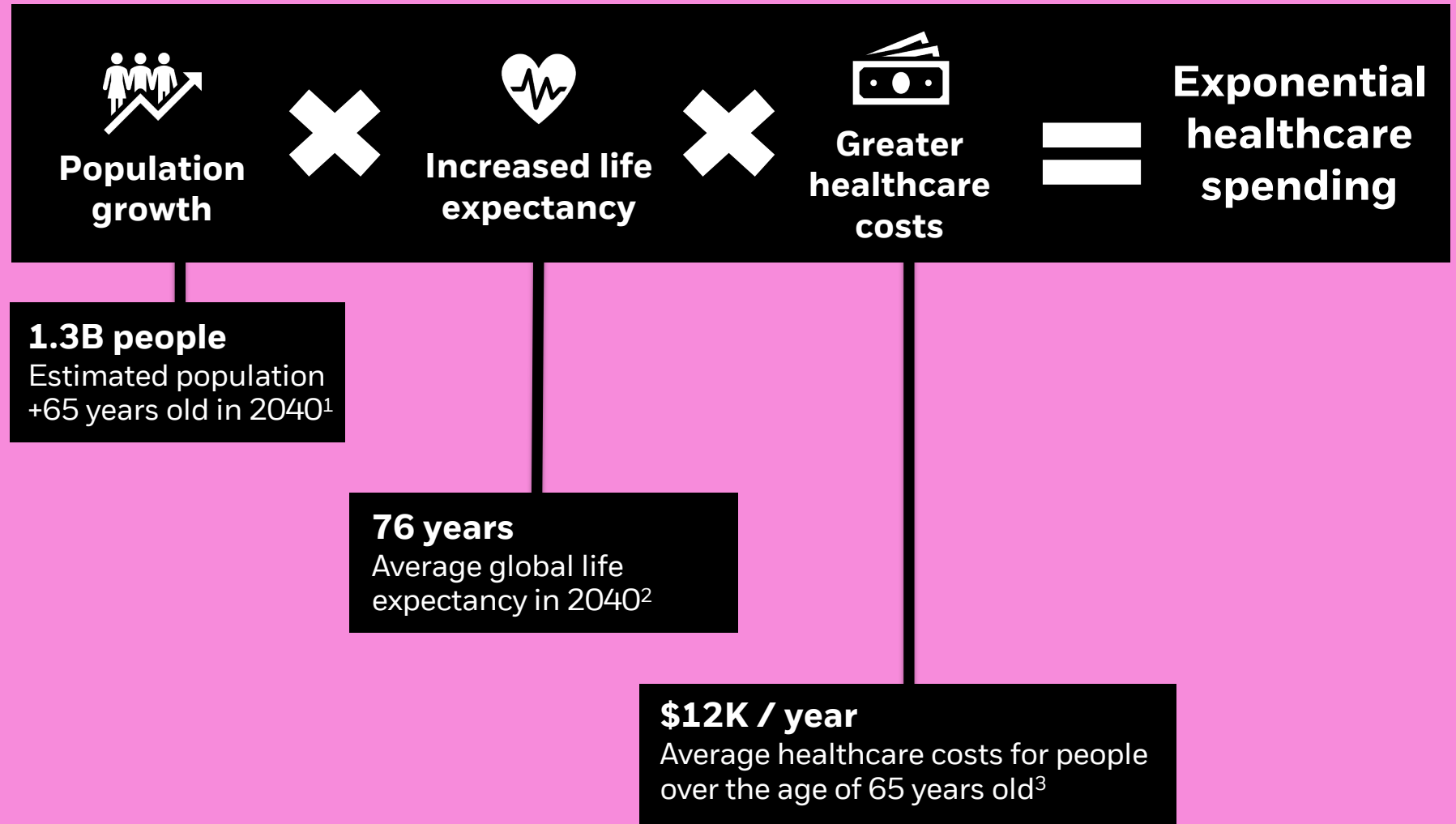


Source: Bloomberg, data as of 01/01/2000 and 01/01/2021. References to specific companies are strictly for illustrative purposes only and should not be construed as investment advice or recommendations regarding those companies. For holdings information for the iShares funds, please visit [www.iShares.com](http://www.iShares.com).

