

March 2024

BlackRock

2023 Asset Allocation Trends in BeLux

FOR PROFESSIONAL CLIENTS ONLY

2023 Asset Allocation Trends in BeLux

March 13th, 2024

Trends Investment Summit



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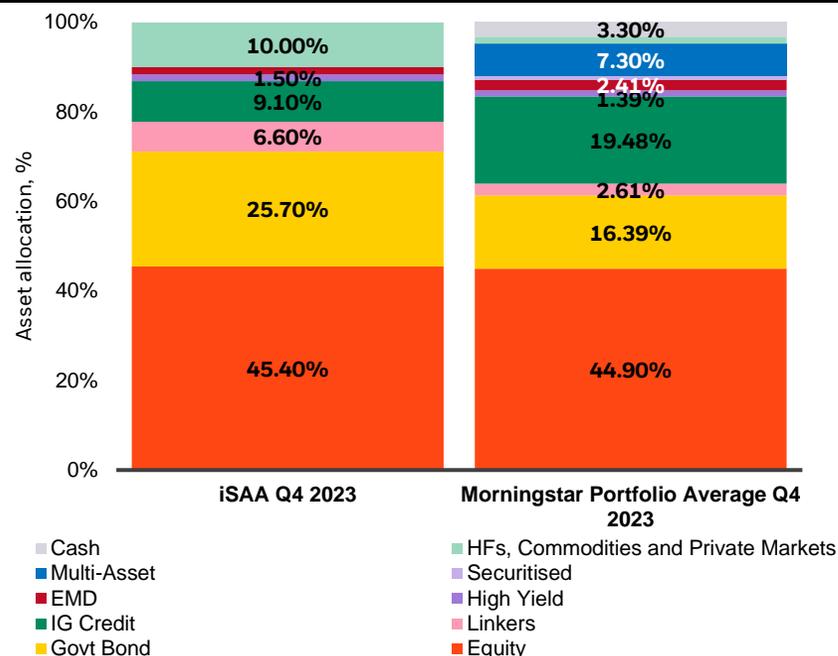
iShares & Wealth BeLux

European-Wide Asset Allocation Trends

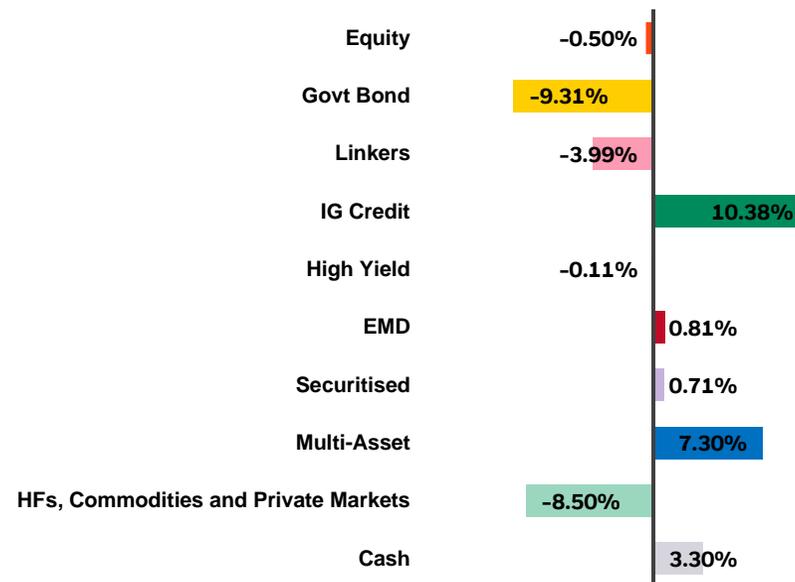
The asset class mix matters even more - We believe relying on the one-and-done asset allocation approach won't do in the new regime. Greater volatility and dispersion of returns create space for investment expertise to shine.

We believe a more dynamic and granular portfolio approach is needed when cash offers attractive returns and broad market exposures are less friendly to portfolios in the new regime. Client need to re-deploy cash and re-examine the composition within each asset class to unlock the strategic opportunities that we see.

BlackRock iSAA vs European Portfolio Average



Asset Allocation differences in Portfolio Average

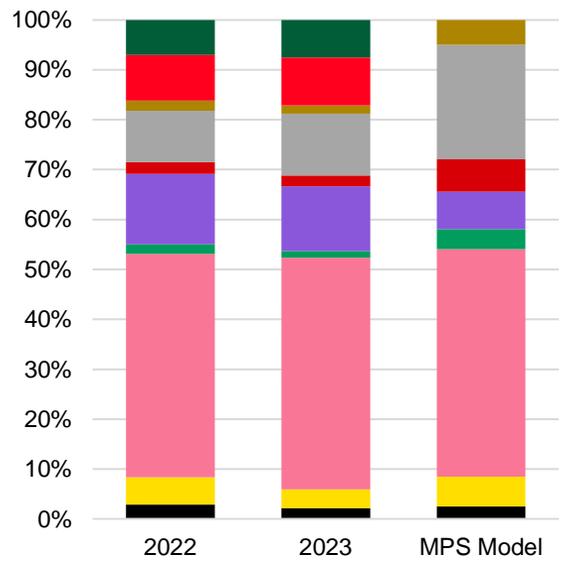


This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute (BII), February 2024, EUR. The BlackRock EMEA iSAA is produced by BII Portfolio Research Group-built scenario-based optimiser run with target risk of 9.0% leveraging capital market assumptions as of 31/12/23 with a 10-year investment horizon. The Morningstar Portfolio Average is calculated based on 294 EMEA Domiciled Multi-Asset Funds in the Moderate and Flexible categories with holdings in Q4 2023.

