

Asset Allocation:

Building income portfolios with private markets

Start with the Goal

When a client's objective is income, asset allocation should focus on generating reliable cash flow while managing risk and preserving capital.

Key private market income drivers:

1

Private credit

Yield from flexibility and structure

Private credit lenders can typically respond faster and tailor financing to borrower needs, which borrowers value — and pay a premium for.

Actionable insights

Highlight how private credit has historically delivered premium income over public bonds.¹

2

Real estate

Income from rents

Commercial real estate can provide steady rental income, often with leases linked to inflation. But not all sectors are created equal.

Actionable insights

Use sector examples (e.g., logistics, multifamily housing) with strong demand trends, while discussing considerations of the broader market.

3

Infrastructure

Contractual payments from essential assets

Infrastructure assets like toll roads, utilities, and renewable energy projects can generate predictable cash flows.

Actionable insights

Highlight the essential nature of the assets and their resilience, while stressing the importance of the manager's asset selection.

Next steps

Use our step-by-step guide.

Turn the page for key questions to answer when allocating to private markets for clients seeking income.



1. Source: Morningstar, as of December 31, 2024. From Q4 2015-2024 annualized.

Income portfolio Q&A: Advisor worksheet

Use these questions to prepare before discussing private markets with clients seeking income:

Question 1:

Portfolio construction



How will I define the specific role private markets will play in this client's income strategy?

Notes

Question 2:

Liquidity



How will I set expectations for how much capital will be tied up—and for how long?

Notes

Question 3:

Strategy mix



How will I decide the right balance of private credit, equity, and real assets?

Notes

Income portfolio Q&A: Advisor worksheet

Question 4:

Access & differentiation



How will I highlight income opportunities in private assets that aren't available in public markets?

Notes



Four tips for client conversations

Position it as an evolution

Private markets deepen and diversify¹ income streams.

Be upfront about liquidity

Thoroughly explain windows and limits.

Show the diversification edge¹

Less dependence on public markets.

Make it tangible

Link strategies to income sources they already understand.

¹ Diversification does not ensure a profit or protect against losses.

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