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Annual Meeting sul Welfare Integrato. Castrocara Terme, venerdì 8 novembre 2020

BlackRock

Re-Thinking Portfolio Construction

FOR PROFESSIONAL CLIENTS / QUALIFIED INVESTORS ONLY

Overview of the EMEA-wide portfolio trends in 2018



**Alternatives
continue to play
key role**

**Significant
increase in use
of ETFs**

**Increase in
multi-asset
funds**

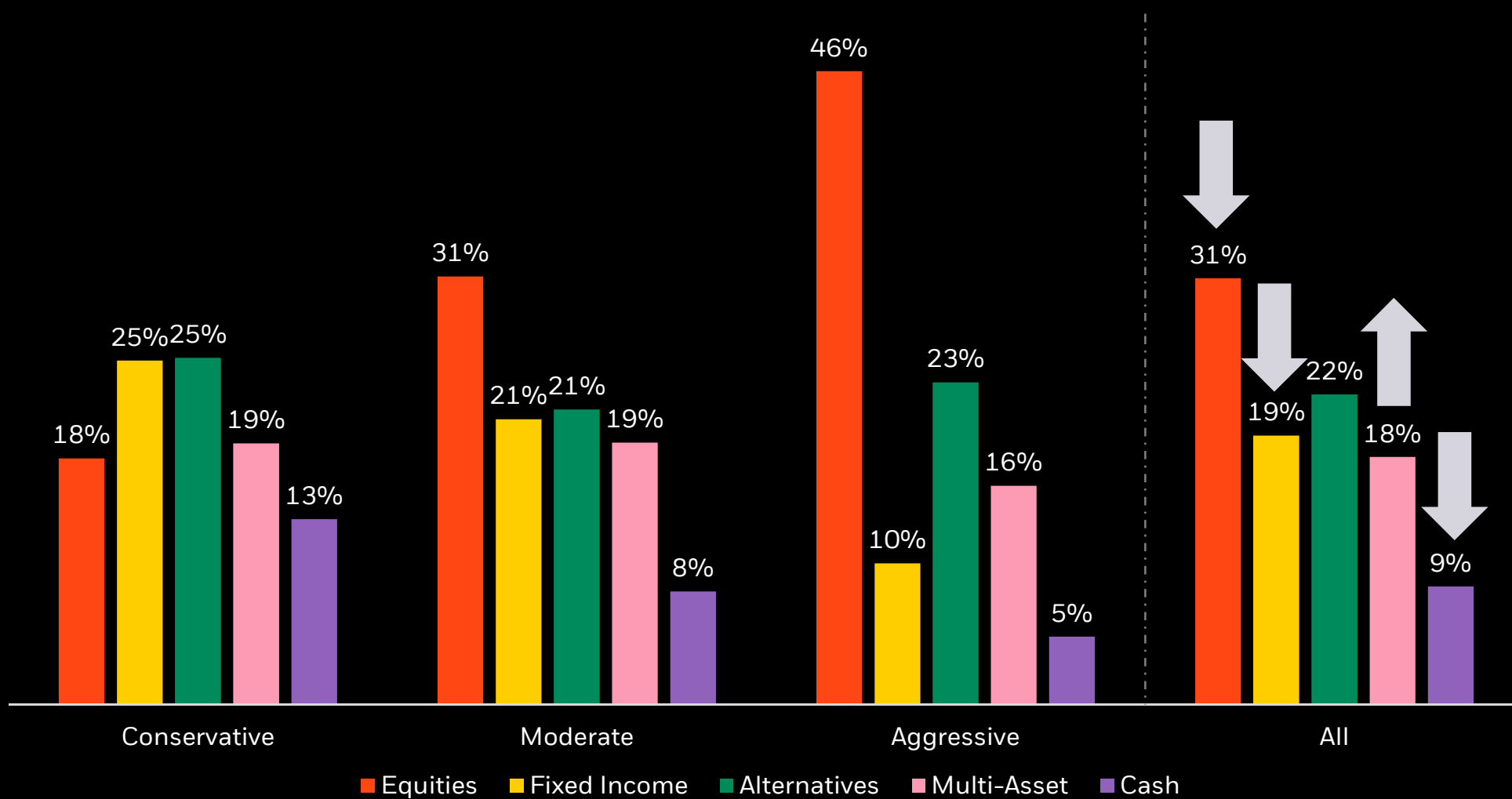
**Average
management
fees of funds
used unchanged
at 84bps**

**Cash still high,
but decreased
within low risk
portfolios**

**FX is the second
highest
contributor to
portfolio risk in
all categories**

Source: BPAS, portfolios received from January 2018 – December 2018. For illustrative purposes only.