BeLux Asset Allocation Changes Q4-2022 & Q4-2023

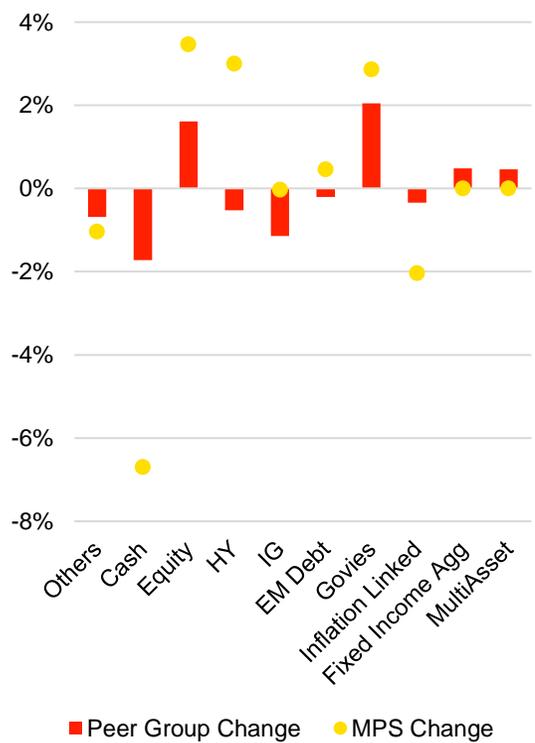
Compared to European Funds, BeLux moderate funds already began to **deploy cash and increase risk throughout 2023**. Overall asset allocation changes have been small compared to BlackRock's model allocation indicating that there is **still more re-allocation to take place in 2024** if allocations are to re-orient to the new regime.

Average Portfolio Allocations (MV%)

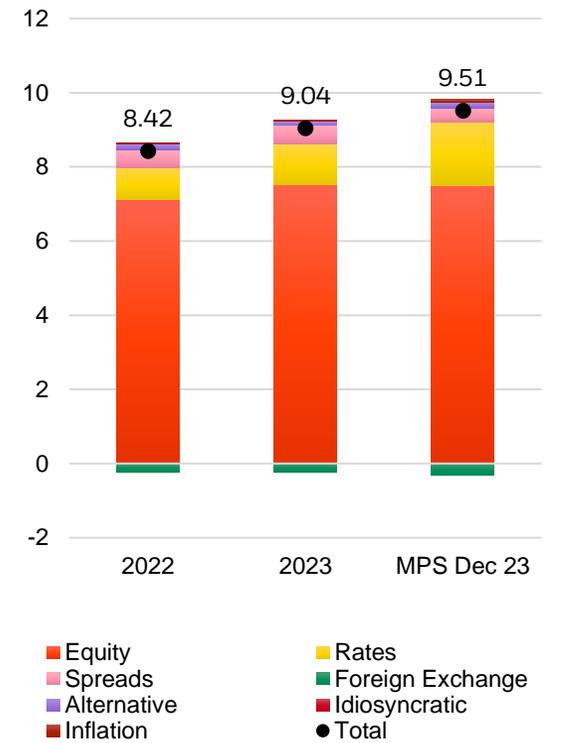


- Others (Alts + Com)
- Equity
- IG
- Govies
- Fixed Income Agg
- Cash
- HY
- EM Debt
- Inflation Linked
- MultiAsset

Allocation Changes (MV%)



Ex-Ante Risk

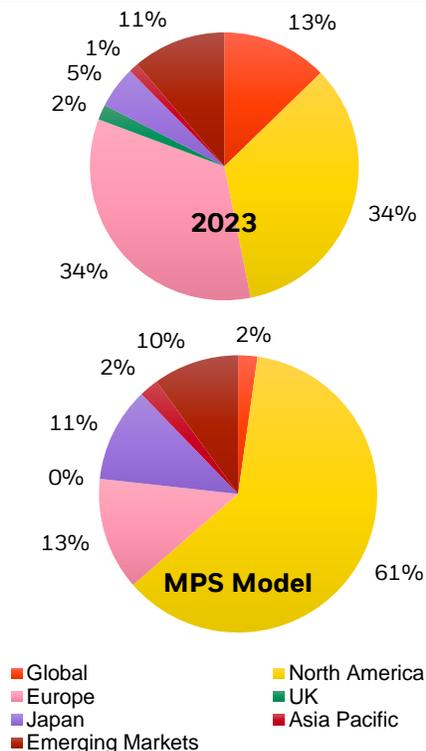


Source: BPAS, Morningstar. 'Peer group' portfolio average allocation based on 22 moderate funds for which holdings were available between 30/09/2022 and 31/12/2022 for "2022" and "Dec 22" and between 30/09/2023 and 31/12/2023 for "2023". We also show the BlackRock MPS EUR Strategic Moderate Model as of 31/12/2023. For illustrative purposes only, and subject to change. Aladdin Data as of 29/12/2023.

