

BlackRock Inc.
Form 10-K
February 28, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File No. 001-33099

BlackRock, Inc.

(Exact name of registrant as specified in its charter)

Delaware 32-0174431
(State or Other Jurisdiction of (I.R.S. Employer

Incorporation or Organization) Identification No.)
55 East 52nd Street, New York, NY 10055

(Address of Principal Executive Offices)

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(212) 810-5300

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$.01 par value	New York Stock Exchange
1.250% Notes due 2025	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known, seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer

Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting common stock and nonvoting common stock equivalents held by nonaffiliates of the registrant as of June 30, 2018 was approximately \$79.1 billion.

As of January 31, 2019, there were 158,031,934 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference herein:

Portions of the definitive Proxy Statement of BlackRock, Inc. to be filed pursuant to Regulation 14A of the general rules and regulations under the Securities Exchange Act of 1934, as amended, for the 2019 annual meeting of stockholders to be held on May 23, 2019 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

BlackRock, Inc.

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Part I

Item 1. Business

Overview

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, “BlackRock” or the “Company”) is a leading publicly traded investment management firm with \$5.98 trillion of assets under management (“AUM”) at December 31, 2018. With approximately 14,900 employees in more than 30 countries who serve clients in over 100 countries across the globe, BlackRock provides a broad range of investment and technology services to institutional and retail clients worldwide.

Our diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, iShares® exchange-traded funds (“ETFs”), separate accounts, collective investment trusts and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platform, Aladdin®, Aladdin Wealth, Cachematrix and FutureAdvisor, as well as advisory services and solutions to a broad base of institutional and wealth management clients. The Company is highly regulated and manages its clients’ assets as a fiduciary. We do not engage in proprietary trading activities that could conflict with the interests of our clients.

BlackRock serves a diverse mix of institutional and retail clients across the globe. Clients include tax-exempt institutions, such as defined benefit and defined contribution pension plans, charities, foundations and endowments; official institutions, such as central banks, sovereign wealth funds, supranationals and other government entities; taxable institutions, including insurance companies, financial institutions, corporations and third-party fund sponsors, and retail investors.

BlackRock maintains a significant global sales and marketing presence that is focused on establishing and maintaining retail and institutional investment management and technology service relationships by marketing its services to investors directly and through third-party distribution relationships, including financial professionals and pension consultants.

BlackRock is an independent, publicly traded company, with no single majority shareholder and over two-thirds of its Board of Directors consisting of independent directors. At December 31, 2018, The PNC Financial Services Group, Inc. (“PNC”) held 21.6% of BlackRock’s voting common stock and 22.0% of BlackRock’s capital stock, which includes outstanding common and nonvoting preferred stock.

Management seeks to deliver value for stockholders over time by, among other things, capitalizing on BlackRock’s differentiated competitive position, including:

- the Company’s focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- the Company’s global reach and commitment to best practices around the world, with approximately 50% of employees outside the United States serving clients locally and supporting local investment capabilities. Approximately 40% of total AUM is managed for clients domiciled outside the United States;
- the Company’s breadth of investment strategies, including market-cap weighted index, factors, systematic active, traditional fundamental active, high conviction alpha and illiquid alternative product offerings, which enhance its

ability to tailor single- and multi-asset investment solutions to address specific client needs;

the Company's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the secular shift to index investing and ETFs, a focus on income and retirement, and barbell investing using index, active and illiquid alternatives products; and

the Company's longstanding commitment to innovation, technology services and the continued development of, and increased interest in, BlackRock technology products and solutions, including Aladdin, Aladdin Wealth, Cachematrix, and FutureAdvisor. This commitment is further extended by minority investments in distribution technologies including Scalable Capital, iCapital, Acorns and Envestnet.

BlackRock operates in a global marketplace impacted by changing market dynamics and economic uncertainty, factors that can significantly affect earnings and stockholder returns in any given period.

The Company's ability to increase revenue, earnings and stockholder value over time is predicated on its ability to generate new business, including business in Aladdin and other technology products and services. New business efforts depend on BlackRock's ability to achieve clients' investment objectives in a manner consistent with their risk preferences and to deliver excellent client service. All of these efforts require the commitment and contributions of BlackRock employees. Accordingly, the ability to attract, develop and retain talented professionals is critical to the Company's long-term success.