Average EMEA asset allocations in portfolios within 2018

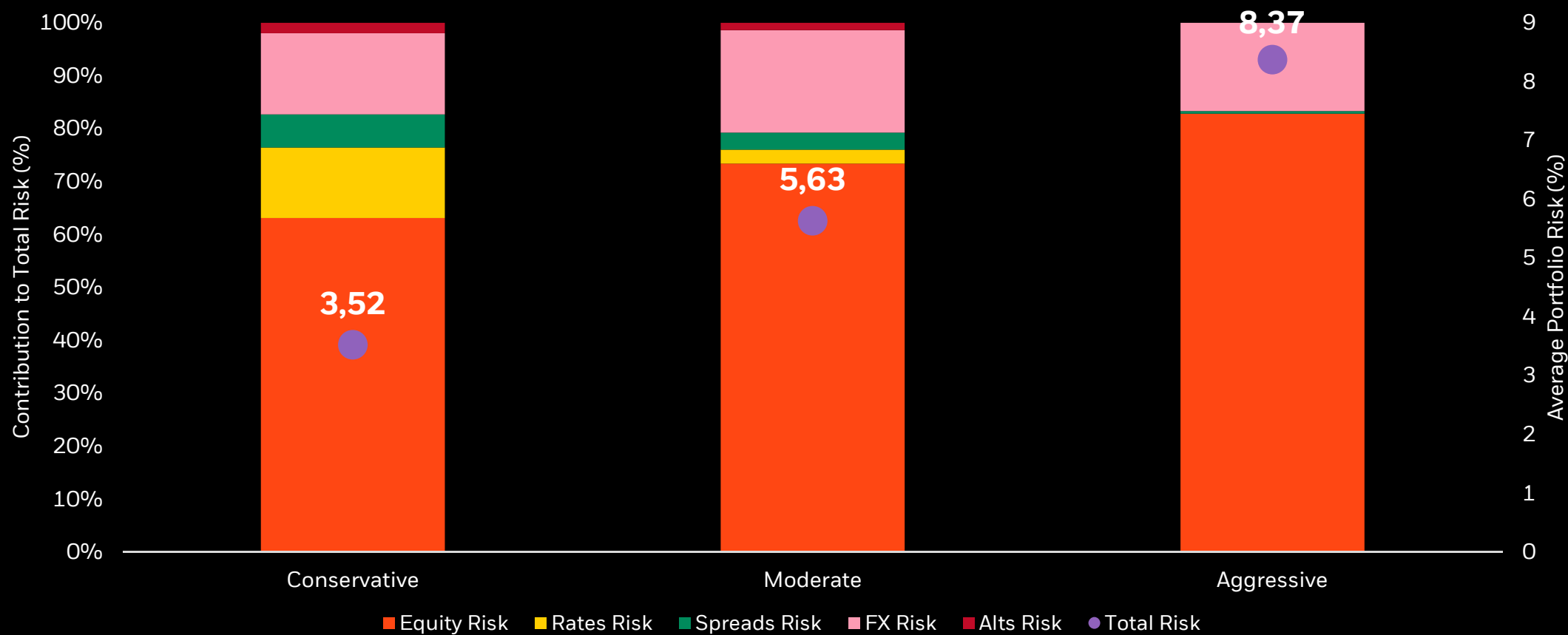


Source: BPAS, portfolios received from January 2018 – December 2018. For illustrative purposes only.

Asset Allocation by Risk



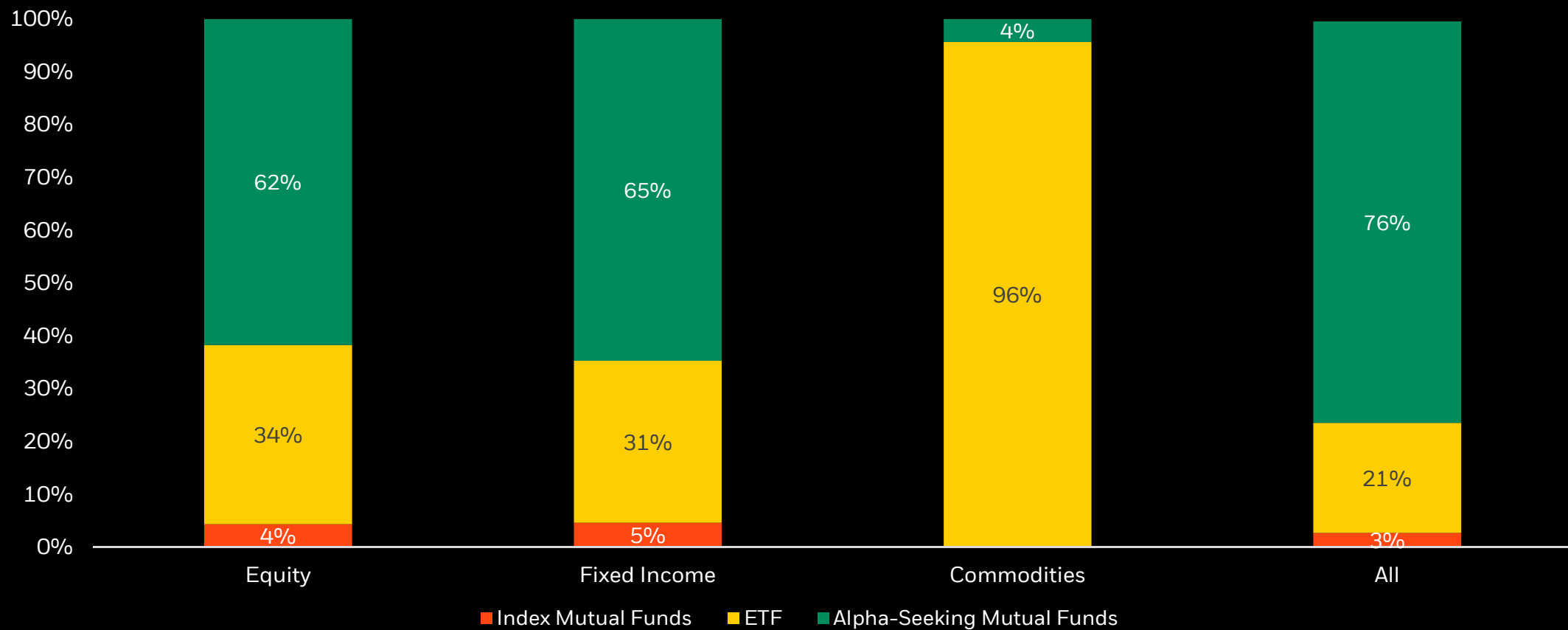
total portfolio risk and contribution to risk per strategy in 2018



Source: BPAS, portfolios received from January 2018 – December 2018. For illustrative purposes only.