# Demographics & social change



# The cost of living longer



<sup>1</sup> 2019 Profile of Older Americans, U.S. Dept. of Health and Human Services. May 2020. <sup>2</sup> Statista, [Projected global life expectancy 1990-2100, Jun 2019](#). <sup>3</sup> Agency for Healthcare Research and Quality. Mean expenditure per person by age groups, United States, 1996-2018. Medical Expenditure Panel Survey. Generated interactively: May 18 2021.

# Getting healthier

**10k  
times**

cheaper to map a human genome today than in 2010<sup>1</sup>

**1<sup>st</sup>**

First monoclonal antibody treatment approved by FDA<sup>2</sup>

**38x**

Telehealth usage is 38x higher than pre-pandemic levels<sup>3</sup>

<sup>1</sup> Zhong Y, Xu F, Wu J, Schubert J, Li MM. Application of Next Generation Sequencing in Laboratory Medicine. Ann Lab Med, Jan 2021 <sup>2</sup> FDA, Nov 2020 <sup>3</sup> McKinsey, Jul 2021

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**CRISPR  
Therapeutics**

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**Moderna, Inc.**

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**Regeneron  
Pharmaceuticals**

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**BioNTech SE**

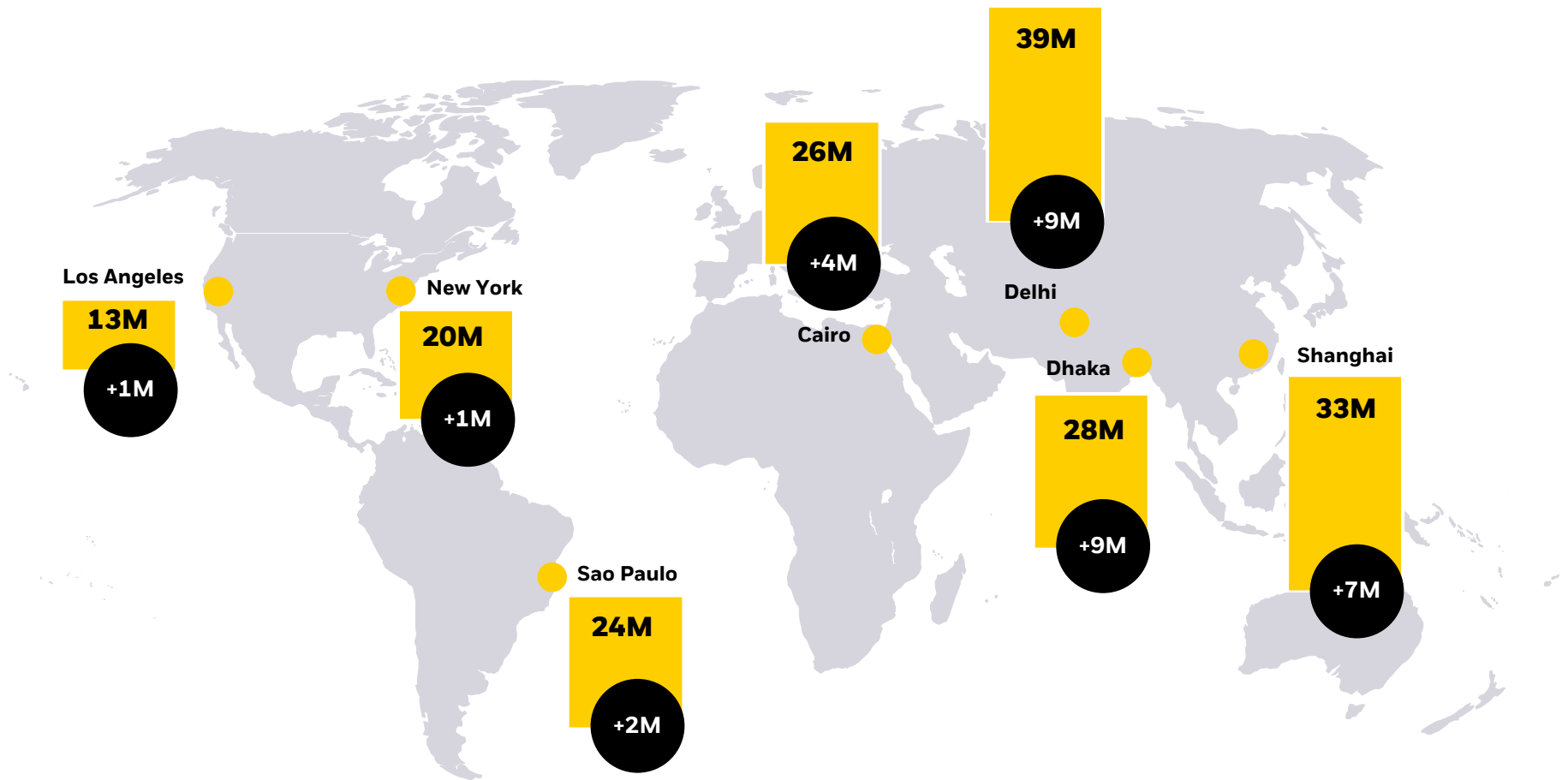


# Rapid urbanization



# The rise of megacities

Population growth fueling \$100 Trillion in infrastructure spending by 2030



Source: United Nations Department of Economic and Social Affairs, The World's Cities in 2018.