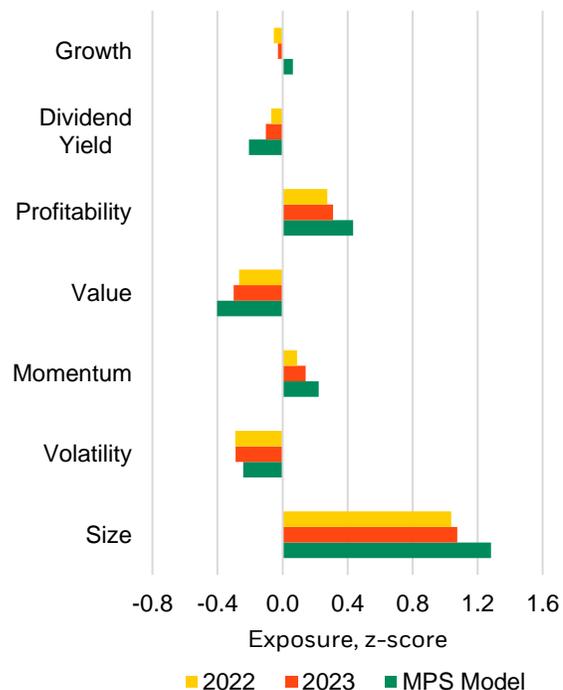
Deep-Dive on Equity

Portfolios broadly **exhibit a European bias** which is unchanged between end-2022 and end-2023. This regional bias impacts style factor exposure and performance versus a global market-capped equity index.

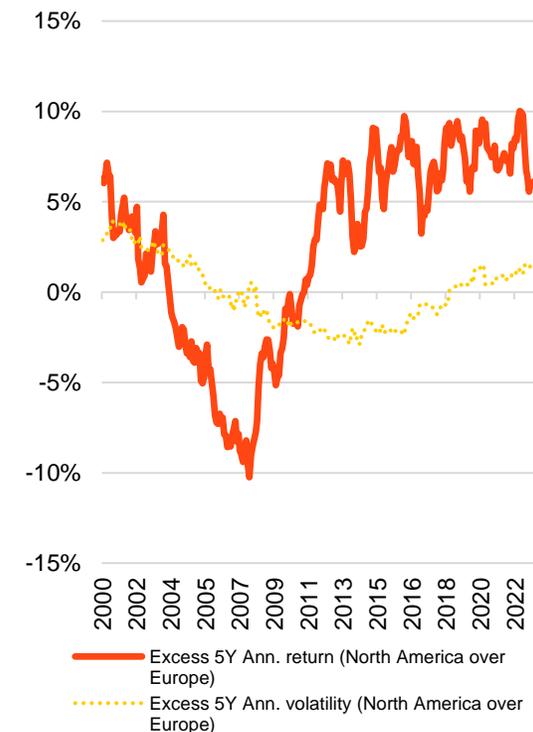
Geography - Average Allocation



Style Factor Exposure



Performance and Risk Comparison

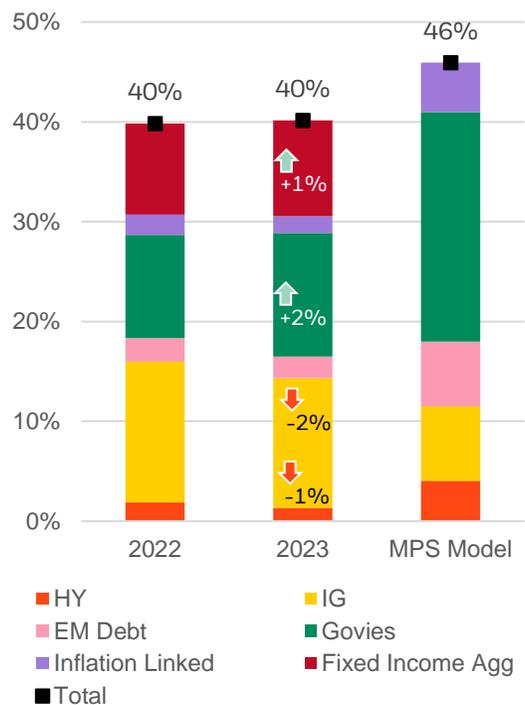


The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Source (right): BlackRock, MPI, Morningstar, 01/06/95 - 31/12/23. Data Frequency: month. Currency: EUR. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source (left): BPAS, Morningstar. 'Peer group' portfolio average allocation based on 22 moderate funds for which holdings were available between 30/09/2022 and 31/12/2022 for "2022" and "Dec 22" and between 30/09/2023 and 31/12/2023 for "2023". We also show the BlackRock MPS EUR Strategic Moderate Model as of 31/12/2023. For illustrative purposes only, and subject to change.

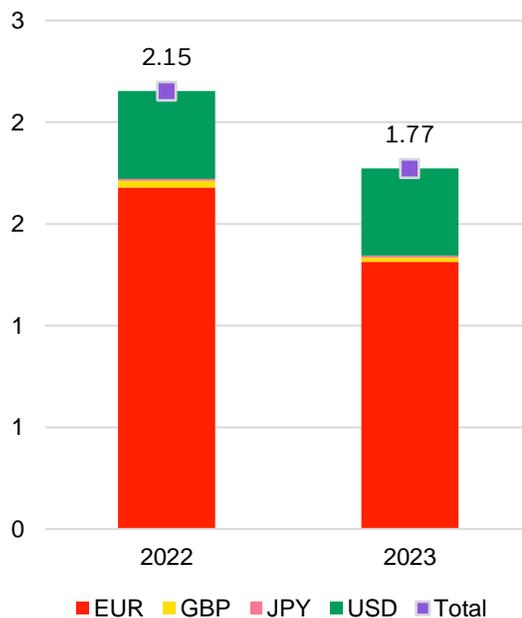
Deep-Dive on Fixed Income

Total allocation to fixed income remains unchanged and below BlackRock model allocation even despite improved potential for risk-return versus equity. However, we do see a **rotation within fixed income** from lower rated securities into short-end govies that offer attractive yield for **lower duration risk**.