ending in Portfolios

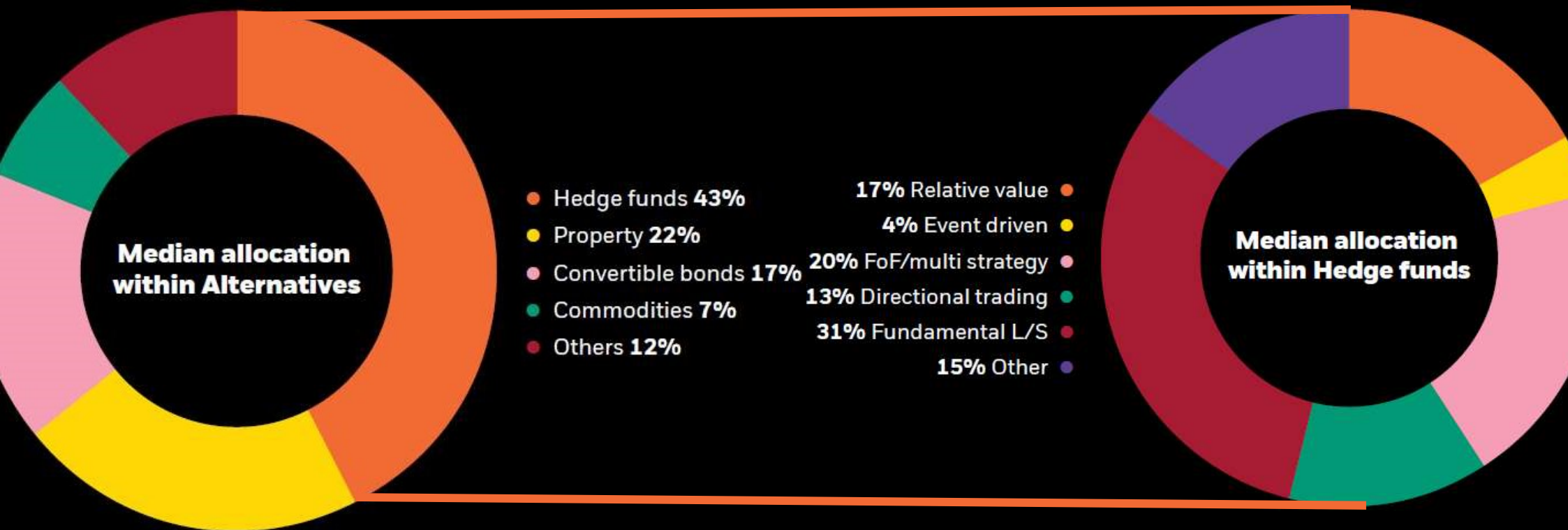
Index & Alpha Split in 2018



Source: BPAS, portfolios received from January 2018 – December 2018. For illustrative purposes only.

corporating Alternatives

Alternatives Allocations



Source: BPAS, portfolios received from January 2018 – December 2018. For illustrative purposes only.

9%

verage

llocation

o cash in 2018

ce: BPAS, portfolios received from January 2018 – December 2018.
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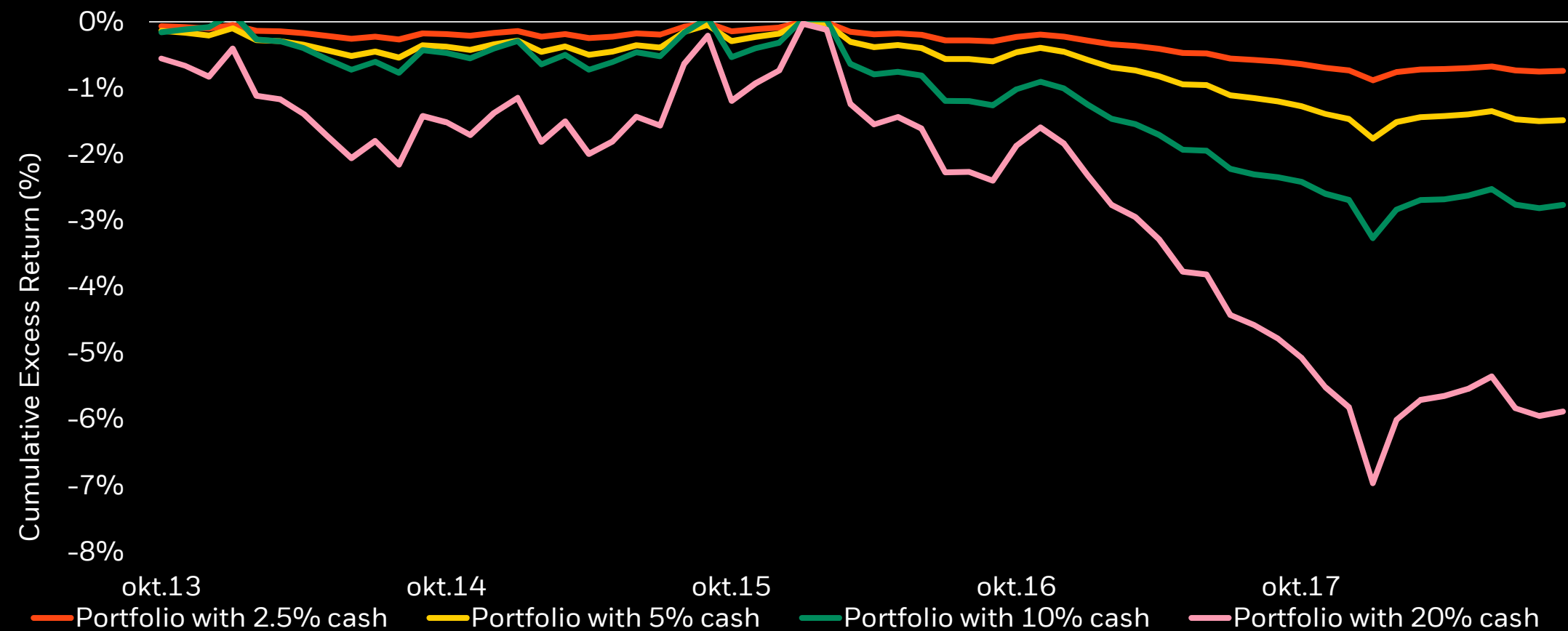


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Cash Drag in Portfolios

Cumulative cash drag on a hypothetical multi-asset portfolio



Figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when evaluating a product or strategy. Source: Morningstar, BlackRock. Time period: October 2013 – October 2018. Currency: USD. For illustrative purposes only. Hypothetical multi-asset portfolio consists of 60% MSCI Country World Index and 40% Bloomberg Barclays Global Aggregate Index. 'Portfolio with x% cash' pro-rates out x% of the hypothetical portfolio and replaces it with ICE LIBOR 1-week USD. Portfolios received from January 2018 – January 2019. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. For illustrative purposes only.