Financial Highlights

(in millions, except per share data)

GAAP:	2018	2017 ⁽⁴⁾	2016 ⁽⁴⁾	2015 ⁽⁴⁾	2014 ⁽⁴⁾
Total revenue	\$14,198	\$13,600	\$12,261	\$11,401	\$11,081
Operating income	\$5,457	\$5,254	\$4,565	\$4,664	\$4,474
Operating margin	38.4 %	38.6 %	37.2 %	40.9 %	40.4 %
Nonoperating income (expense) ⁽¹⁾	\$(76)	\$(32)	\$(108)	\$(69)	\$(49)
Net income attributable to BlackRock, Inc.	\$4,305	\$4,952	\$3,168	\$3,345	\$3,294
Diluted earnings per common share	\$26.58	\$30.12	\$19.02	\$19.79	\$19.25

(in millions, except per share data)

As adjusted ⁽²⁾ :	2018	2017 ⁽⁴⁾	2016 ⁽⁴⁾	2015 ⁽⁴⁾	2014 ⁽⁴⁾
Operating income	\$5,531	\$5,269	\$4,669	\$4,695	\$4,563
Operating margin	44.3 %	44.1 %	43.8 %	42.9 %	42.9 %
Nonoperating income (expense) ⁽¹⁾	\$(76)	\$(32)	\$(108)	\$(70)	\$(56)
Net income attributable to BlackRock, Inc. ⁽³⁾	\$4,361	\$3,698	\$3,210	\$3,313	\$3,310
Diluted earnings per common share ⁽³⁾	\$26.93	\$22.49	\$19.27	\$19.60	\$19.34

(1) Net of net income (loss) attributable to noncontrolling interests (“NCI”) (redeemable and nonredeemable).

(2) BlackRock reports its financial results in accordance with accounting principles generally accepted in the United States (“GAAP”); however, management believes evaluating the Company’s ongoing operating results may be enhanced if investors have additional non-GAAP financial measures.

See “Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures”, for further information on non-GAAP financial measures and for as adjusted items for 2018, 2017, and 2016.

In 2014, general and administration expense relating to the reduction of an indemnification asset has been excluded since it is directly offset by a tax benefit of the same amount and, consequently, did not impact BlackRock’s book value. In 2015 and 2014, the portion of compensation expense associated with certain long-term incentive plans (“LTIP”) funded, or to be funded, through share distributions to participants of BlackRock stock held by PNC has been excluded because it ultimately did not impact BlackRock’s book value. Compensation expense associated with appreciation (depreciation) on investments related to certain BlackRock deferred compensation plans has been excluded as returns on investments set aside for these plans, which substantially offset this expense, are reported in nonoperating income (expense).

(3) Net income attributable to BlackRock, Inc., as adjusted, and diluted earnings per common share, as adjusted exclude the after-tax impact of the items referred to above and also include the effect on deferred income tax expense resulting from certain income tax matters.

(4) Results for 2017 and 2016 were recast to reflect the adoption of the new revenue recognition standard. Results for 2015 and 2014 reflect accounting guidance prior to the adoption of the new revenue recognition standard.

Assets Under Management

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The Company's AUM by product type for the years 2014 through 2018 is presented below.

	December 31,					5-Year	
(in millions)	2018	2017	2016	2015	2014	CAGR ⁽¹⁾	
Equity	\$3,035,825	\$3,371,641	\$2,657,176	\$2,423,772	\$2,451,111	6	%
Fixed income	1,884,417	1,855,465	1,572,365	1,422,368	1,393,653	9	%
Multi-asset	461,884	480,278	395,007	376,336	377,837	6	%
Alternatives	143,358	129,347	116,938	112,839	111,240	5	%
Long-term	5,525,484	5,836,731	4,741,486	4,335,315	4,333,841	7	%
Cash management	448,565	449,949	403,584	299,884	296,353	10	%
Advisory	1,769	1,515	2,782	10,213	21,701	(45)	%
Total	\$5,975,818	\$6,288,195	\$5,147,852	\$4,645,412	\$4,651,895	7	%

(1) Percentage represents CAGR over a five-year period (2013-2018).

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Component changes in AUM by product type for the five years ended December 31, 2018 are presented below.

