

Rethinking the 60%

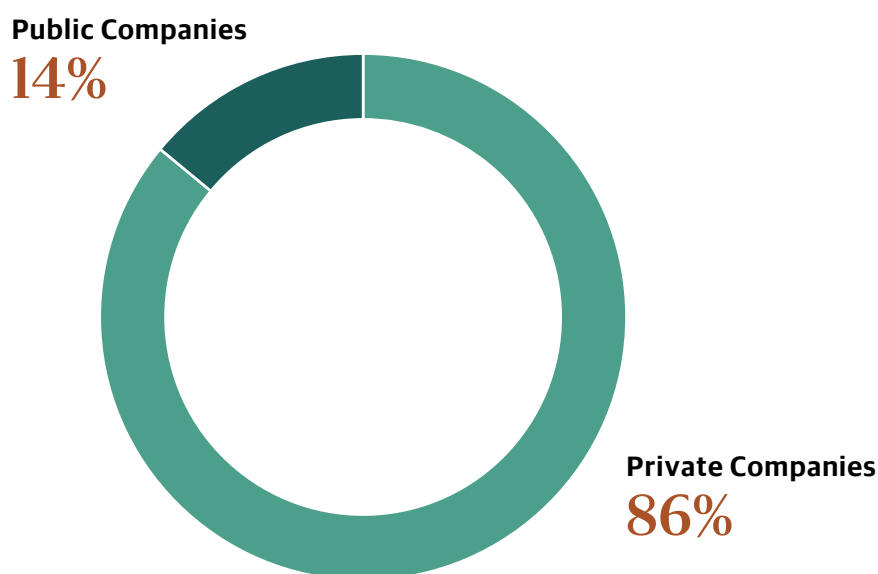
For generations, the 60/40 portfolio served investors well, with each component playing a distinct role: the 60% public equity allocation drove growth, while the 40% bond exposure provided income and diversification. As explored in "[The 40% Problem](#)," the fixed income side of this equation faces unprecedented challenges. The equity side demands equal scrutiny given the structural changes reshaping capital markets, from private equity's growth to the decline in initial public offerings. Forward-thinking investors are discovering that private equity presents itself as a natural complement within the 60% allocation — exposure to equity growth but through private companies and active management.

The New Market Reality

The private company universe is significant, but more importantly, these companies play a critical role in driving growth across global economies. Approximately 86% of companies with over \$250 million in revenue are privately held. What makes this universe particularly compelling is its diversity: private markets provide access to companies across sectors, geographies and business models that are often underrepresented or entirely absent from public markets. From founder-led software businesses to energy transition infrastructure, and European media conglomerates to Asian consumer brands, private equity offers exposure to growth themes and deal types, including carve-outs, family successions, and growth partnerships, that add diversity to an investor's portfolio.⁽¹⁾

Additionally, private equity-backed companies have historically grown revenues approximately 6% faster than public companies.⁽²⁾

Vast Majority of Businesses with more than \$250 million in Revenue Are Private⁽³⁾



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

(2) Cambridge Associates, December 2023, Global PE-owned companies compared to the MSCI ACWI from 2008-2023.

(3) Capital IQ, June 2024. Represents the share of companies based on the total number of public and private companies in North America, Europe, and Asia that have reported 2024, 2023, or 2022 fiscal year revenues greater than \$250 million per Capital IQ's company database.

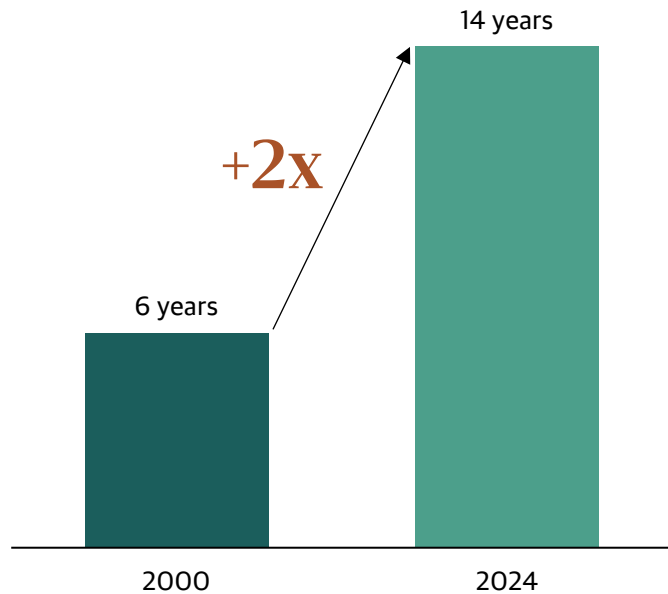
Meanwhile, structural changes to listed equity markets are contributing to a growing concern around concentration in major public indexes. The top ten largest stocks now represent 40% of the S&P 500's total market capitalization, the highest concentration in modern history.⁽¹⁾ These companies are highly correlated, increasing in times of market stress,⁽²⁾ elevating potential risks for passive investors. When the largest stocks move together, the diversification that investors rely on is diminished.⁽³⁾ Private equity, in contrast, has historically demonstrated lower correlation with large cap public stocks, typically ranging from 0.6 to 0.7.⁽⁴⁾ This lower correlation means private equity can help smooth overall equity volatility, providing the dual benefit of enhanced returns and risk mitigation.