# Build back better

**\$1B**

in new capital projects alone can create 13,000 jobs<sup>1</sup>

**\$2T**

of unmet demand for infrastructure spending in the U.S.<sup>2</sup>

**162M**

Americans still lack access to high-speed broadband internet<sup>3</sup>

Sources: **1** [McKinsey & Co., July 2020](#) **2** [McKinsey & Co., June 2020](#) **3** [Business Insider, Mar 2020](#)

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# Climate change & resource scarcity



## Green milestones

**137**

countries targeting carbon neutrality goal by 2050<sup>1</sup>

**56M**

EVs predicted to be sold around the world by 2040<sup>2</sup>

**60%**

By 2030, 60% of China's electricity may come from renewables<sup>3</sup>

<sup>1</sup> Visual Capitalist, Jun 2021 <sup>2</sup> CNN, Sep 2019

<sup>3</sup> Nature.com, Oct 2020. References to specific companies are strictly for illustrative purposes only and should not be construed as investment advice or recommendations regarding those companies. For holdings information for the iShares funds, please visit [www.iShares.com](http://www.iShares.com).



# Build back greener

**1<sup>st</sup>**

In 2020, renewables generated more U.S. electricity than coal for the first time<sup>1</sup>

**25%**

The EU dedicated 25% of its budget to climate change<sup>2</sup>

**500k**

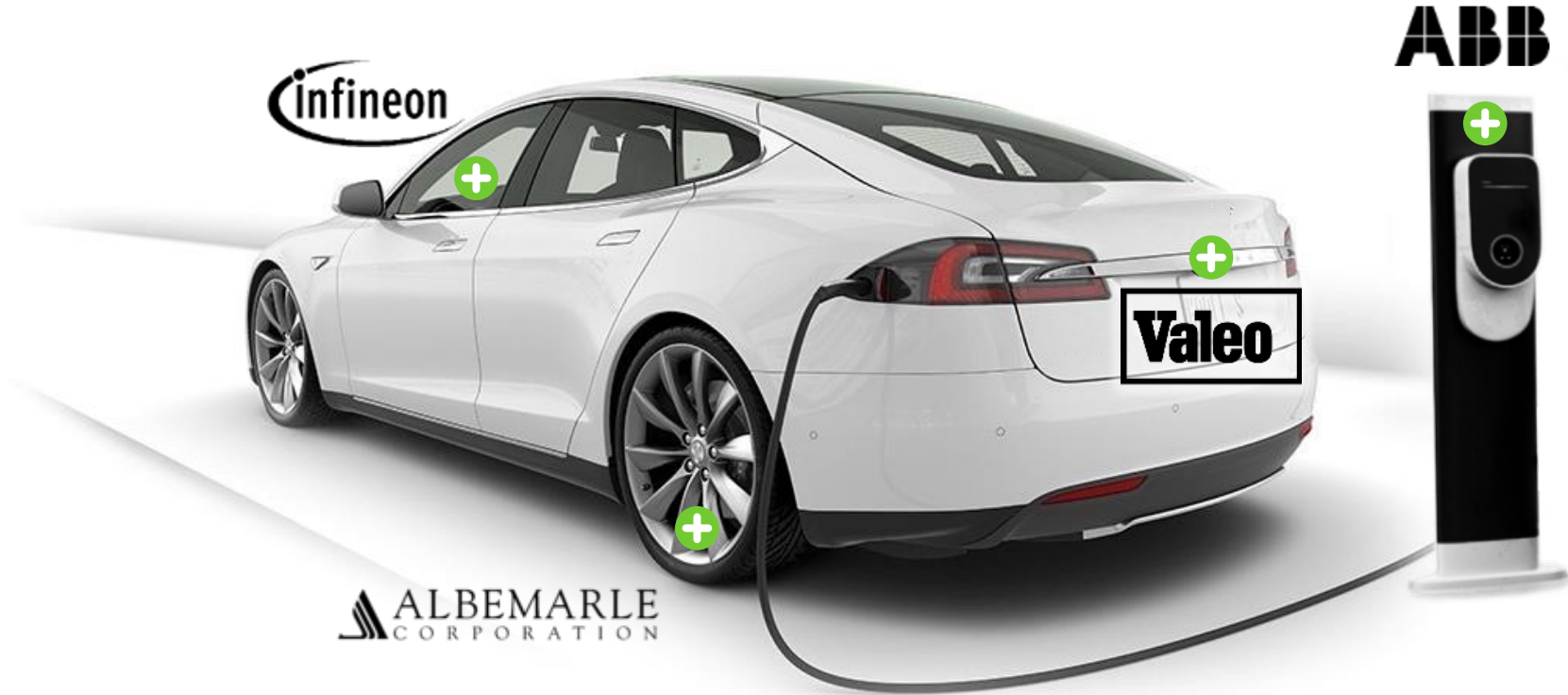
The U.S. plans to build 500k EV charging stations by 2030<sup>3</sup>