Looking Ahead



Forces Shaping Portfolio Construction

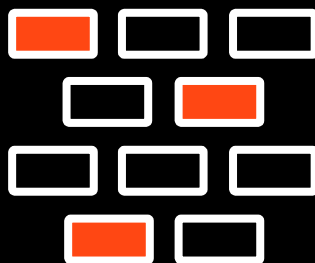


Transparency

Forces Shaping Portfolio Construction



Transparency

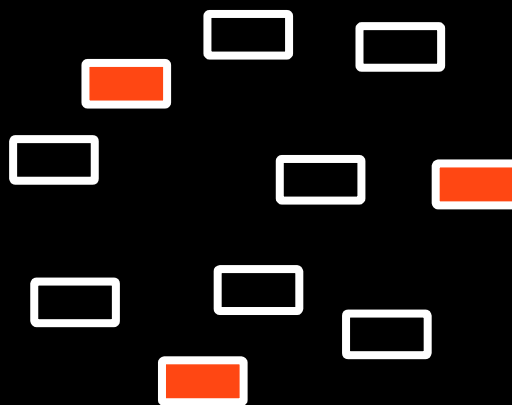


Technology

Forces Shaping Portfolio Construction



Transparency

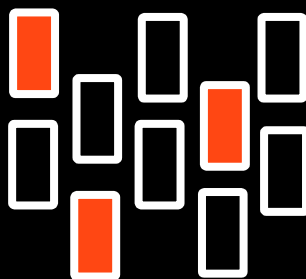


Technology

Forces Shaping Portfolio Construction



Transparency

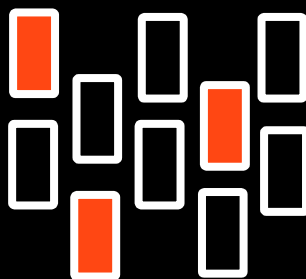


Technology

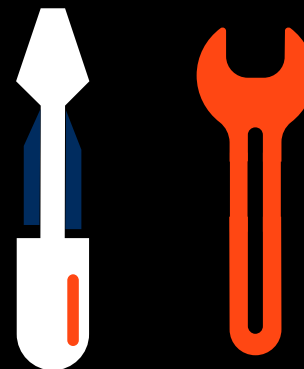
Forces Shaping Portfolio Construction



Transparency



Technology

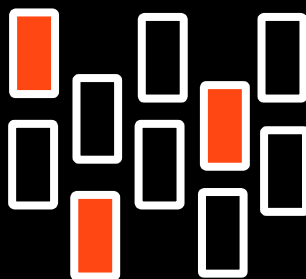


Tools

Forces Shaping Portfolio Construction



Transparency



Technology



Tools

3

Habits of highly effective 'active' investors

Actively understand their portfolio

**Shifting from traditional fund selection
to holistic portfolio construction**

Aladdin Language of Risk

Risk factor is a measurable characteristic or element that can help explain the risk and return behaviour of investments

Risk Factor Categories	Equity	Fixed Income	Alternative	Foreign Exchange	Other
	Market	Rates			
	Country	Spreads			
	Sector	Inflation			
	Style				
Risk Factors	Specific				
	Consumer Staples Industry	Italian 10Y Spread	Merger Arbitrage	GBP/EUR	Implied Volatility
	Size	USD 5Y TIPS	Wheat	Etc...	Etc...
	Momentum	High Yield Corp Spread	Gold		
	Etc...	3m LIBOR Spread	Etc...		
		Etc...			

BlackRock, 31/05/2019. For illustrative purposes only. While proprietary technology platforms may help manage risk, risk cannot be eliminated.

