

Future trends in asset management: **The great performance un-bundling**

Ursula Marchioni

Managing Director, Head of BlackRock Portfolio Analysis and Solutions (BPAS), EMEA

19 February 2020

BlackRock[®]

FOR PROFESSIONAL CLIENTS / QUALIFIED INVESTORS ONLY

EIIH0220E-1085232-1/17

Big forces continue to bring changes ...

Regulation

Transparency

Fee compression

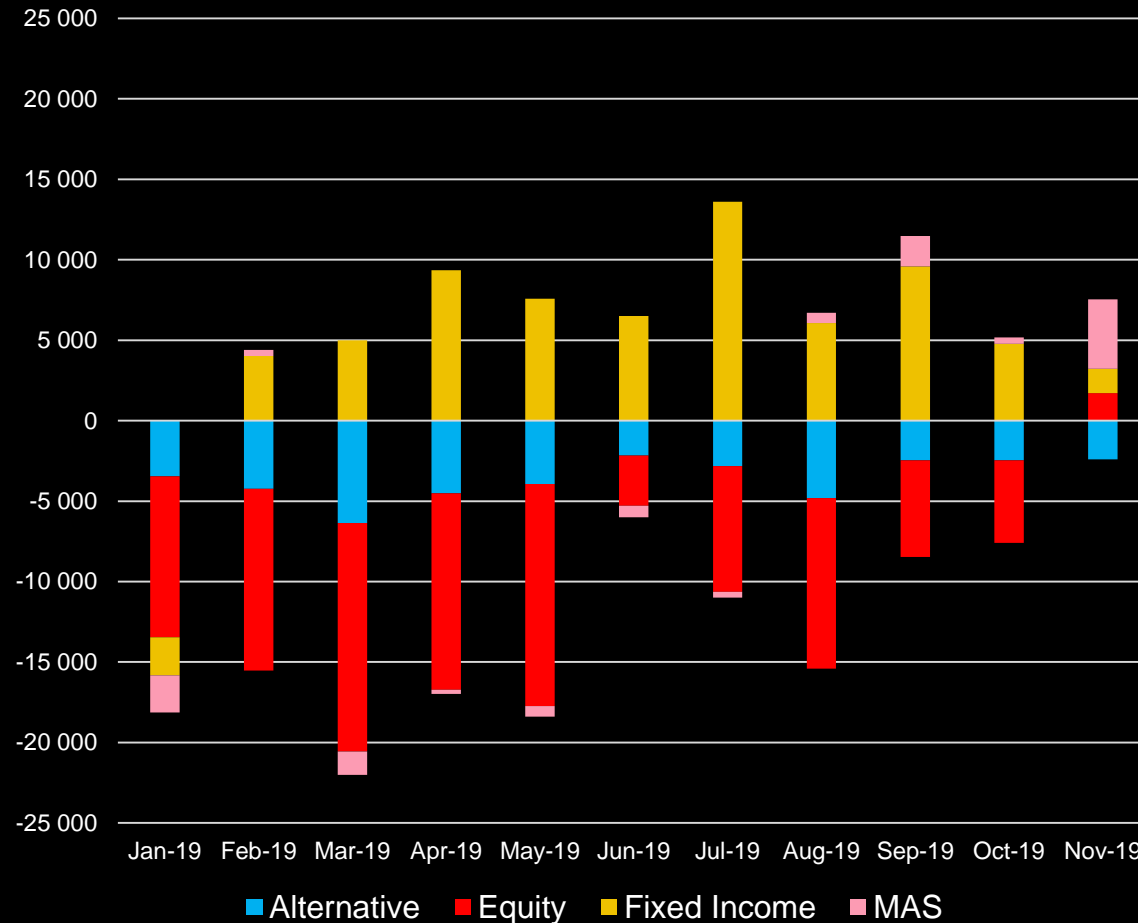
Bus. transformation

Lower for longer

Technology

... influencing asset and product choices ...