<sup>1</sup> [Inside Climate News, Feb 2021](#)

<sup>2</sup> [ClimateChangeNews.org, Nov 2019](#) <sup>3</sup> [Yahoo News, Aug 2021](#). References to specific companies are strictly for illustrative purposes only and should not be construed as investment advice or recommendations regarding those companies. For holdings information for the iShares funds, please visit [www.iShares.com](http://www.iShares.com).



# MegaRule #2: Connect the value chain



For illustrative purposes only.

**For illustrative purposes only.**

The specific companies identified and described above do not represent all of the companies purchased or sold, and no assumptions should be made that the companies identified and discussed were or will be profitable. For top 10 holdings please see back of presentation.



# Emerging global wealth





# A billion people here, a billion people there...

**1.5B**

By 2026, China & India may have populations of 1.5B each<sup>1</sup>

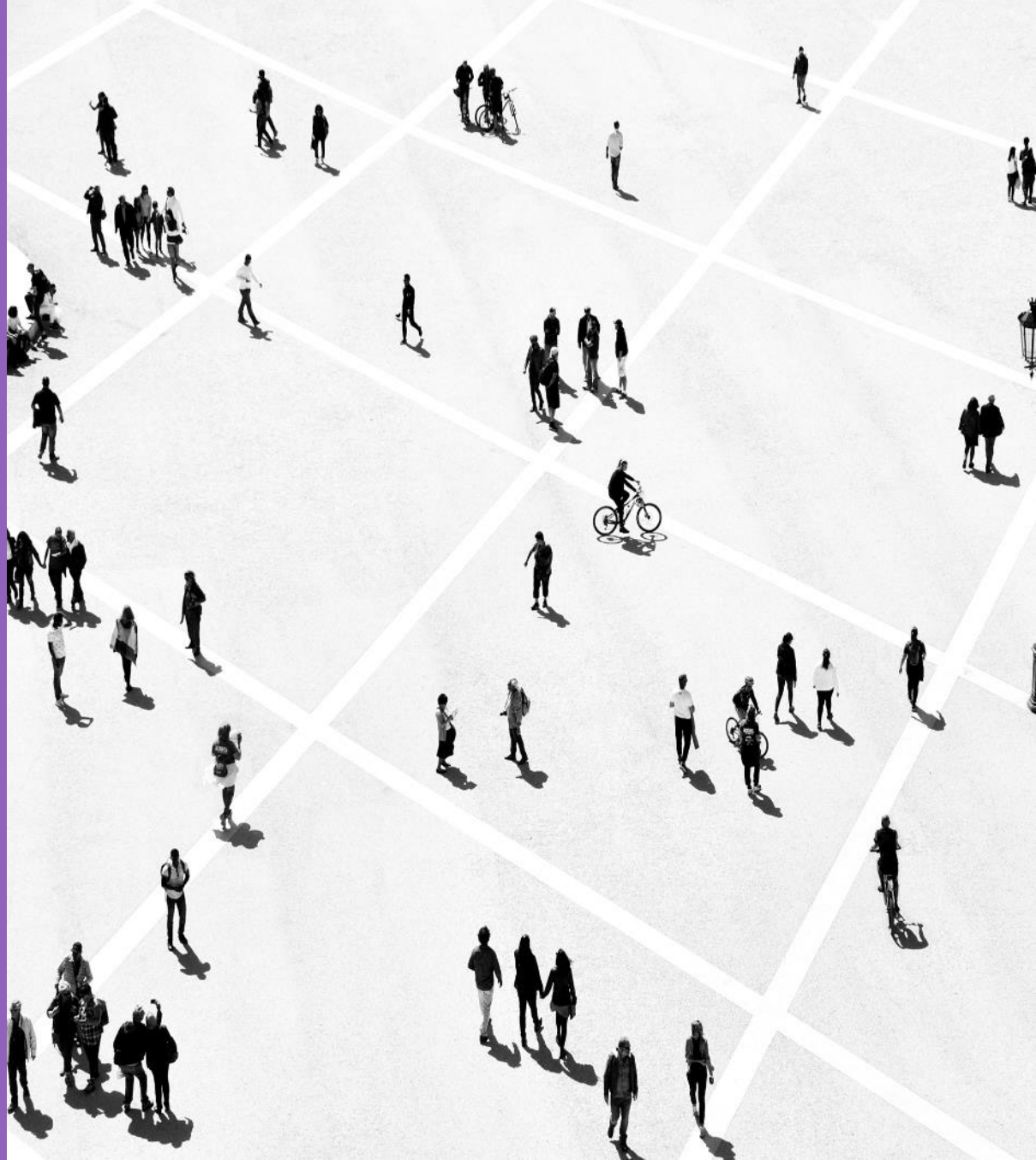
**90%**

of new middle class entrants are in Asia<sup>2</sup>

**44**

people escape extreme poverty in India every minute<sup>3</sup>

<sup>1</sup> Visual Capitalist. "The Population Race: A 300-Year Look at China vs. India" Nov 2020 <sup>2</sup> Bank of America Merrill Lynch "10 things for the next 10 years, Nov 2019 <sup>3</sup> Washington Post, Jun 2018



## Emerging stronger

**40%** of 2020's new billionaires were from China<sup>1</sup>

**70%** increase in global internet usage due to the pandemic, led by Southeast Asia<sup>2</sup>

**100M** South Americans entered the financial system as a result of the pandemic<sup>3</sup>

<sup>1</sup> South China Morning Post as of February 2020. <sup>2</sup> World Economic Forum, "Here are 4 technology trends from emerging economies," Sep 9, 2020. <sup>3</sup> Mastercard, Nov 2020  