*The Best Ideas
Don't Always
Make the Best
Portfolio*

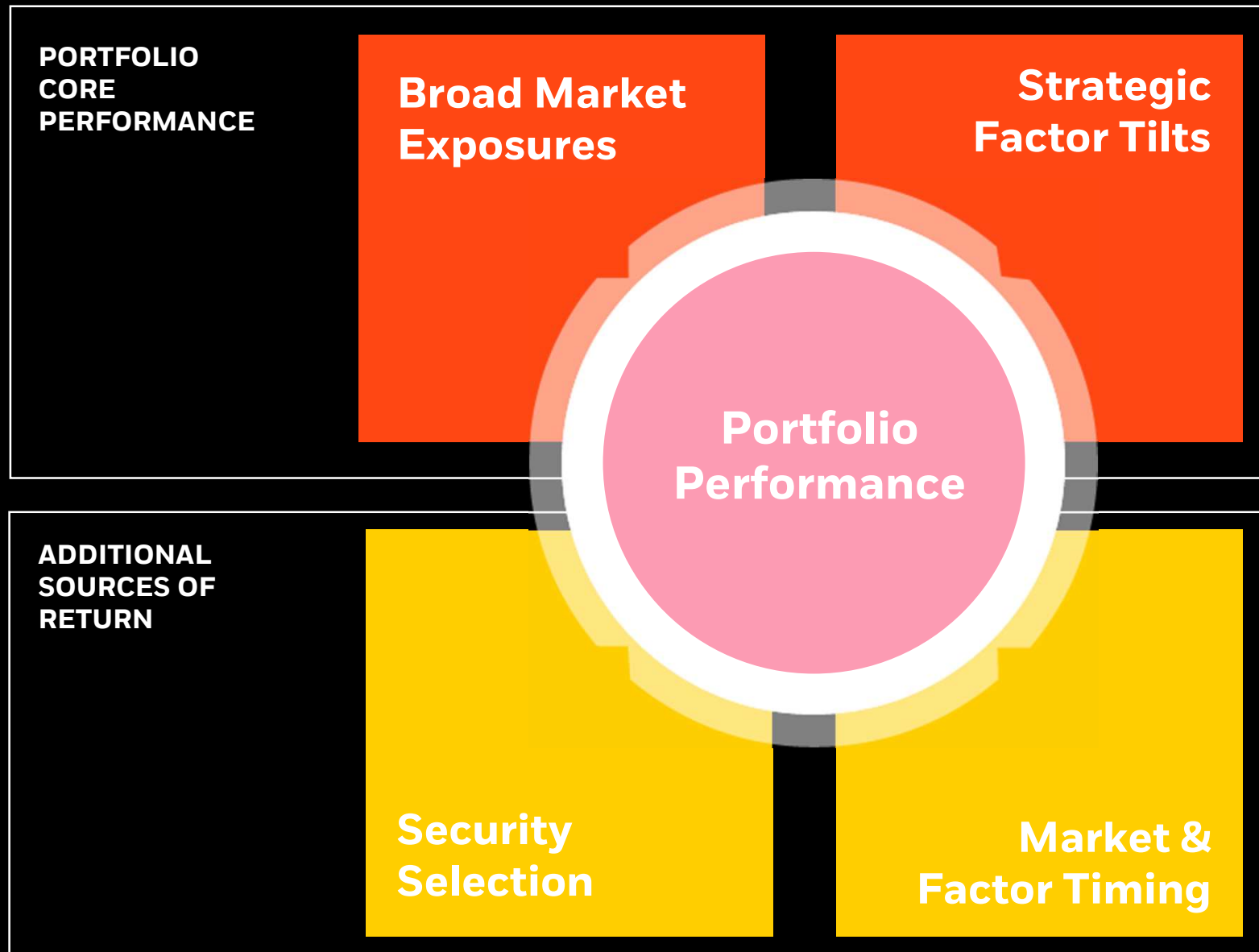


Actively identify and combine sources of return



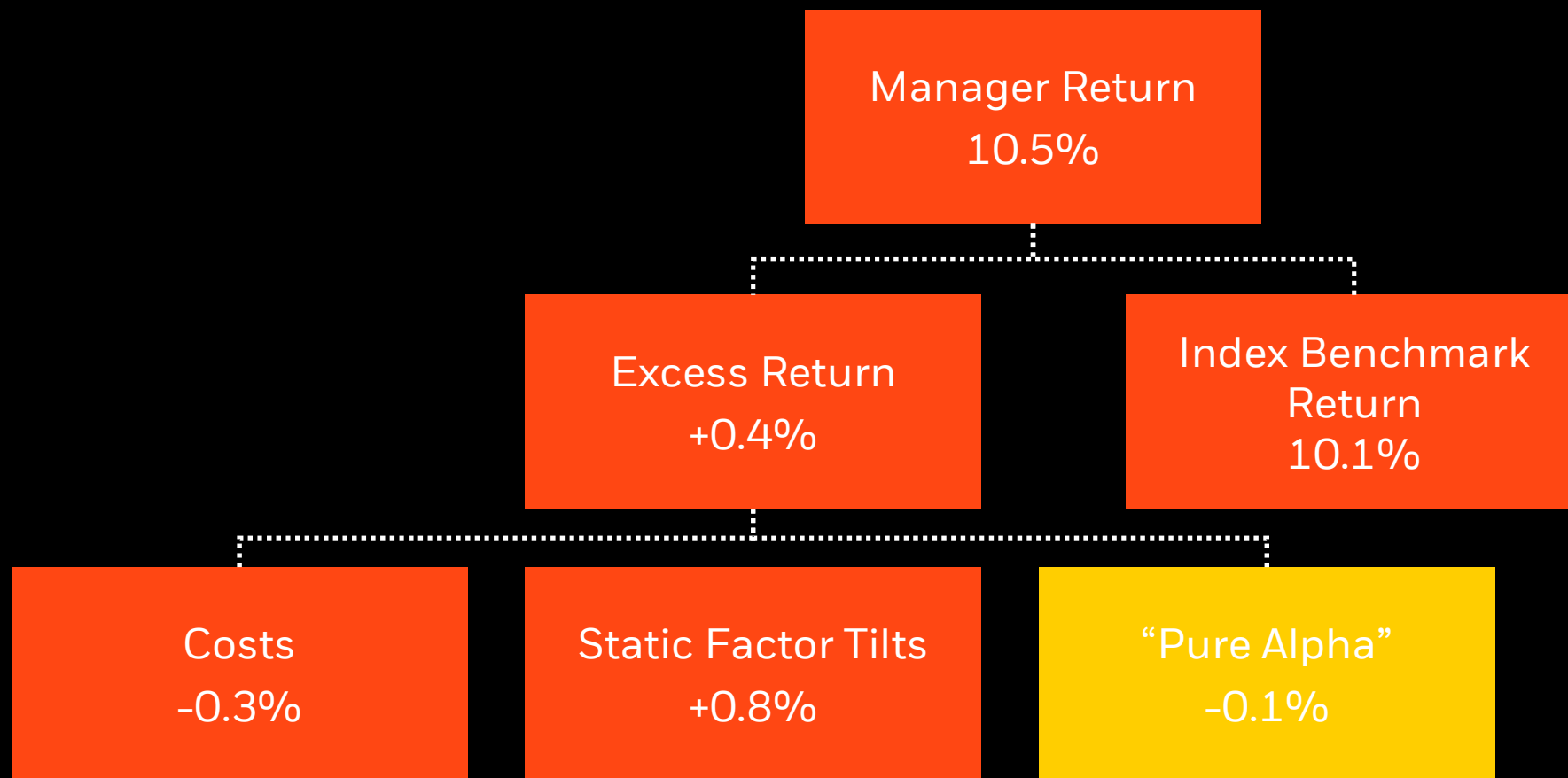
**Recognising that 90% of portfolio variance
comes from broad market exposures and
strategic factor tilts**

*Source: Gary P. Brinson, L. Randolph Hood, Gilbert L. Beebower [1995].
Determinant of Portfolio Performance.*



Illustrative Purposes Only.