Value Creation Has Migrated

The data reinforces this trend: In 2000, companies typically went public after six years. Today, that timeline has stretched to 14 years. Companies are staying private longer because private capital markets now offer the scale, expertise, and patient capital that once required a public listing. This represents a complete reversal from decades ago, and it means a larger portion of corporate value creation — the growth that investors seek — now happens in private markets before companies ever reach public markets. For example, the top five private companies are valued at an average of more than \$250 billion — 25x larger than where the current top five public companies IPO'ed.

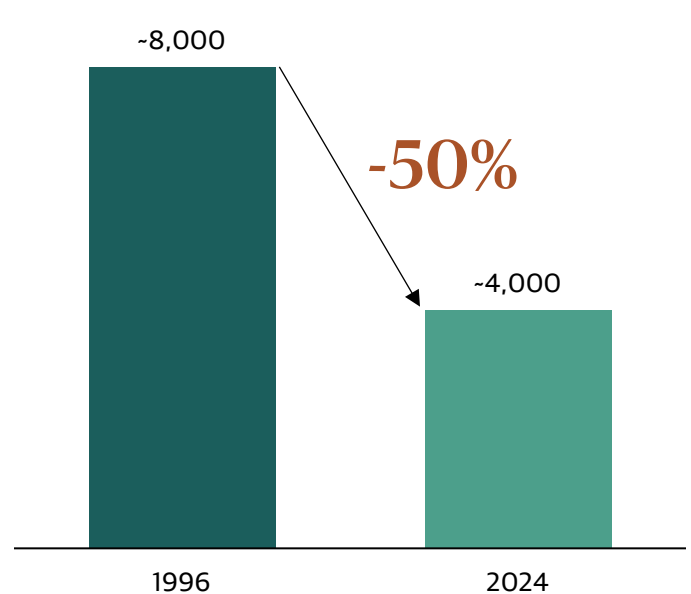
Median IPO Age⁽⁵⁾

(2000-2024)



Number of US-Listed Public Companies⁽⁶⁾

(1996-2024)



Companies staying private for longer represents a de facto value transfer from public market investors to private market investors, a phenomenon that is likely to persist as pools of private capital continue to grow rapidly. Private markets' assets under management are projected to exceed \$18 trillion by 2027⁽⁷⁾ (up from less than \$3 trillion in 2010). Private equity offers investors access to this growing universe of companies, providing critical diversification and performance upside to increasingly concentrated public market portfolios.

(1) Bloomberg data, as of October 2025, and Osborne Partners, "The S&P 500 Concentration."

(2) Bloomberg data, as of October 2025.

(3) Diversification does not ensure a profit or protect against losses.

(4) Pitchbook data, as of September 2024.

(5) University of Florida, as of December 2024, "Initial Public Offerings: Median Age of IPOs Through 2024."

(6) World Federation of Exchanges.

(7) S&P Global, "Private Markets — A Growing, Alternative Asset Class." and "Private Markets: Still Waters Run Deep."

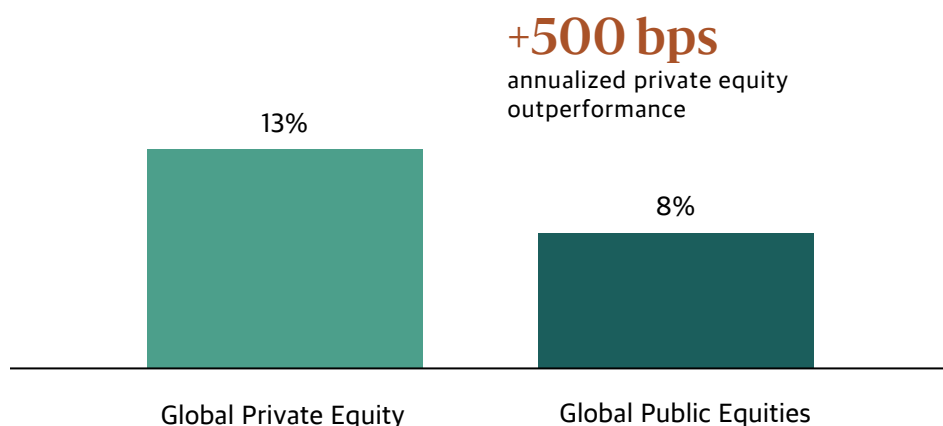
The Performance Premium: Why Private Equity Has Historically Outperformed

Over the past 20 years, private equity has generated average annual returns of approximately 13% net of fees, compared to 8% for public equities.⁽¹⁾ This 5% outperformance is not a short-term anomaly; it has remained consistent across market cycles. Private equity managers drive innovation, operational excellence, and strategic vision through long-term, patient capital. This approach enables management teams to execute transformative operational enhancements and strategic pivots without the pressure of public market swings and quarterly earnings calls.