2019 Mutual fund flows per asset class, EMEA (USD mn)



Source: Broadridge FundFile for EMEA, APAC, Canada and Latin America Domestic data; Saleswatch Platform for Cross border data; Latest data as of November'19. Data includes MMFs and excludes FoFs; Fund Investor Type includes retail (and dedicated for UK only)

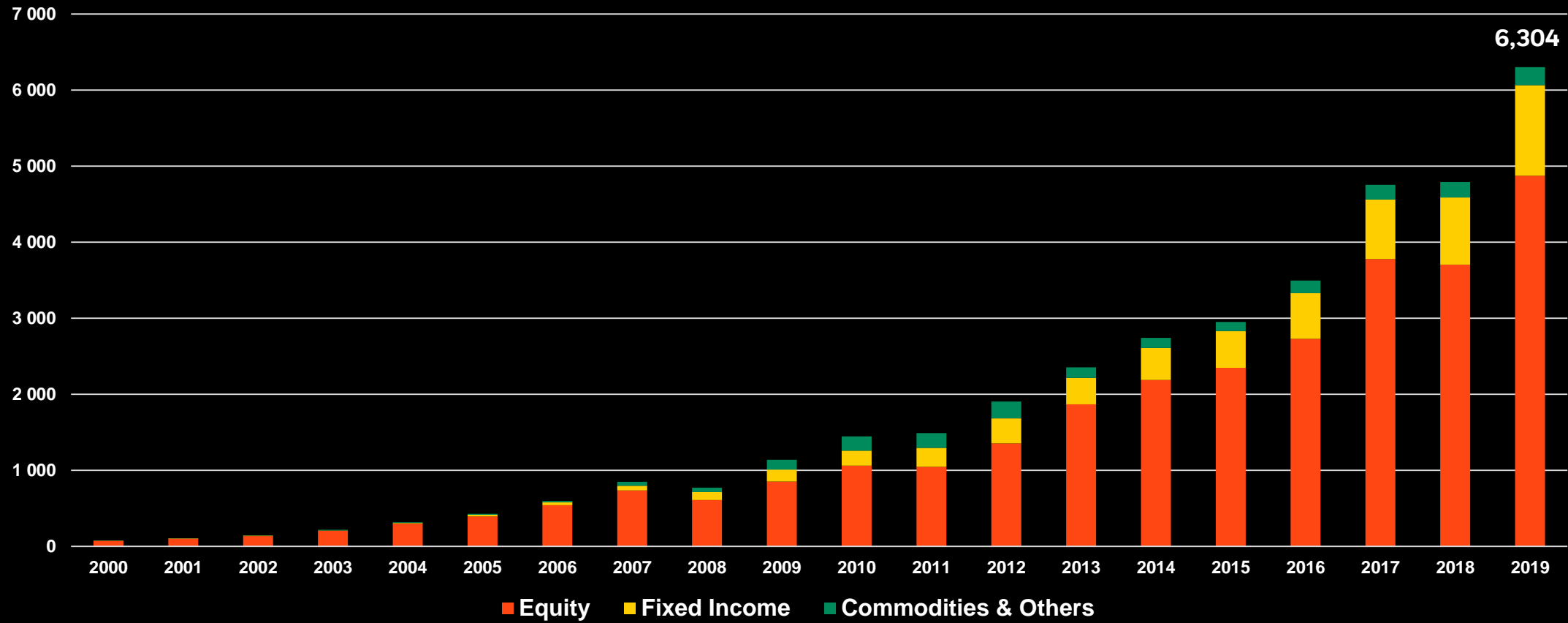
2019 ETP flows per asset class, EMEA (USD mn)



Source: iShares GBI, as at end December 2019.

... and supporting growth of indexing and ETPs ...

Global ETP Asset Under Management, per year (USD bn)

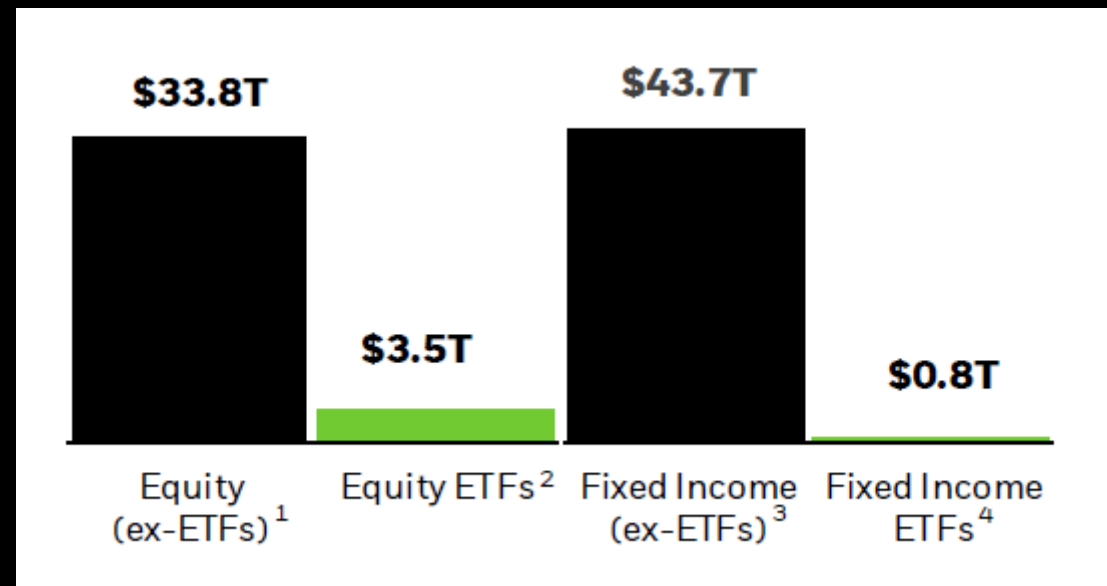


Source: BlackRock, end January 2020.