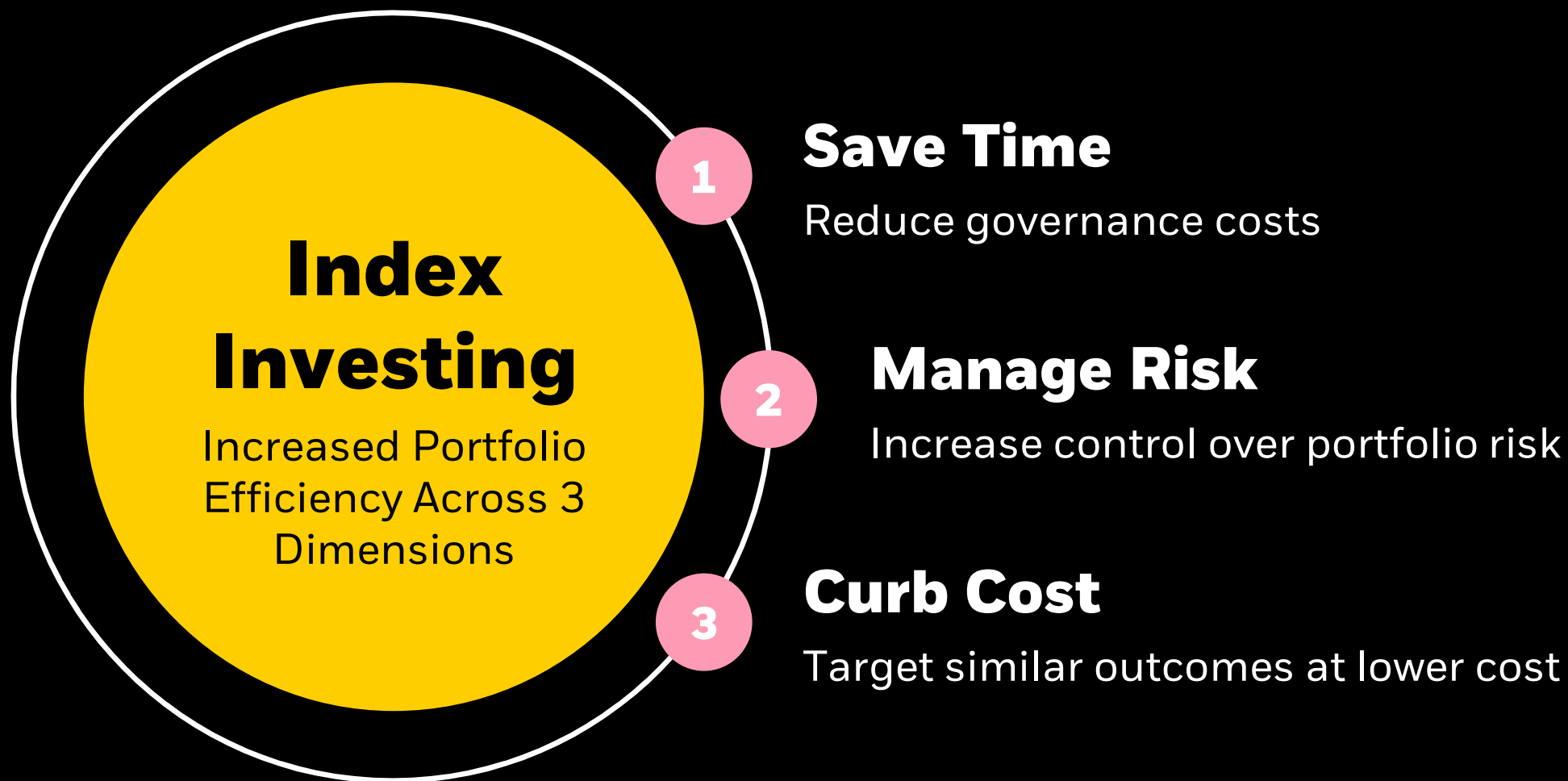
Dissecting Manager Performance



Illustrative Purposes Only. Sample returns are for illustrative purposes only, and do not represent a recommendation of any security or asset allocation strategy. Returns are hypothetical and not representative of any fund's investments.