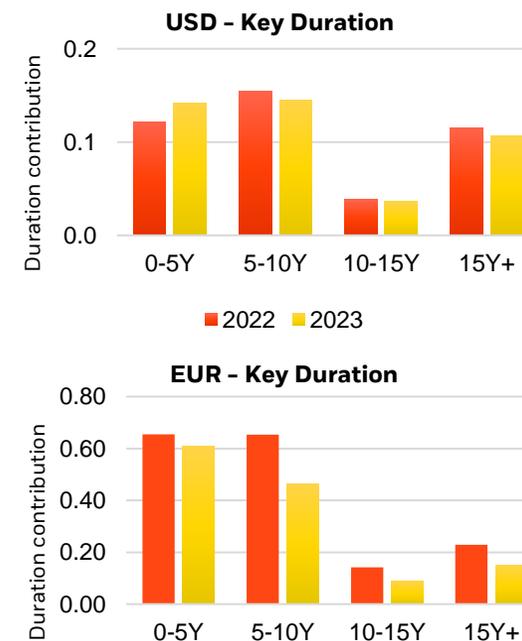
Change in Fixed Income Allocation



Change in Effective Duration (y)



Duration Allocation



Source: BPAS, Morningstar. 'Peer group' portfolio average allocation based on 22 moderate funds for which holdings were available between 30/09/2022 and 31/12/2022 for "2022" and "Dec 22" and between 30/09/2023 and 31/12/2023 for "2023". We also show the BlackRock MPS EUR Strategic Moderate Model as of 31/12/2023. For illustrative purposes only, and subject to change. Aladdin Data as of 29/12/2023.

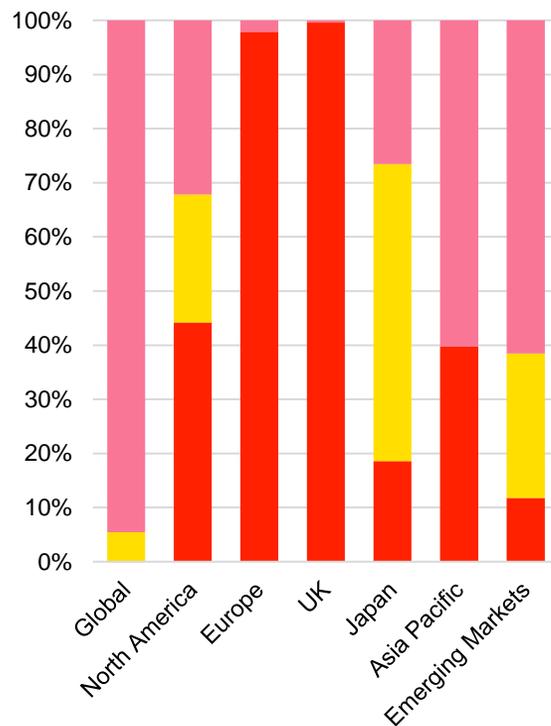
Implementation Choices

We see implementation choices shift in small amounts, although **ETF penetration remains low compared to active products, especially within fixed income**. We see heightened dispersion potentially creating opportunities to outperform and **blending index and alpha seeking strategies** as the way to remain nimble to capture them.

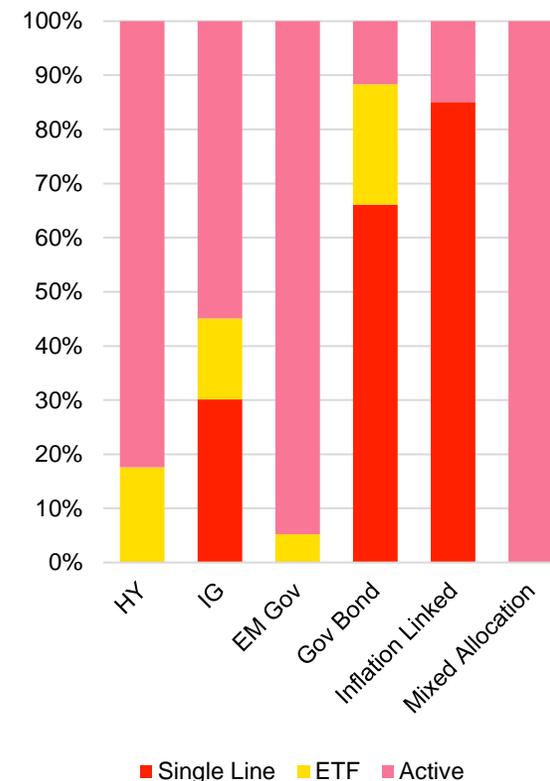
Total (Equity + Fixed Income)