... which is still in its infancy

US ETF market size, in the context of the total financial markets (USD)

- Even within the United States – the largest ETF market – **ETFs are only a fraction** of the total financial market.
- Just **9% of the total assets** invested in U.S. **equities** are in U.S.-listed equity ETFs. The **fixed income** ETF market is even smaller, at **1.8%** of the total U.S. bond market.



Source: As of December 31, 2019. Equity (ex-ETFs) represented by the market capitalization of the Russell 3000 index. Source: Bloomberg. For more details, please refer to <https://www.ishares.com/us/literature/investor-guide/etf-market-matters-q4-2019-en-us.pdf>

“

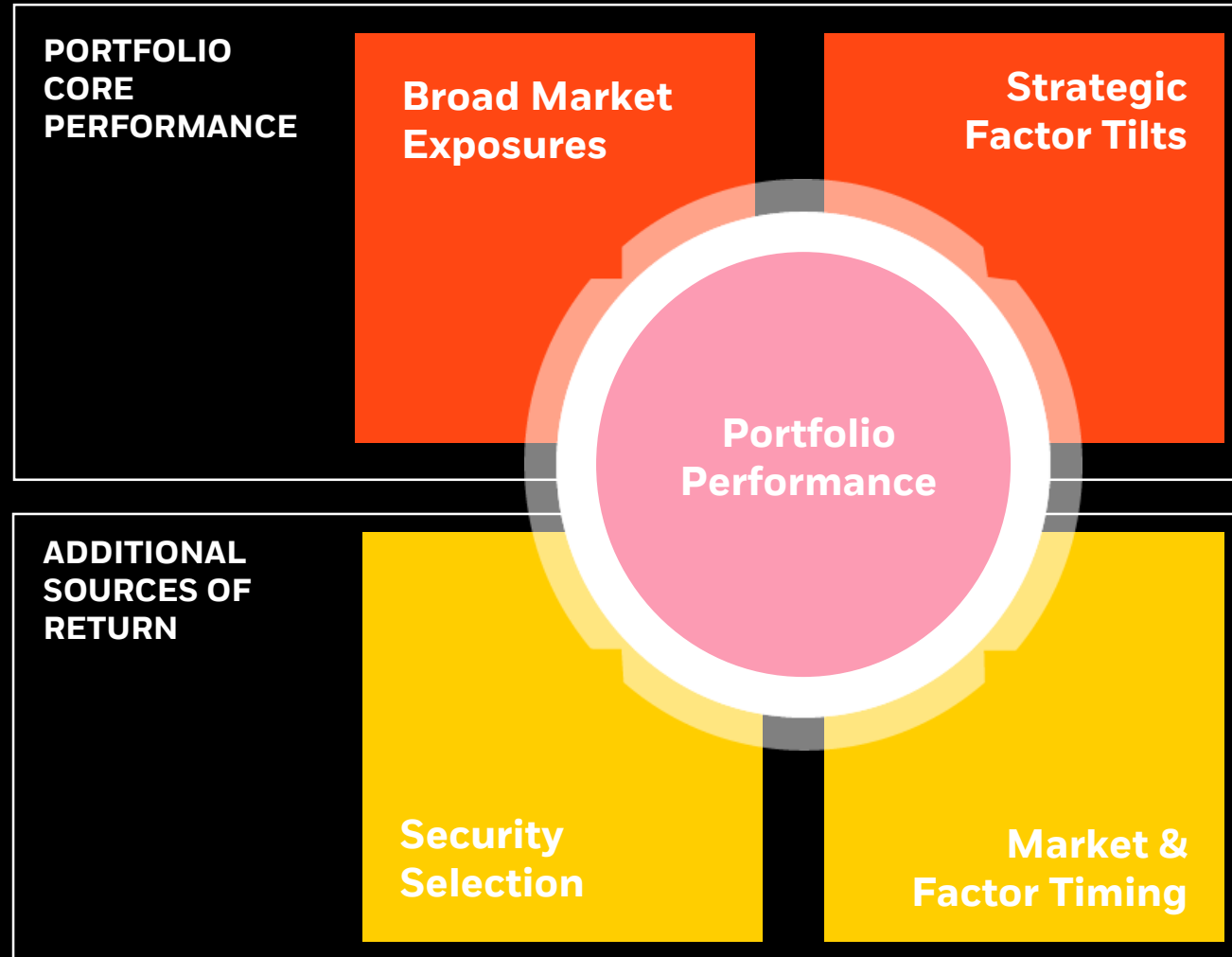
We're just not going to pay active fees any more unless the manager can deliver consistent alpha. We're **under pressure from clients** because of cost, we're **under pressure from regulators** because of cost, it's not sensible to pay for beta at alpha prices”