			Adjustment/					
	December 31,	Net inflows	acquisitions	Market	FX	December 31,	5-Year	
(in millions)	2013	(outflows)	and dispositions ⁽¹⁾	change	impact	2018	CAGR ⁽²⁾	
Equity	\$ 2,317,695	\$ 301,915	\$ 2,590	\$ 528,873	\$(115,248)	\$ 3,035,825	6	%
Fixed income	1,242,186	551,223	18,539	181,947	(109,478)	1,884,417	9	%
Multi-asset	341,214	87,540	1,048	57,759	(25,677)	461,884	6	%
Alternatives	111,114	26,719	10,121	1,192	(5,788)	143,358	5	%
Long-term	4,012,209	967,397	32,298	769,771	(256,191)	5,525,484	7	%
Cash management	275,554	100,672	81,321	4,245	(13,227)	448,565	10	%
Advisory	36,325	(31,324)	—	1,302	(4,534)	1,769	(45)	%
Total	\$ 4,324,088	\$ 1,036,745	\$ 113,619	\$ 775,318	\$(273,952)	\$ 5,975,818	7	%

(1) Amounts include AUM acquired in the acquisition of certain assets of BlackRock Kelso Capital Advisors LLC (“BKCA”) in March 2015, AUM acquired from Infraestructura Institucional and FutureAdvisor in October 2015, AUM acquired in the BofA® Global Capital Management transaction in April 2016, AUM acquired in the acquisition of the equity infrastructure franchise of First Reserve (“First Reserve Transaction”) in June 2017, net AUM from the acquisitions of Tennenbaum Capital Partners in August 2018 (“TCP Transaction”) and the asset management business of Citibanamex in September 2018 (“Citibanamex Transaction”), AUM reclassifications and net dispositions related to the transfer of BlackRock’s UK Defined Contribution Administration and Platform business to Aegon N.V. in July 2018 (“Aegon Transaction”), and net AUM dispositions related to the sale of BlackRock’s minority interest in DSP BlackRock Investment Managers Pvt. Ltd. to the DSP Group in August 2018 (“DSP Transaction”). In addition, amounts include other reclassifications to conform to current period combined AUM policy and presentation.

(2) Percentage represents CAGR over a five-year period (2013-2018).

AUM represents the broad range of financial assets we manage for clients on a discretionary basis pursuant to investment management agreements that are expected to continue for at least 12 months. In general, reported AUM reflects the valuation methodology that corresponds to the basis used for determining revenue (for example, net asset value). Reported AUM does not include assets for which we provide risk management or other forms of nondiscretionary advice, or assets that we are retained to manage on a short-term, temporary basis.

Investment management fees are typically earned as a percentage of AUM. We also earn performance fees on certain portfolios relative to an agreed-upon benchmark or return hurdle. On some products, we also may earn securities lending revenue. In addition, BlackRock offers its proprietary Aladdin investment system as well as risk management, outsourcing, advisory and other technology services, to institutional investors and wealth management intermediaries. Revenue for these services may be based on several criteria including value of positions, number of users or accomplishment of specific deliverables.

At December 31, 2018, total AUM was \$5.98 trillion, representing a CAGR of 7% over the last five years. AUM growth during the period was achieved through the combination of net market valuation gains, net inflows and acquisitions, including BKCA, Infraestructura Institucional and FutureAdvisor, which collectively added \$2.2 billion

of AUM in 2015, BofA Global Capital Management which added \$80.6 billion of AUM in 2016, First Reserve which added \$3.3 billion of AUM in 2017 and the net AUM impact from the TCP Transaction, the Citibanamex Transaction, the Aegon Transaction and the DSP Transaction which added \$27.5 billion of AUM in 2018. Our AUM mix encompasses a broadly diversified product range, as described below.

The Company considers the categorization of its AUM by client type, product type, investment style, and client region useful to understanding its business. The following discussion of the Company's AUM will be organized as follows:

Client Type	Product Type	Investment Style	Client Region
• Retail	• Equity	• Active	• Americas
• iShares ETFs	• Fixed Income	• Index and iShares ETFs	• Europe, the Middle East and Africa ("EMEA")
• Institutional	• Multi-asset		• Asia-Pacific
	• Alternatives		
	• Cash Management		

Client Type

BlackRock serves a diverse mix of institutional and retail clients across the globe, with a regionally focused business model. BlackRock leverages the benefits of scale across global investment, risk and technology platforms while at the same time using local distribution presence to deliver solutions for clients. Furthermore, our structure facilitates strong teamwork globally across both functions and regions in order to enhance our ability to leverage best practices to serve our clients and continue to develop our talent.

