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Rethinking Asset Allocation: Connecting Private Markets to Client Goals

Private markets can expand the possibilities for a portfolio, offering access to a broader set of investments, assets, and sources of return that can provide diversification. Blackstone's Private Markets Allocator Tool helps advisors bring this potential to life by showing how private investments may complement public stocks and bonds while helping achieve client goals across growth, income, diversification, liquidity, and risk.

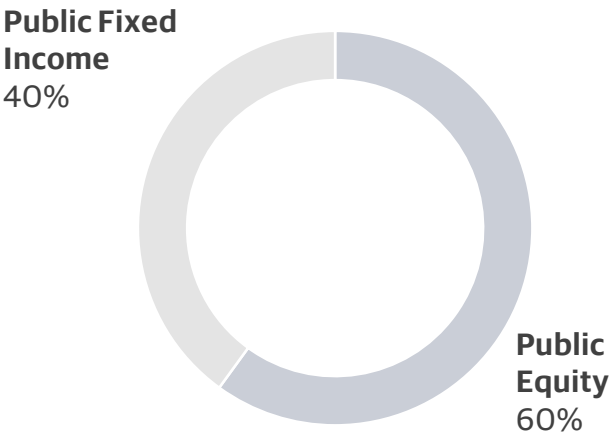
Advisors can use the Tool to explore different approaches, visualize their potential portfolio impact, and turn the opportunity in private markets into a tangible, personalized discussion with clients. The examples that follow demonstrate how advisors can bring these conversations to life using illustrative views from the Tool.

Start with the Allocation

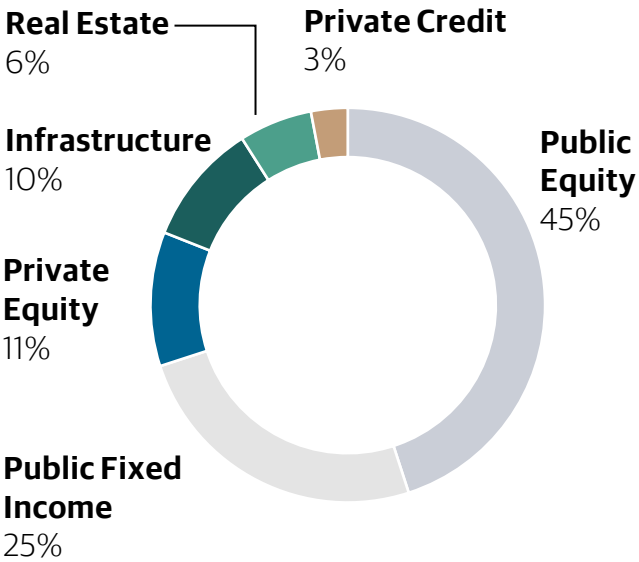
When introducing private markets, the first step is to make the shift visible.

A portfolio that includes private markets is gaining more than a broad "alternatives" sleeve — it's incorporating distinct asset classes (private equity, credit, real estate, and infrastructure) that play different roles towards achieving client goals. (You can learn more about these asset classes in Blackstone's educational Essentials of Private Markets series.)