2023 Equity Breakdown

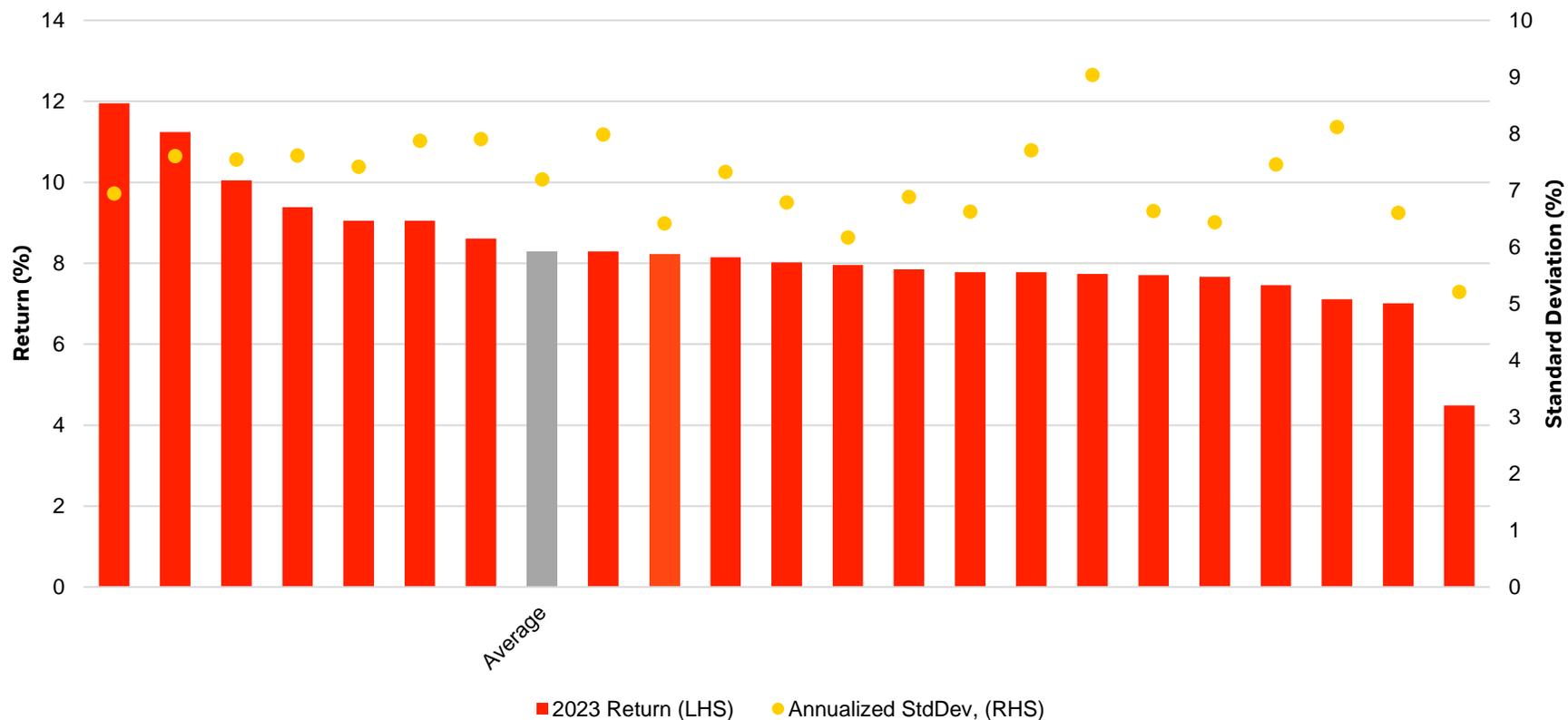


2023 Fixed Income Breakdown



Source: BPAS, Morningstar. 'Peer group' portfolio average allocation based on 22 moderate funds for which holdings were available between 30/09/2022 and 31/12/2022 for "2022" and "Dec 22" and between 30/09/2023 and 31/12/2023 for "2023". We also show the BlackRock MPS EUR Strategic Moderate Model as of 31/12/2023. For illustrative purposes only, and subject to change. Aladdin Data as of 29/12/2023.

Performance of funds in 2023



The 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 selecting a product or strategy. Source: BlackRock, MPI, Morningstar. Time Period: 01/01/2023 – 01/12/23. Data Frequency: month. Currency: EUR. All historical fund performance is net. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. This information demonstrates, in part, the firm's Risk/Return analysis. This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

Key Takeaways from the BeLux multi-asset portfolios

The **new market regime** requires a re-design of strategic portfolio allocations which is yet to be seen in its entirety - **understanding risk allocations** has never been more important.

Equity allocations have an opportunity to evolve beyond the European home bias and consider additional granularity to capture market opportunities

Fixed income allocations are changing their role – investors should re-think the magnitude of their allocation and be more selective within the asset class

Index strategies adoption is low compared to active – there is an opportunity to bring portfolio efficiency through blending

Source: BlackRock, January 2024.