Private equity identifies opportunities through an information advantage that begins long before any investment is made. Through months of comprehensive due diligence and proprietary relationships, top firms develop insights that public market investors simply cannot. Unlike public markets where information is broadly distributed, privates operate on an invite-only basis, where select investors with proven reputations and deep industry relationships gain access to opportunities.

20-Year Performance: Private vs. Public Equity

(1Q'05–1Q'25)



The Private Equity Advantage: Active Ownership

The heart of private equity's value proposition lies in its approach to active ownership and business building. Leading private equity firms begin by identifying long-term thematic trends — from digitization and AI to energy transition and healthcare innovation — then finding the best-positioned companies within those themes to win. This thematic expertise, combined with deep sector knowledge, enables firms to develop clear value creation initiatives before committing any capital.⁽²⁾

As active owners, private equity firms partner with management teams to set strategic visions and make disciplined capital allocation decisions. In today's higher interest rate environment, the ability to prioritize return on investment — whether expanding into new markets, developing new products or pursuing strategic acquisitions — has become even more critical. Private equity brings decades of pattern recognition to these decisions.

(1) Compares Cambridge Associates' Private Equity Index to the MSCI World Index, as of March 2025.

(2) There can be no assurances that any of the trends described herein will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results.

This partnership approach to building businesses focuses on several key value creation levers:

Strategic Leadership and Governance. Private equity firms maintain extensive networks of operating partners and executives who can rapidly strengthen portfolio companies as leaders, board members, or advisors. They establish best-in-class governance structures that enable swift decision-making and efficient capital allocation, driving strong performance over time.

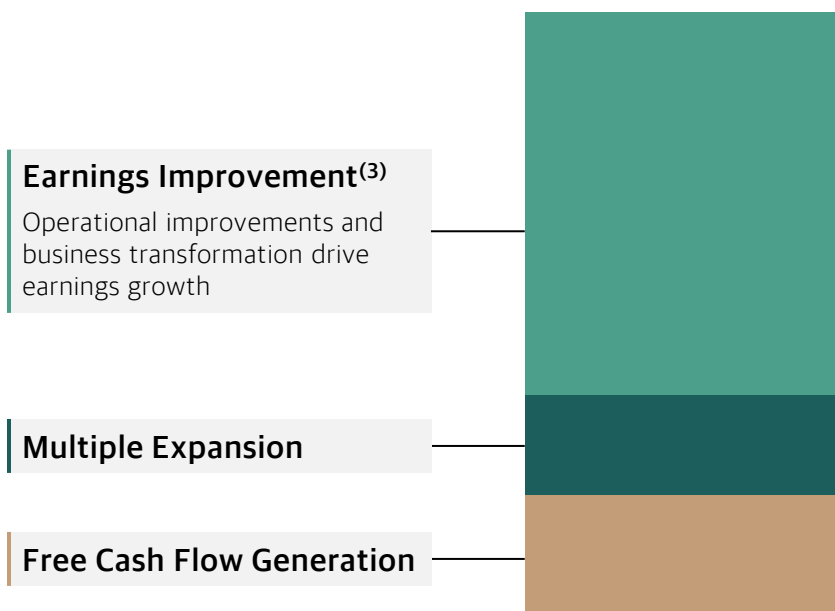
Digital and Operational Excellence. Private equity brings specialized expertise to modernize operations through technology upgrades, such as AI, data science, and process optimization. This systematic transformation, informed by cross-portfolio insights, drives efficiency gains that companies struggle to achieve independently.

Accelerated Growth. Whether through geographical expansion, new product development, or strategic M&A, private equity firms excel at identifying and executing growth initiatives. Their global networks and scale enable portfolio companies to enter new markets faster and consolidate fragmented industries more effectively than standalone companies.

Scale Advantages. Leading firms leverage their portfolios' collective scales to negotiate enterprise contracts, access top-tier talent and share best practices. These resources, from procurement savings to technology platforms, provide immediate impact while building long-term capabilities.

The collective results of private equity transformation are clear. Studies have shown that a majority of private equity performance comes from earnings growth rather than multiple expansion.⁽¹⁾ This long-term focus is the cornerstone of private equity, helping explain why many companies choose to stay private for longer, with more value creation underway and available to private market investors.