Balanced | Public Markets



Illustrative 30% Private Markets Portfolio



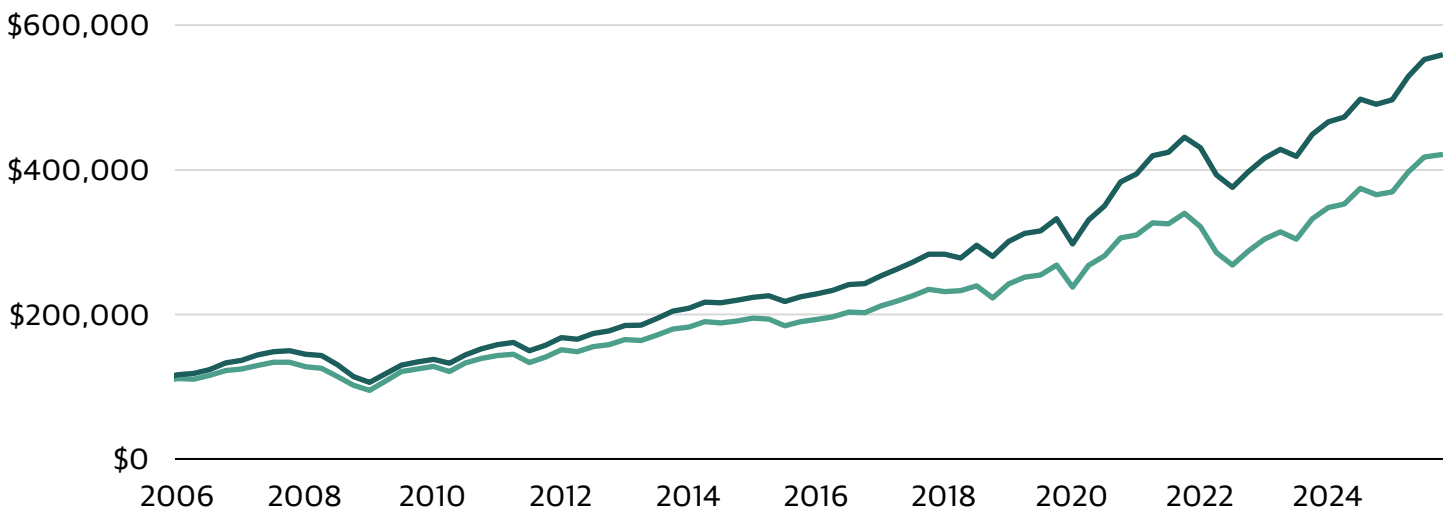
This distinction keeps the attention on how the portfolio is built rather than on which products fill it. Private markets are not there to add complexity; they provide exposures that can advance specific-client objectives.

Those objectives translate into different potential allocation paths:

- **Growth:** Private equity can offer exposure to companies whose value is built through operational improvement, strategic repositioning, and long-term ownership, rather than public market sentiment alone
- **Income:** Private credit can complement traditional fixed income, with privately negotiated loans and structural protections underpinning its income potential
- **Diversification:**[1] Real estate and infrastructure can provide access to assets and cash flows that may behave differently from public stocks and bonds, including exposures tied to inflation-sensitive revenue
- **Access:** Perpetual fund structures have streamlined investment in private markets for individuals, providing clarity around liquidity, time horizon, and risk

Once the allocation takes shape, the tool can demonstrate how different mixes of public and private assets have grown over time. Viewing the historical growth of $100,000 makes that comparison tangible, letting your clients see the arithmetic for themselves.

	Cumulative Return	Annualized Return	Annualized Volatility	Max Drawdown Dec 2007–Mar 2009	Current Yield
Balanced | Public Markets 2004–2025	321.0%	7.1%	10.1%	-29.2%	2.8%
Illustrative 30% Private Market Portfolio 2004–2025	439.1%	8.4%	9.1%	-28.8%	2.8%
	118.1%	**1.3%**	**-1.0%**	**0.4%**	**0%**



(1) Diversification does not ensure a profit or protect against loss.

A framing like this can make client conversations more productive. Rather than positioning private markets as a replacement for public assets, advisors can use the analysis to consider whether a broader allocation may better reflect a client's long-term objectives, liquidity profile, and tolerance for volatility.