BlackRock Portfolio Consulting

A spectrum of solutions

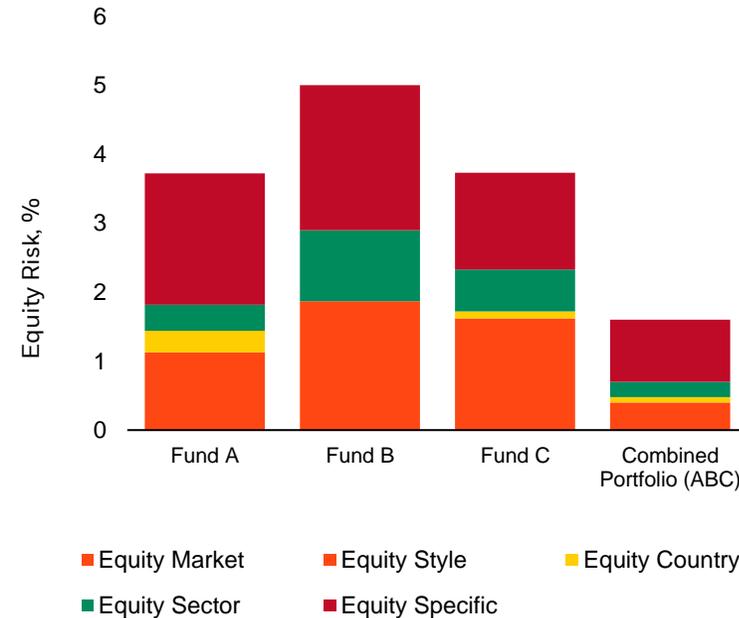
Example Case Study

Portfolio Rationalisation

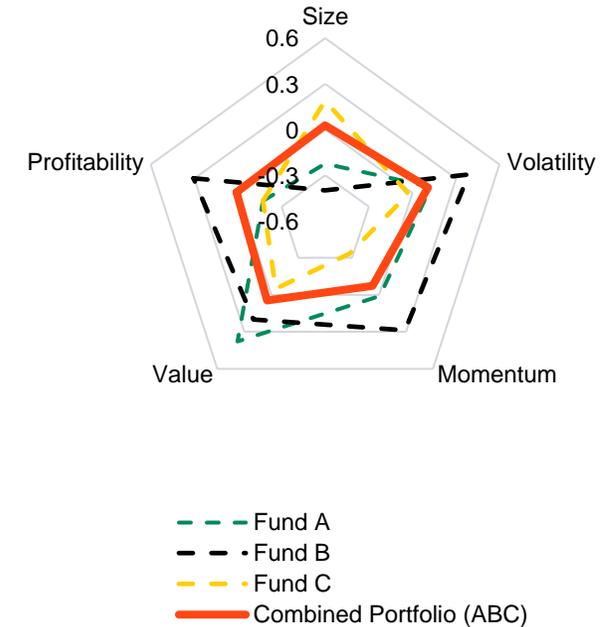
Objective:

On a standalone basis, alpha-seeking funds may have taken significant active bets from the benchmark. Yet, at a portfolio level, the result can be offsetting bets where the efforts of each manager are cancelled out. The objective is to rationalise the portfolio holdings to avoid unintended overdiversification.

Active Risk vs Combined Portfolio



Style Exposures vs Combined Portfolio



For illustrative purposes only. Source: BlackRock Aladdin, as at 31/12/2022

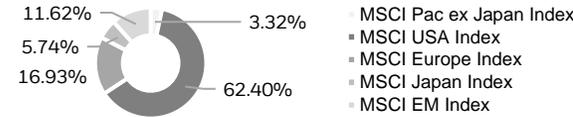
Example Case Study

Building ESG-focused model portfolios using ex-ante risk optimisation

Objective:

The objective is to re-build a global allocation made of regional building blocks to incorporate sustainable methodologies. BlackRock can test different levels of sustainable integration to ensure tracking error versus the target allocation remains within target area whilst the sustainable profile is improved in line with client expectations.

Parent Replication



Screened Replication



Enhanced Replication



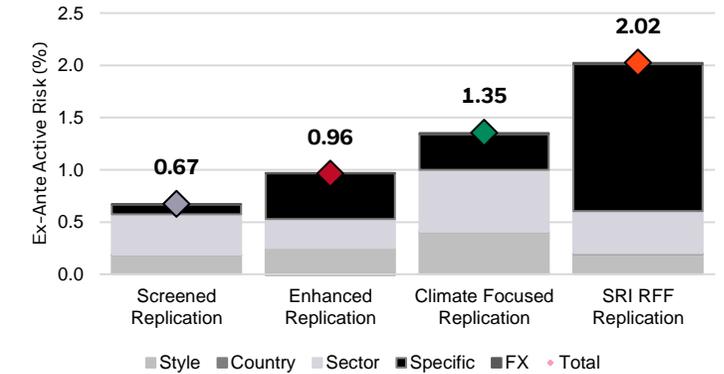
Climate Focused Replication



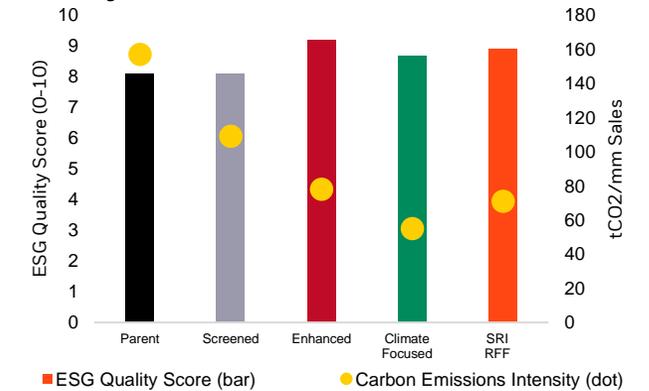
SRI RFF Replication



Tracking Error vs Parent Replication



Sustainability Profile



Source: BlackRock, MSCI as at 30/12/2022. For explanations about the methodology, refer to 'Methodologies and assumptions'. The ratings, metrics, methodologies and scores may differ from those of other providers. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission; no further distribution.