Clients include tax-exempt institutions, such as defined benefit and defined contribution pension plans, charities, foundations and endowments; official institutions, such as central banks, sovereign wealth funds, supranationals and other government entities; taxable institutions, including insurance companies, financial institutions, corporations and third-party fund sponsors, and retail investors.

iShares ETFs are a growing component of both institutional and retail client portfolios. However, as iShares ETFs are traded on exchanges, complete transparency on the ultimate end-client is unavailable. Therefore, iShares ETFs are presented as a separate client type below, with investments in iShares ETFs by institutions and retail clients excluded from figures and discussions in their respective sections.

AUM by investment style and client type at December 31, 2018 is presented below.

(in millions)	Retail	iShares ETFs	Institutional	Total
Active	\$537,801	\$—	\$1,079,979	\$1,617,780
Non-ETF Index	73,049	—	2,103,230	2,176,279
iShares ETFs	—	1,731,425	—	1,731,425
Long-term	610,850	1,731,425	3,183,209	5,525,484
Cash management	10,570	—	437,995	448,565
Advisory	—	—	1,769	1,769
Total	\$621,420	\$1,731,425	\$3,622,973	\$5,975,818

Retail

BlackRock serves retail investors globally through a wide array of vehicles across the investment spectrum, including separate accounts, open-end and closed-end funds, unit trusts and private investment funds. Retail investors are served principally through intermediaries, including broker-dealers, banks, trust companies, insurance companies and independent financial advisors. Technology solutions and digital distribution tools are increasing the number of financial advisors and end-retail clients using BlackRock products. Retail represented 11% of long-term AUM at December 31, 2018 and 31% of long-term base fees for 2018.

iShares ETFs have a significant retail component, but is shown separately below. With the exclusion of iShares ETFs, retail AUM is predominantly comprised of active mutual funds. Mutual funds totaled \$497.7 billion, or 81%, of retail long-term AUM at year-end, with the remainder invested in private investment funds and separately managed accounts (“SMAs”). 88% of retail long-term AUM is invested in active products.

Component changes in retail long-term AUM for 2018 are presented below.

(in millions)	December 31, 2017	Net inflows (outflows)	Acquisitions and dispositions (1)	Market change	FX impact	December 31, 2018
Equity	\$ 233,218	\$ 2,090	\$ 2,137	\$(28,005)	\$(3,726)	\$ 205,714
Fixed income	257,571	11,546	14,070	(8,630)	(2,969)	271,588
Multi-asset	120,855	2,914	2,519	(12,107)	(764)	113,417
Alternatives	16,733	2,529	1,628	(590)	(169)	20,131
Total	\$ 628,377	\$ 19,079	\$ 20,354	\$(49,332)	\$(7,628)	\$ 610,850

(1) Amounts included net AUM impact from the TCP Transaction and the Citibanamex Transaction.

The retail client base is diversified geographically, with 72% of long-term AUM managed for investors based in the Americas, 23% in EMEA and 5% in Asia-Pacific at year-end 2018.

US retail long-term net inflows of \$24.3 billion were led by fixed income inflows of \$14.9 billion. Fixed income net inflows were diversified across exposures and products, with strong flows into our municipal, unconstrained and short duration bond offerings. Equity net inflows of \$7.0 billion were driven by flows into our index mutual funds.

International retail long-term net outflows of \$5.2 billion resulted from net outflows in equity and fixed income, partially offset by multi-asset and alternatives net inflows. Multi-asset net inflows of \$1.6 billion were led by flows into the Multi-Asset Income fund family, while alternatives net inflows of \$1.5 billion reflected flows into global and European hedge funds. Equity net outflows of \$4.9 billion were primarily due to outflows from European equities, as political and market uncertainty contributed to a risk-off environment in the region. Fixed income net outflows of \$3.4 billion reflected net outflows from unconstrained and high yield bond funds.