Illustrative Drivers of Private Equity Returns⁽²⁾



(1) DealEdge, "Creating Value in Private Equity: Moving Beyond Multiple Expansion."

(2) The above is provided for illustrative purposes only and is based on Blackstone's assessment of gains achieved by investments in Blackstone's flagship corporate buyout funds only as of June 30, 2025. To determine sources of value creation, Blackstone analyzes key financial metrics at the time of acquisition compared to the current and/or exit period in order to estimate a company's gain that is attributable to earnings growth, multiple expansion, and free cash flow ("FCF") generation. For certain investments that lack significant previous operating or financial history, the categorization of the different sources of value creation represents Blackstone estimates based on a number of objective and subjective factors. Past activities of investment vehicles managed or sponsored by Blackstone provide no assurance of future success. There can be no assurance that future Blackstone funds will achieve the same or similar results or that pending or future initiatives will occur as expected or at all.

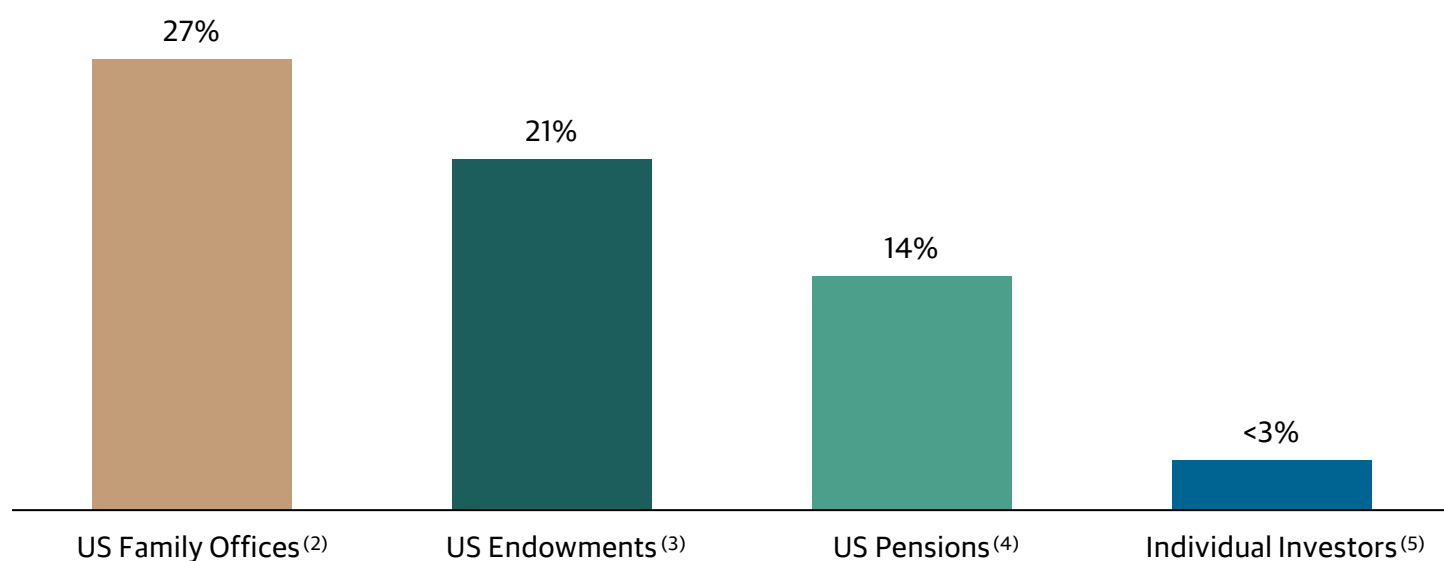
(3) Represents EBITDA growth of investments with gains.

Conclusion: The New 60%

The vast majority of companies are private, and they contribute significantly to the growing global economy. As 60/40 portfolios evolve to meet current realities, private equity offers the return potential and diversification⁽¹⁾ that modern portfolios require.

Institutional investors have already adjusted their portfolios to this reality. We believe individual investors who recognize this structural shift — and act on it — will likely be better positioned to achieve their long-term investment objectives.

Representative Private Equity Allocations



With the development of new fund structures, these alternative strategies that have provided superior returns for decades are no longer walled off from individual investors. Improved liquidity structures and lower minimums have eliminated some traditional barriers, while still providing access to institutional-quality assets.

The evolution from alternative to core is about recognizing that significant value creation is currently taking place in private markets and ensuring modern portfolios capture this source of growth. In a world where many high-quality and growing businesses stay private longer, access to private markets is becoming an essential complement to existing public equity exposure.

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

(2) UBS Global Family Office Report 2025.

(3) Preqin, as of June 30, 2025.

(4) American Investment Council.

(5) For Individual Investors, Cerulli Associates, "U.S. Wealth Management and Alternative Product Trends," 2024.

Important Disclosures

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