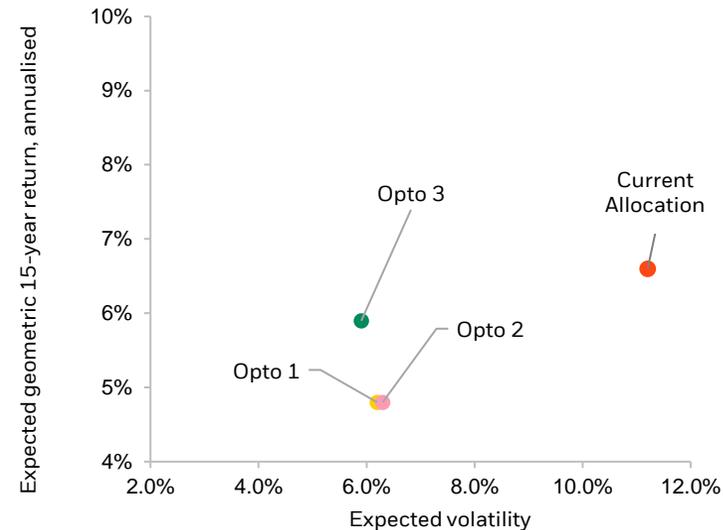
Example Case Study

Robust Optimisation using CMAs

Objective:

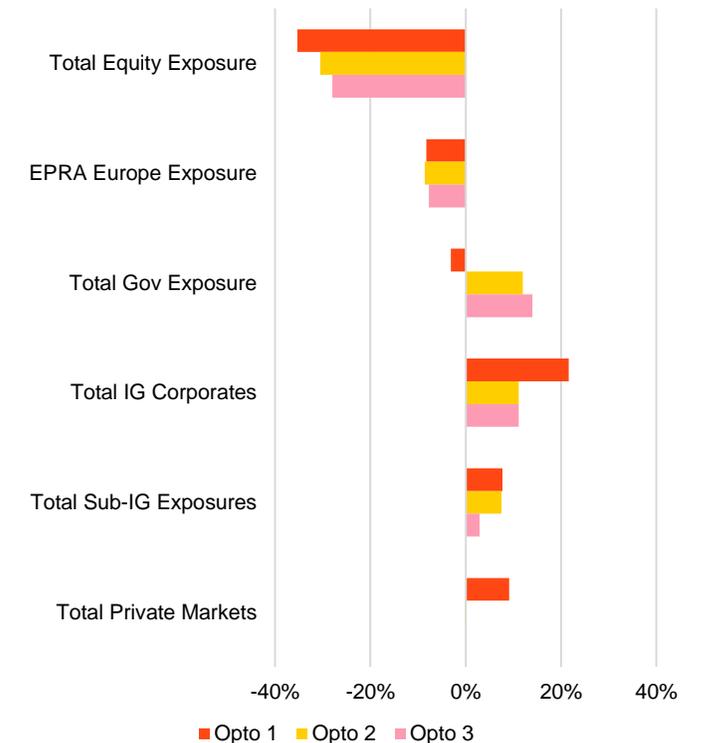
A pension fund's strategic asset allocation needs to be re-assessed given the new macro backdrop to ensure it still meets the required annual return of 4.8% over 15 years. BlackRock analysed the risk and return expectations for the current allocation using BlackRock's Capital Market Assumptions and re-optimised using robust optimisation and the same list of assets to generate more efficient allocations for the target return needed.

Optimisation Results



Portfolio KPI	Current Allocation	Opto 1	Opto 2	Opto 3
Return/Risk	0.59	0.77	0.77	0.82
Geometric Cvar90%	-0.50%	1.00%	1.00%	1.20%
Dispersion	4.00%	2.10%	2.20%	2.10%

Broad Asset Class change vs Allocation



Case studies are for illustrative purposes only; they are not meant as a guarantee of any future results or experience and should not be interpreted as advice or a recommendation. Source: BlackRock Portfolio Analysis and Solutions, Aladdin, MSCI. March 2023.

BlackRock Portfolio Consulting

Dedicated portfolio specialists who specialise in multi-asset portfolio construction