iShares ETFs

iShares is the leading ETF provider in the world, with \$1.7 trillion of AUM at December 31, 2018 and was the top asset gatherer globally in 2018¹ with net inflows of \$167.5 billion driving an organic growth rate of 10%. The iShares Core had net inflows of \$106.2 billion, while iShares ETFs outside the Core had net inflows of \$61.3 billion. iShares equity net inflows of \$112.8 billion were driven by flows into Core funds, products with broad developed market equity exposures and factor-based ETFs. Fixed income net inflows of \$50.9 billion were diversified across exposures and product lines, led by flows into Core, treasuries and emerging market debt funds. iShares ETF multi-asset and alternative funds contributed a combined \$3.8 billion of net inflows, primarily into commodities funds. iShares ETFs represented 31% of long-term AUM at December 31, 2018 and 41% of long-term base fees for 2018.

Component changes in iShares ETFs AUM for 2018 are presented below.

	December 31, 2017	Net inflows	Market change	FX impact	December 31, 2018
(in millions)					
Equity	\$ 1,329,610	\$ 112,817	\$(159,433)	\$(8,732)	\$ 1,274,262
Fixed income	395,252	50,930	(14,355)	(4,231)	427,596
Multi-asset	3,761	1,050	(317)	(9)	4,485
Alternatives ⁽¹⁾	23,616	2,738	(1,196)	(76)	25,082
Total	\$ 1,752,239	\$ 167,535	\$(175,301)	\$(13,048)	\$ 1,731,425

(1) Amounts include commodity iShares ETFs.

Our broad iShares ETF product range offers investors a precise, transparent and efficient way to gain exposure to a full range of asset classes and global markets that have been difficult for many investors to access, as well as the liquidity required to make adjustments to their exposures quickly and cost-efficiently.

US iShares ETF² AUM ended 2018 at \$1.3 trillion with \$129.7 billion of net inflows driven by strong demand for Core funds, broad developed market equities and factor-based ETFs, as well as a diverse range of fixed income products.

International iShares ETF² AUM ended 2018 at \$409.5 billion with net inflows of \$37.8 billion led by equity net inflows of \$27.9 billion, which reflected strong flows into the international Core and factor-based ETFs.

¹Source: BlackRock; Bloomberg

²Regional iShares ETF amounts based on jurisdiction of product, not underlying client.

Institutional

BlackRock serves institutional investors on six continents in sub-categories including: pensions, endowments and foundations, official institutions, and financial institutions; institutional AUM is diversified across product and region.

Component changes in institutional long-term AUM for 2018 are presented below.

	December 31, 2017	Net inflows (outflows)	Acquisitions and dispositions ⁽¹⁾	Market change	FX impact	December 31, 2018
(in millions)						
Active:						
Equity	\$ 137,185	\$ (7,895)	\$ (4,296)	\$(11,485)	\$(2,533)	\$ 110,976
Fixed income	570,050	(20,701)	2,417	(7,301)	(5,504)	538,961
Multi-asset	347,825	11,944	(1,593)	(14,650)	(7,289)	336,237
Alternatives	84,248	7,069	3,374	444	(1,330)	93,805
Active subtotal	1,139,308	(9,583)	(98)	(32,992)	(16,656)	1,079,979
Index:						
Equity	1,671,628	(91,845)	4,749	(122,252)	(17,407)	1,444,873

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Fixed income	632,592	37,335	2,051	(4,835)	(20,871)	646,272
Multi-asset	7,837	1,005	(243)	(880)	26	7,745
Alternatives	4,750	(199)	1	(142)	(70)	4,340
Index subtotal	2,316,807	(53,704)	6,558	(128,109)	(38,322)	2,103,230
Total	\$ 3,456,115	\$ (63,287)	\$ 6,460	\$(161,101)	\$(54,978)	\$ 3,183,209

(1) Amounts included net AUM impact from the TCP Transaction, the Citibanamex Transaction, the Aegon Transaction and the DSP Transaction.

Institutional active AUM ended 2018 at \$1.1 trillion, reflecting \$9.6 billion of net outflows. Fixed income net outflows of \$20.7 billion reflected several large client redemptions associated with client M&A, cash repatriation and manager consolidation. Equity net outflows of \$7.9 billion were from fundamental and quantitative strategies.