3 Actively use the whole investment toolbox

Steering toward greater indexing and a search for true alpha and alternatives

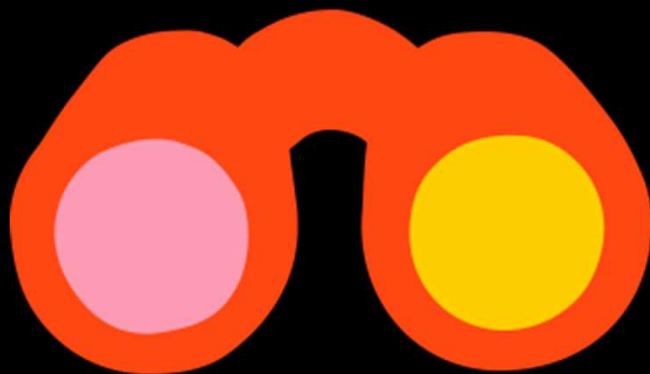


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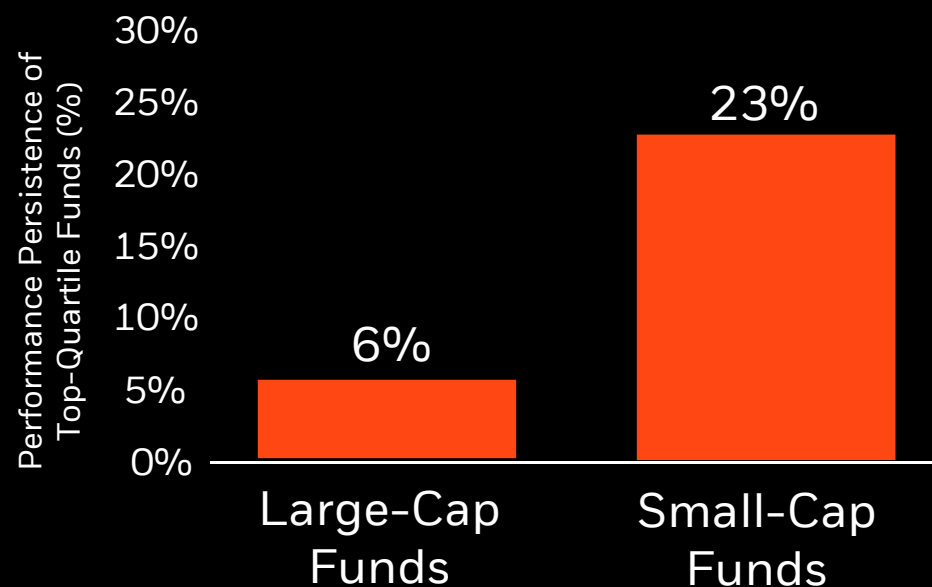
Save Time

136,752

Number of Funds in Europe



Performance Persistence Top-Quartile Funds over three-Year Period

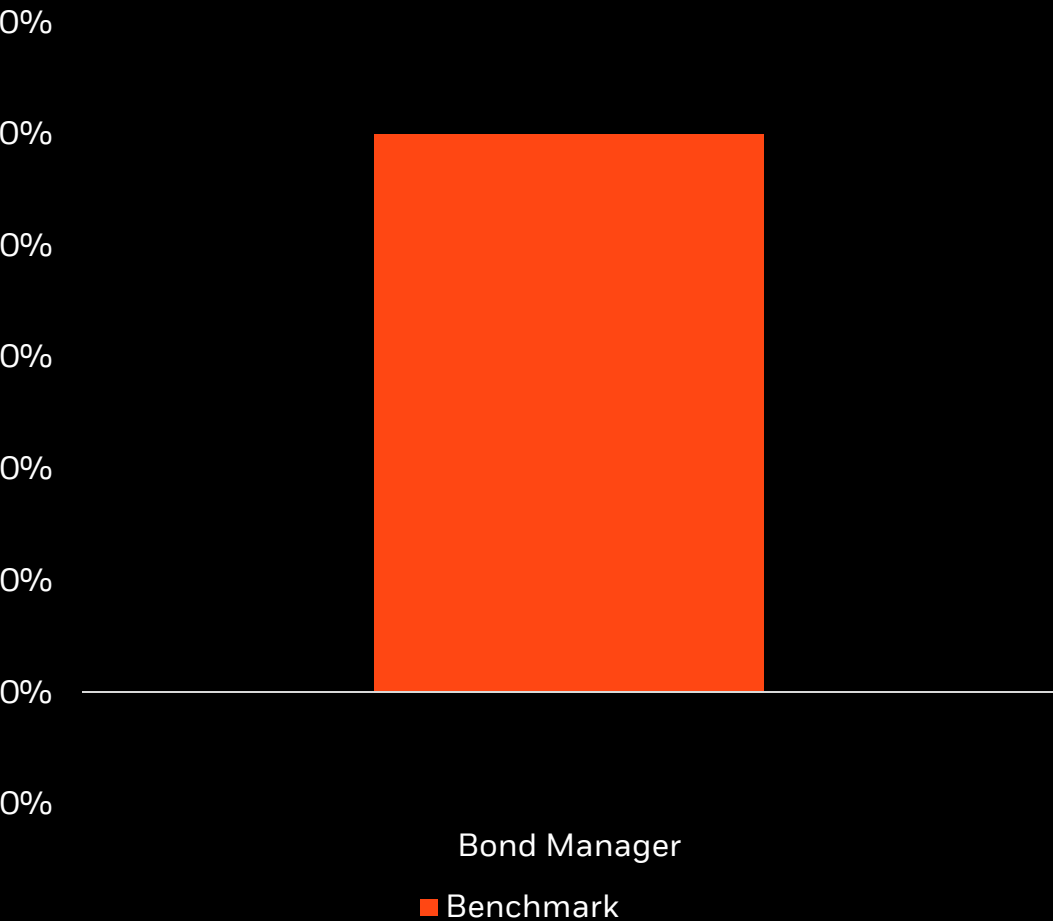


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.

Source: Persistence Scorecard; S&P Dow Jones Indices; CRSP. data as of 29 March 2019.