Use the Tool to Support the Client Conversation

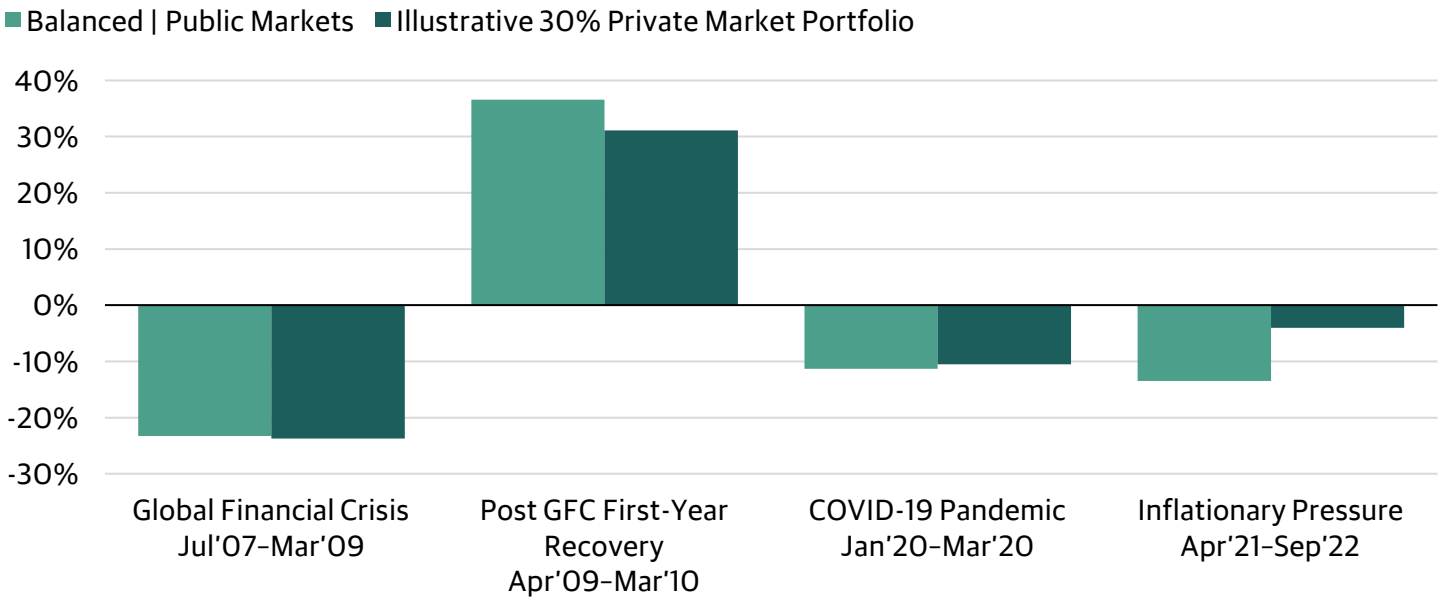
Step 1: Start with liquidity. Advisors can help clients distinguish between assets they may need in the near term and capital they can commit toward longer-term goals. That distinction creates the foundation for evaluating any private markets allocation.

Step 2: Define the portfolio role. Private equity may support growth, private credit may support income, and real assets may enhance diversification.(1) Framing each exposure by objective helps keep the conversation focused on client needs.(2)

Step 3: Pressure-test the allocation. Once the client's objectives and constraints are clear, the tool can compare different public / private combinations across market environments.(3)

Scenarios

Historical performance of the above portfolios during various scenarios, using historical index returns.



Using this scenario view, volatility enters the conversation by design rather than by surprise. Advisors can walk through how each mix might behave if markets are stronger or weaker than expected, then tie those paths back to the client's time horizon, liquidity needs, and appetite for risk.

Putting the Analysis to Work

Blackstone's Private Markets Allocator Tool helps advisors make the opportunity in private markets more tangible. By connecting portfolio choices to each client's goals, liquidity needs, and risk tolerance, it gives advisors a clear and compelling way to explore and explain how private investments may contribute to a broader, more thoughtfully constructed portfolio.

(1) Diversification does not ensure a profit or protect against loss. | (2) The objectives associated with private equity, private credit, and real assets (growth, income, and diversification) are not guaranteed. Each asset class involves unique risks — such as leverage, illiquidity, valuation uncertainty, and the possibility of loss. | (3) **Past performance does not predict future returns.** The scenario analysis shown is based on historical index returns and is provided for illustrative purposes only.

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