-European Private Bank

Interviewed in Q4 2018.

The great performance un-bundling

We all know the theory ...



For Illustrative Purposes Only.

BlackRock

FOR PROFESSIONAL CLIENTS / QUALIFIED INVESTORS ONLY

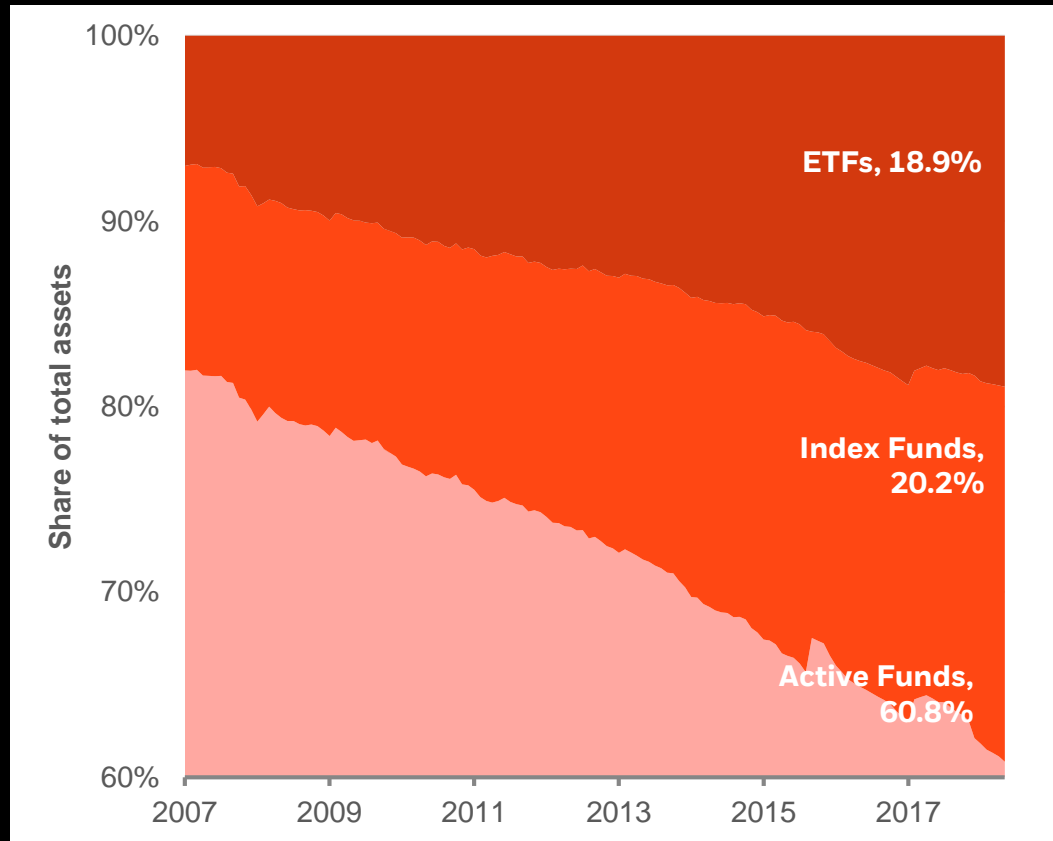
EIIH0220E-1085232-7/17

Why now?