Multi-asset products saw continued growth, with net inflows of \$11.9 billion reflecting ongoing demand for solutions offerings and the LifePath® target-date suite. Alternatives net inflows of \$7.1 billion were led by inflows into infrastructure, private equity solutions and real estate. Excluding return of capital and investment of \$2.3 billion, alternatives net inflows were \$9.4 billion. In addition, 2018 was another strong fundraising year for illiquid alternatives, and we raised approximately \$13 billion in new commitments, which will be a source of future net inflows. In total, Institutional active represented 19% of long-term AUM and 20% of long-term base fees.

Institutional index AUM totaled \$2.1 trillion at December 31, 2018, reflecting net outflows of \$53.7 billion. Equity net outflows of \$91.8 billion resulted from client de-risking, re-allocating, re-balancing and seeking liquidity in a more volatile market environment. Fixed income net inflows of \$37.3 billion were driven by demand for liability-driven investment solutions. Institutional index represented 38% of long-term AUM at December 31, 2018 and accounted for 9% of long-term base fees for 2018.

BlackRock's institutional franchise generated 2% organic base fee growth in 2018 despite \$63.3 billion of net outflows, reflecting strength in higher-fee illiquid alternatives, multi-asset solutions and liability-driven investment strategies.

The Company's institutional clients consist of the following:

Pensions, Foundations and Endowments. BlackRock is among the world's largest managers of pension plan assets with \$2.2 trillion, or 68%, of long-term institutional AUM managed for defined benefit, defined contribution and other pension plans for corporations, governments and unions at December 31, 2018. The market landscape continues to shift from defined benefit to defined contribution, driving strong flows in our defined contribution channel, which had \$20.3 billion of long-term net inflows for the year, driven by continued demand for our LifePath target-date suite. Defined contribution represented \$835.5 billion of total pension AUM, and we remain well

positioned to capitalize on the on-going evolution of the defined contribution market and demand for outcome-oriented investments. An additional \$80.1 billion, or 3%, of long-term institutional AUM was managed for other tax-exempt investors, including charities, foundations and endowments.

• **Official Institutions.** BlackRock managed \$166.6 billion, or 5%, of long-term institutional AUM for official institutions, including central banks, sovereign wealth funds, supranationals, multilateral entities and government ministries and agencies at year-end 2018. These clients often require specialized investment advice, the use of customized benchmarks and training support.

• **Financial and Other Institutions.** BlackRock is a top independent manager of assets for insurance companies, which accounted for \$240.6 billion, or 8%, of institutional long-term AUM at year-end 2018. Assets managed for other taxable institutions, including corporations, banks and third-party fund sponsors for which we provide sub-advisory services, totaled \$514.4 billion, or 16%, of long-term institutional AUM at year-end.

Client Type and Product Type

Component changes in AUM by product type and investment style for 2018 are presented below.

	December 31,	Net	Acquisitions	Market	FX	December 31,
(in millions)	2017	inflows (outflows)	and dispositions (1)	change	impact	2018
Retail:						
Equity	\$ 233,218	\$ 2,090	\$ 2,137	\$(28,005)	\$(3,726)	\$ 205,714
Fixed income	257,571	11,546	14,070	(8,630)	(2,969)	271,588
Multi-asset	120,855	2,914	2,519	(12,107)	(764)	113,417
Alternatives	16,733	2,529	1,628	(590)	(169)	20,131
Retail subtotal	628,377	19,079	20,354	(49,332)	(7,628)	610,850
iShares ETFs:						
Equity	1,329,610	112,817	—	(159,433)	(8,732)	1,274,262
Fixed income	395,252	50,930	—	(14,355)	(4,231)	427,596
Multi-asset	3,761	1,050	—	(317)	(9)	4,485
Alternatives	23,616	2,738	—	(1,196)	(76)	25,082
iShares ETFs subtotal	1,752,239	167,535	—	(175,301)	(13,048)	1,731,425
Institutional:						
Active:						
Equity	137,185	(7,895)	(4,296)	(11,485)	(2,533)	110,976
Fixed income	570,050	(20,701)	2,417	(7,301)	(5,504)	538,961
Multi-asset	347,825	11,944	(1,593)	(14,650)	(7,289)	336,237
Alternatives	84,248	7,069	3,374	444	(1,330)	93,805
Active subtotal	1,139,308	(9,583)	(98)	(32,992)	(16,656)	1,079,979
Index:						