# BlackRock $85 Billion Manager Says Stock Pickers' Time Has Come

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Dan Chamby, who manages $85 billion for BlackRock Inc., says central banks' loss of power over markets means old-style stock investors can get back to what they do best.

Chamby is buying again after having 21 percent of holdings in cash at the end of last year. He says the turmoil in share markets is natural as traders numbed by years of stimulus relearn how to price risk, and instead of agonizing about monetary policy makers' next steps, he's poring over economic data and looking for bargains. He's going against many investors, and colleagues within BlackRock, with bets that oil will rebound.

“We have to become much more fundamentally focused,” Chamby said in a phone interview from Princeton, New Jersey. Now is a time for stock pickers to “begin to distinguish ourselves.”

The years after the 2008 financial crisis were lean ones for value investing -- the style of seeking out companies trading at deep discounts to earnings and assets -- as unprecedented central bank asset purchases helped push equities up across the board. There are signs that's changing as the Federal Reserve tightens policy and Europe and Japan's forays into negative rates fail to stem a stock selloff. Companies' valuations, for one, are starting to diverge after growing more alike in recent years.

“We're seeing greater dispersion,” Chamby said. “The pricing's better than it was.”

Chamby managed $85 billion at the end of January, he said. That's down from $100 billion in April. The BlackRock Global Allocation Fund, the largest he helps oversee with $45.5 billion in assets, lost 5.1 percent this year to beat 36 percent of peers through Wednesday, according to data compiled by Bloomberg. It posted an annualized gain of 2.9 percent over five years, topping 60 percent of competitors, the data show. Since inception in 1989, its average yearly return is 10 percent, according to BlackRock.

The fund had 59 percent of assets in equities and 24 percent in bonds at the end of January. It reduced cash to 16 percent of holdings, and its three largest stock picks were Apple Inc., Alphabet Inc. and Uber Technologies Inc. Chamby says he's been buying energy, health-care and technology shares, while declining to specify which ones.

The 55-year-old says he's convinced oil prices will rebound. U.S. crude traded at $31.61 a barrel on Thursday and has fallen more than 70 percent since June 2014. He's looking at cheap companies with interesting reserves and firms that process and transport the commodity.

Marathon Petroleum Corp., the Ohio-based refiner whose shares have lost 35 percent in the past 12 months, is one of the top five stock holdings in the global allocation fund. It trades at 7.7 times estimated earnings.

“We are feeling rather alone” in the oil bet, Chamby said. “Out in the wilderness. Not even our colleagues within BlackRock seem to support us on that.”

Chamby, who is bullish on Japan, has reduced allocations to Tokyo stocks to twice from three times his benchmark after the market saw the wildest swings since the March 2011 earthquake. The fluent Japanese speaker who previously worked as a research analyst for Fujitsu Ltd. says his fund's goal is to provide competitive returns with less volatility.

On China, he says the economy will transition to a services-led model without a hard landing. The bigger concern for him is further devaluations of the currency. While that would hurt his fund’s performance, he says the nation’s policy makers probably won’t take that approach because it would destabilize the global economy.

Chamby expects further stimulus from the Bank of Japan and the European Central Bank, but he’s unsure it will be effective. The yen has gained about 8 percent against the dollar since BOJ Governor Haruhiko Kuroda surprised markets last month by saying he would adopt negative interest rates. Still, Chamby isn’t too concerned that markets have to learn to live without the support of central bankers.

### Training Wheels

“The market lost the ability to price risk for itself,” Chamby said, likening the new environment to a child learning to ride a bike without stabilizers. “Once you take the training wheels off you’re going to fall off, but it won’t be fatal. You learn to ride again.”

In fact, he says this is good for equity buyers with a long-term view, as it signals markets are getting back to normal. Traditional stock pickers have to be prepared to suffer some pain until their bets pay off, he says.

“Being a value investor, being a stock selector has not worked in this central bank policy regime,” Chamby said. “It’s starting to work again.”