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# MegaRule #3: Think beyond borders

## Emerging Market's vast digital potential

Online vs. offline population in China and India compared to the United States in 2021



**Online population:**

**313M** 

**1.41B** 

**Offline population:**

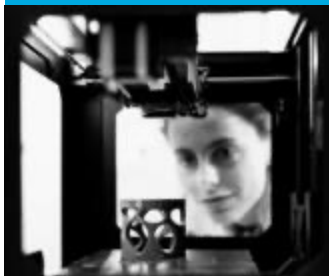
**18M** 

**1.39B** 

Source: [InternetWorldStats.com](https://www.internetworldstats.com), Mar 2021.

# Owning the future

## Technological breakthrough



Robotics & A.I.  
Cybersecurity  
FinTech

## Demographics & social change



Genomics  
Immunotherapy  
Ageing

## Rapid urbanization



Infrastructure  
Megacities  
Smart cities

## Climate change & resource scarcity



Clean energy  
Electric vehicles  
Self-driving

## Emerging global wealth



China & India  
New consumers  
Digital economy

# MegaRules of the road

- 1** **Weight for tomorrow**
- 2** **Connect the value chain**
- 3** **Think beyond borders**





**Put your money  
where your  
mind is...**



# Important information

**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 [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com). Read the prospectus carefully before investing.**

## **Investing involves risk, including possible loss of principal.**

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 and in concentrations of single countries.

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 than the general securities market.

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.

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