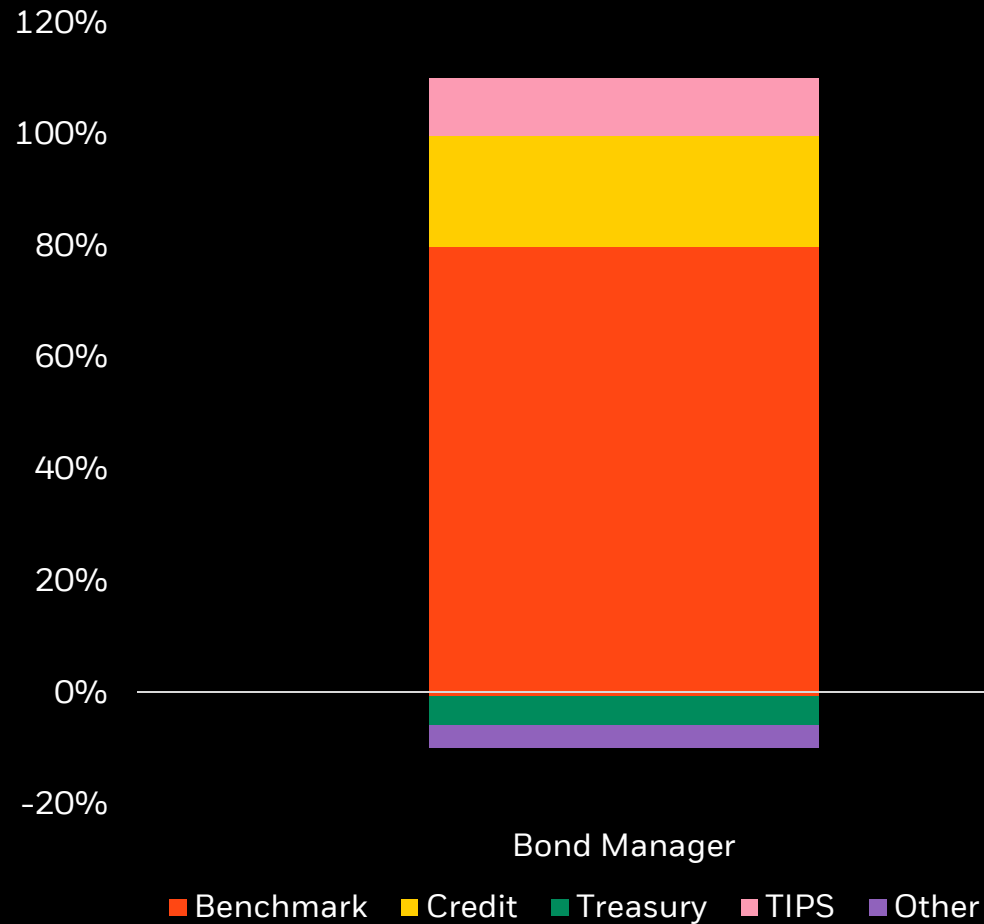
Manage Risk

What you think you're exposed to



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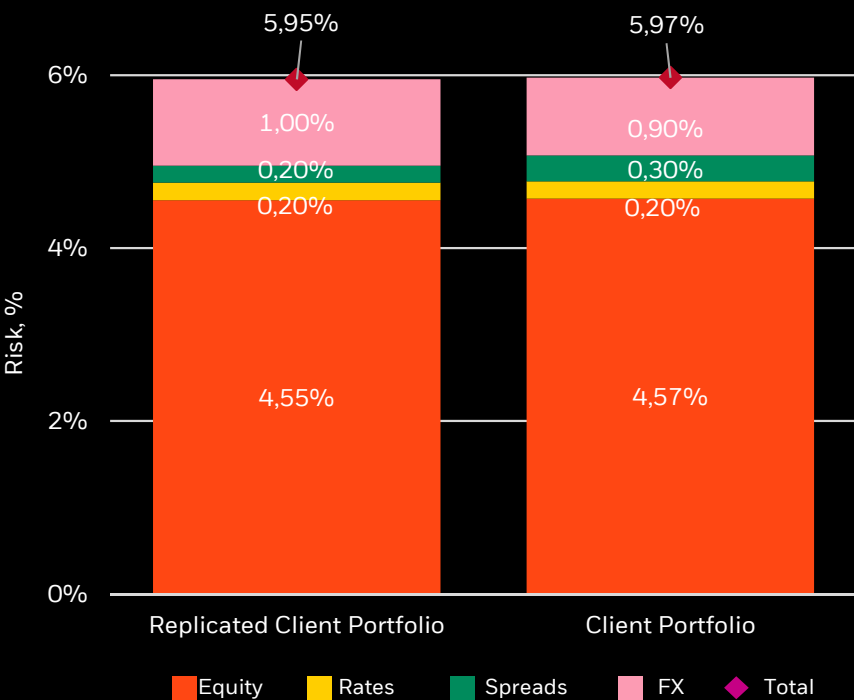
What you're actually exposed to



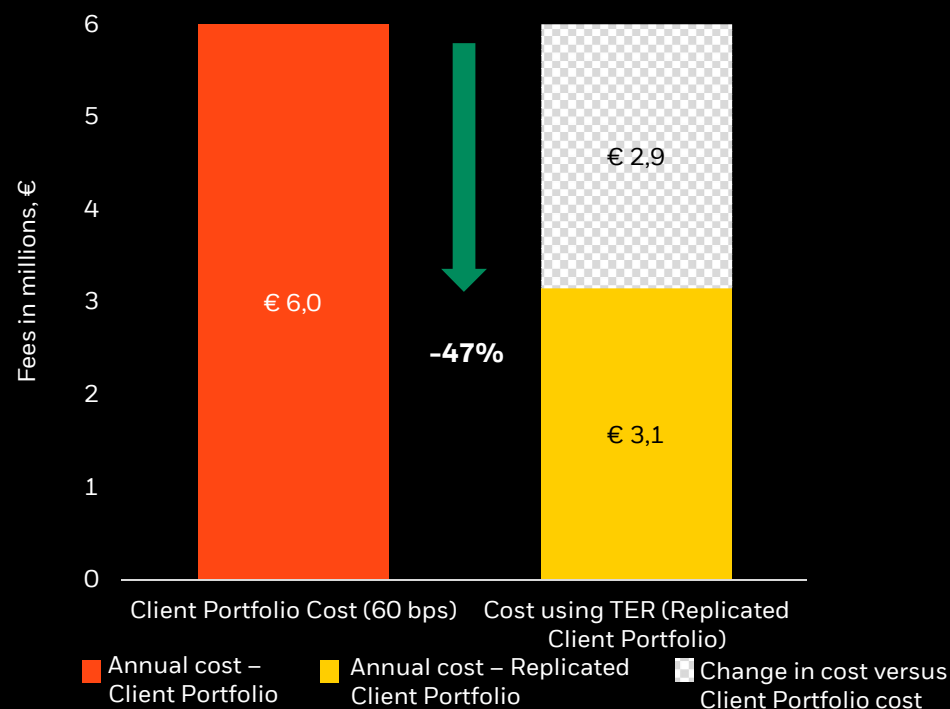
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Curb Cost

Risk contribution by factor



Estimated costs assuming AuM of €1B



Source: BlackRock Aladdin, as at 28/06/2019. For illustrative purposes only.

Source: BlackRock, as at 28/06/2019. For illustrative purposes only.



Could you harness
greater efficiencies
within your portfolio?



Do you know the true
drivers of return in
your client portfolios?



Is your portfolio
diversified and
scaled?

Questions?

isks

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. The investor may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and rates of taxation may change from time to time.

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