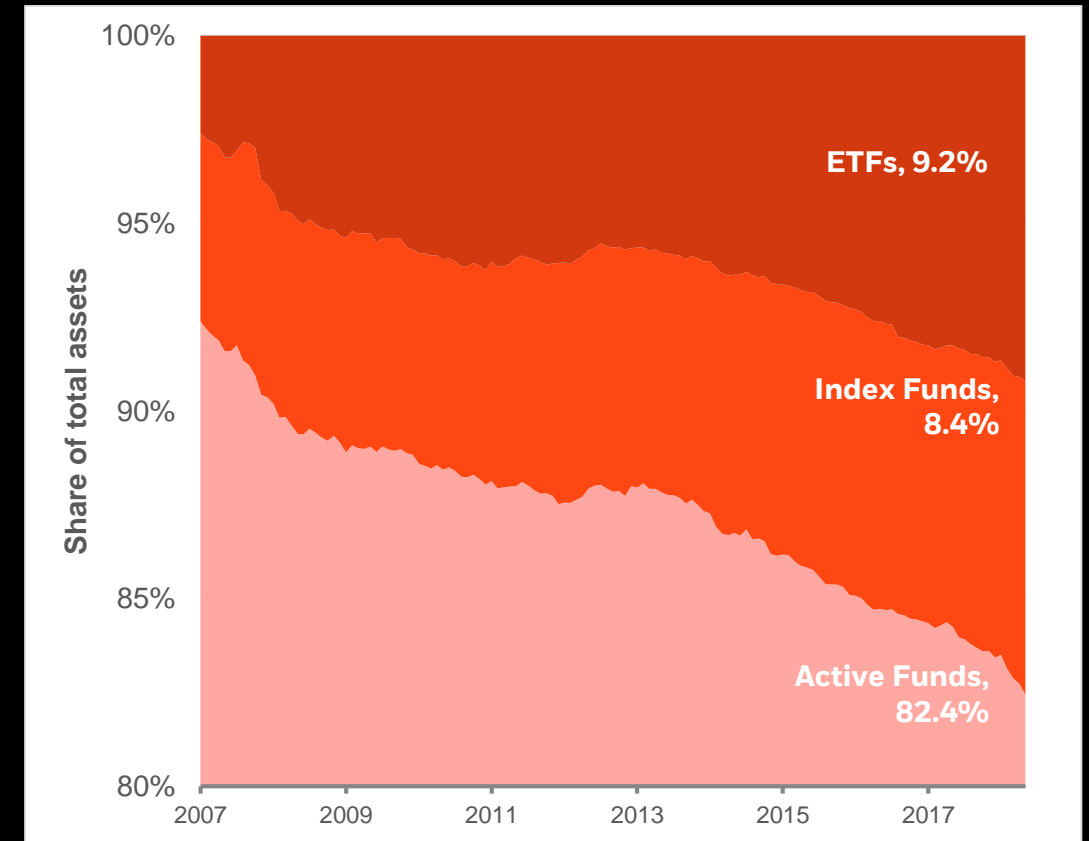
- End investors' – and therefore AMs' and distributors' – focus is shifting towards **outcomes**, coupled with ...
- Greater **product choices** leading to...
- **Barbelling** of consumption of **asset allocation**

Active vs Passive is dead. Long live: Blending

Strategies / vehicles mix: US Wealth portfolios



Strategies / vehicles mix: EMEA Wealth portfolios



Source: Morningstar, as at April 2019. Note: Fund categories include open-end mutual funds (excluding money market funds and fund of funds) and exchange traded funds (ETFs) domiciled in the U.S., offered to both retail and institutional investors. Obsolete funds are also taken into consideration to calculate historical assets under management.

NOTE: McKinsey estimates that 75% of financial assets are managed directly by the asset owner with no external asset manager involved. Source: McKinsey & Company. Performance Lens Global Growth Cube. Data as of 2017.



What the future holds: *Habits for success*



Actively understand your portfolio

*Shifting from traditional fund selection to
holistic portfolio construction*

Actively identify and combine sources of return

2

*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.*



Actively use the whole investment toolbox

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



**THANK
YOU
AND
LET'S KEEP
BUILDING BETTER
PORTFOLIOS**

Risks

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.

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 basis of taxation may change from time to time.

Important Information

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 2020394. For your protection telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

In the event where the United Kingdom leaves the European Union without entering into an arrangement with the European Union which permits firms in the United Kingdom to offer and provide financial services into the European Union (“No Deal Brexit Event”), the issuer of this material is:

- BlackRock Investment Management (UK) Limited for all outside of the European Economic Area; and
- BlackRock (Netherlands) B.V. for in the European Economic Area,

however, prior to a No Deal Brexit Event and where a No Deal Brexit Event does not occur, BlackRock Investment Management (UK) Limited will be the issuer.

BlackRock (Netherlands) B.V.: Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Trade Register No. 17068311. For more information, please see the website: www.blackrock.com. For your protection, telephone calls are usually recorded. BlackRock is a trading name of BlackRock (Netherlands) B.V.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

© 2020 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES, BUILD ON BLACKROCK and SO WHAT DO I DO WITH MY MONEY are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.