Aladdin® technology

Macro insights from the BlackRock Investment Institute

Product breadth and investment expertise

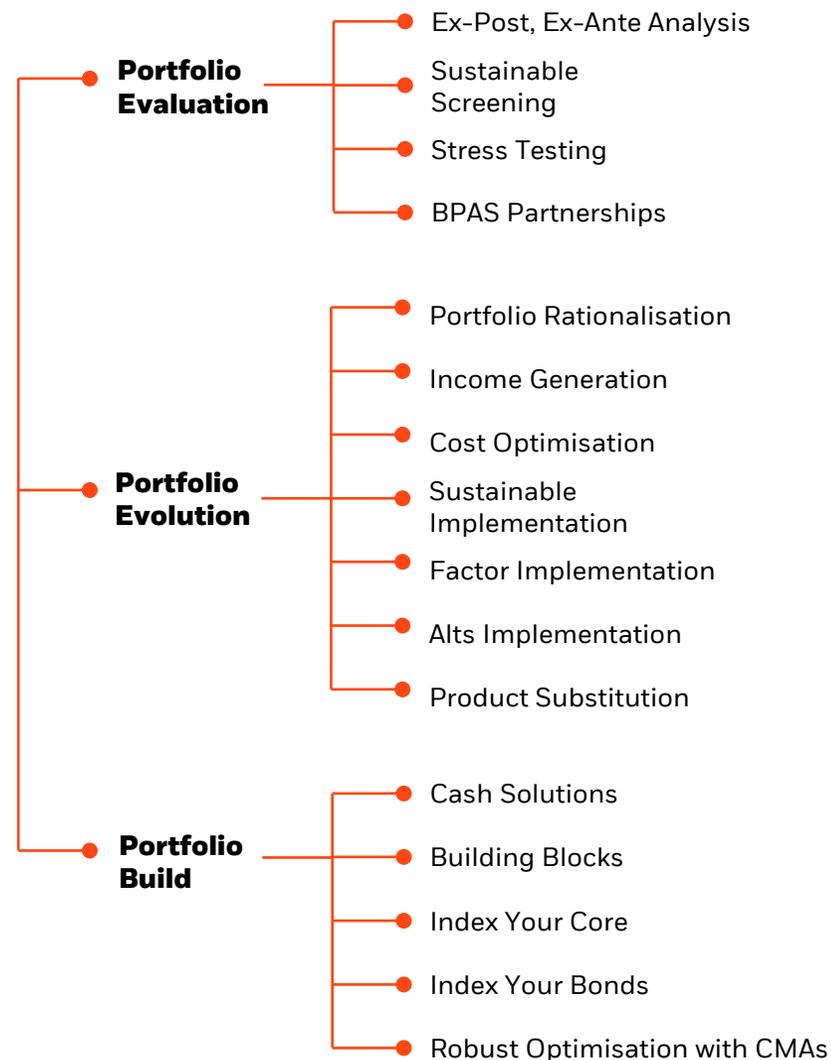
100+

BeLux clients engaged with

300+

Portfolio analysis for BeLux clients

A spectrum of solutions according to your needs



Source: BPAS, as at 27 February 2024. Figures represent client work done after 1 Jan, 2013 until 31 January 2023.

CMA Disclosure

This information is not intended as a recommendation to invest in any particular asset class or strategy or product or as a promise of future performance. Note that these asset class assumptions are passive, and do not consider the impact of active management. All estimates in this document are in EUR dollar terms unless noted otherwise. Given the complex risk-reward trade-offs involved, we advise clients to rely on their own judgment as well as quantitative optimisation approaches in setting strategic allocations to all the asset classes and strategies. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. If the reader chooses to rely on the information, it is at its own risk. This material has been prepared for information purposes only and is not intended to provide, and should not be relied on for, accounting, legal, or tax advice. The outputs of the assumptions are provided for illustration purposes only and are subject to significant limitations. “Expected” return estimates are subject to uncertainty and error. Expected returns for each asset class can be conditional on economic scenarios; in the event a particular scenario comes to pass, actual returns could be significantly higher or lower than forecasted. Because of the inherent limitations of all models, potential investors should not rely exclusively on the model when making an investment decision. The model cannot account for the impact that economic, market, and other factors may have on the implementation and ongoing management of an actual investment portfolio. Unlike actual portfolio outcomes, the model outcomes do not reflect actual trading, liquidity constraints, fees, expenses, taxes and other factors that could impact future returns. Asset allocation/diversification does not guarantee investment returns and does not eliminate the risk of loss.

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Sustainability Methodologies and Assumptions

MSCI ESG Quality Score: The MSCI ESG Quality Score measures the ability of a company to manage key medium- to long-term risks and opportunities arising from environmental, social, and governance factors. The Fund ESG Quality Score is calculated as the weighted average of the underlying holding's ESG Scores. The Fund ESG Quality Score is provided on a 0-10 score, with 0 and 10 being the respective lowest and highest possible fund scores. MSCI rates underlying holdings according to their exposure to 37 industry specific ESG risks and their ability to manage those risks relative to peers. These issuer-level ESG ratings correspond to an issuer-level ESG Score.

Fund ESG Coverage (%): Percent by weight of a fund's holdings that have ESG Data.

Environment, (E) Social (S) Governance (G) Scores¹: The Environment (E), Social (S) and Governance (G) Scores are each calculated as the weighted average of the underlying holdings' E, S, and G scores respectively. They are also provided on a 0-10 scale, with 0 and 10 being the respective lowest and highest possible scores. MSCI scores underlying holdings according to their exposure to industry- specific Environmental, Social and Governance risks and their ability to manage those risks relative to peers. These issuer-level ESG scores correspond to an issuer-level ESG rating.

Emissions Intensity (Sales)²: A portfolio's Weighted Average Carbon Emissions Intensity by Sales is achieved by calculating the carbon intensity (Scope 1 + 2 Emissions / \$M Sales) for each portfolio company and calculating the weighted average by portfolio weight. The underlying holdings' Emissions Intensity data is sourced from MSCI.

Emissions Scope: Emissions Intensity by Sales and Total Capital cover Scope 1 + 2 Emissions where scopes are defined as indicated below:

Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle.

Scope 2 emissions are those caused by the generation of electricity purchased by the company.

Scope 3 emissions include an array of indirect emissions resulting from activities such as business travel, distribution of products by third parties, and downstream use of a company's products (i.e. by customers).

Low Carbon Transition Score: This score is based on a multi-dimensional risks and opportunities assessment and considers both predominant and secondary risks a company faces. It is industry agnostic and represents an absolute assessment of a company's position vis-à-vis the transition.

Allocation Fund Definitions & Peer Group Summary

Belgian or Luxembourg moderate multi-asset funds

- **16 asset managers**
- **22 funds**
- **\$40bn AUM**



Moderate Allocation

Moderate-allocation portfolios seek to provide both capital appreciation and income by investing in three major areas: stocks, bonds, and cash. These portfolios tend to hold larger positions in stocks than conservative-allocation portfolios. These portfolios typically have 50% to 70% of assets in equities and the remainder in fixed income and cash.

Flexible Allocation

Flexible Allocation portfolios have a largely unconstrained mandate to invest globally in a range of asset types. These portfolios tend to hold regularly rotating positions in stocks, bonds, commodities, cash and their related derivatives. These funds may exhibit characteristics fitting cautious allocation, moderate allocation, or aggressive allocation at any point in time. They may also regularly rotate between countries and regions. These portfolios typically hold from 20% to 80% of exposure in equities and between 20% to 80% of exposure in fixed income and cash.

Source: Morningstar Global Category™ Definitions, as at November 2023.

Risk Warnings

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.

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