Blackstone

The Role of Private Markets in 401(k) Plans

Answers to Frequently Asked Questions

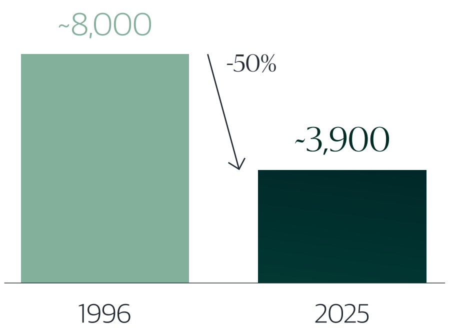
With increased interest in adding private markets investments to DC plan menus, it's important to understand the risks and rewards. Fact-based education can help address common questions and support informed decision-making.

Do public markets provide enough investment options for retirees?

If savers aren't allocating to private markets, we believe they are missing out on a large and increasingly important segment of the investable universe.

Nearly 90% of companies globally with revenues of $250 million or more are privately owned.[1] At the same time, the number of publicly listed companies in the US has declined by roughly half over the past 25 years.[2] As a result, a growing share of economic activity and corporate growth now resides outside public markets.

Number of US-Listed Public Companies[2]



Do private market investments increase portfolio risk in 401(k) plans?

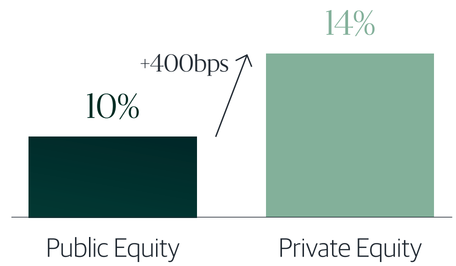
Private markets can offer greater diversification and risk mitigation during periods of market volatility.[3] Because private market investments typically have low correlation to their public counterparts, these investments can be increasingly important as stock-bond correlations become less reliable.[4]

Private real estate, for instance, has exhibited roughly one-third the volatility of public REITs,[5] and had positive performance in 7 of 8 years when the S&P 500 was negative.[6]

Do private market investments come with higher fees?

Private markets traditionally come with higher fees than public investments, reflecting the manager's active management and extensive value-creation efforts. They have also historically delivered attractive net-of-fee returns relative to public markets. Private equity, for example, has outperformed public equities by ~400bps annually over the past 15 years,[7] while private credit has delivered ~2x higher returns than leveraged loans over the past 20 years.[8,9]

Private Equity Outperformance Over 15 Years[7]
(2010-2025)



Do private markets offer enough liquidity for 401(k) plans?

We believe private markets can be well suited for retirement savers given their long-term investment horizon. In a 401(k) portfolio, they can sit alongside traditional stocks and bonds that provide daily liquidity. In addition, structures such as evergreen funds can support periodic liquidity, subject to limits, within the underlying private markets allocation while keeping capital invested from subscription. Together, this approach can enhance diversification and support long-term return potential, while helping meet liquidity needs.

Can private markets support the daily valuation needed for DC plans?

Private markets managers bringing their strategies to the DC market are adopting new processes to support daily valuations, including the use of both internal and third-party valuations that align with accounting standards for private markets valuations.[10]

Do private markets provide enough transparency?

Perpetual private market funds are subject to applicable regulatory oversight, including SEC review where relevant based on the vehicle's structure. CITs that provide exposure to these strategies are also governed by their own regulatory and fiduciary frameworks. The applicable offering and governing documents describe the risks, fees, expenses, liquidity terms, and other key considerations for both the CIT and its underlying investments. This disclosure helps provide plan sponsors, advisors, consultants, and other stakeholders with the information needed to evaluate the investment and make informed decisions or recommendations.

Will plan participants be equipped to select private markets investments?

Retirement investors will not select private market investments on their own. Instead, private markets can be incorporated into 401(k) plans through professionally managed solutions, such as target-date funds or managed accounts, providing diversified exposure without requiring participants to select or manage the investments directly.

Endnotes

1. Capital IQ, June 2024, which is the latest data available. 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, 2022, or 2021 fiscal year revenues greater than $250 million per Capital IQ's company database.
2. World federation of exchanges, as of December 31, 2025.
3. Diversification does not ensure a profit or protect against losses. Risk mitigation seeks to protect against risk, but does not eliminate risk.
4. Bloomberg, as of December 31, 2025. Based on monthly returns from January 2022 to December 2025 between the S&P 500 Index (stocks) and Bloomberg US Treasury Index (bonds).
5. Morningstar Direct, NCREIF, as of December 31, 2024. There can be no assurance that any Blackstone fund or investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Indices are meant to illustrate general market performance. Comparisons shown are for informational purposes only, do not represent specific investments and are not a portfolio allocation recommendation. Private real estate is represented by the NFI-ODCE and reflects total returns excluding management and advisory fees. Public REITs are represented by the total return of the MSCI US REIT Index.
6. Morningstar, NCREIF, as of December 31, 2024. **Past performance does not predict future returns.** The strategy does not trade on a national securities exchange and is generally illiquid. The volatility and risk profile of the indices presented are likely to be materially different from that of the strategy, including that the strategy's fees and expenses may be higher and shares in the strategy are significantly less liquid than publicly traded REITs. There can be no assurance that any Blackstone fund or investment will be able to implement its investment strategy, achieve its objectives, or avoid substantial losses. Diversification does not assure a profit or protect against loss. Reflects annual gross total returns and represents the eight calendar-year periods since 1980 when the S&P 500 generated a negative return. In the other 37 calendar-year periods since 1980, the S&P 500 has generated a positive return, and this is not meant to imply that the S&P 500 has outperformed private real estate across all of these periods. Private real estate reflects the NFI-ODCE index, which reflects total returns of various private real estate funds and should not be considered reflective of the performance of any one fund or strategy. Indices are meant to illustrate general market performance. Comparisons shown are for informational purposes only, do not represent specific investments and are not a portfolio allocation recommendation. Over the last 20 years, (2005-2024), the S&P 500 and NFI-ODCE index have had a 0.0 correlation.
7. "Private Equity" is represented by the pooled returns of the Cambridge Private Equity Index, which includes growth equity and buyout funds. "Public Equity" is represented by the Cambridge Modified Public Market Equivalent ("PME") analysis of the MSCI World Index. Comparisons of private equity performance to public equity performance is therefore based on the difference in performance between Cambridge Global Private Equity Index IRR and the hypothetical PME return of the MSCI World Index. Return data is from Cambridge Associates, as of March 31, 2025, and provided net of management fees, expenses and performance fees that take the form of carried interest, annualized by Blackstone. The Cambridge Private Equity Index is not representative of all Blackstone's strategies, some of which may have different return and volatility profiles historically than those presented above. Blackstone funds are not in any way managed by reference to the Cambridge Private Equity Index. Blackstone's investments and private equity assets are expected to face risks different than those faced by Public Equities, including significantly less liquidity, as private equity assets generally do not have liquid markets and have greater risk of default and related risk of loss of principal. Public Market Equivalent ("PME") methodology replicates the date and amount of cash flows from Cambridge Private Equity Index capital calls or distributions in a public market index (i.e., MSCI World). PME data contained herein was generated by Cambridge Associates' PME tool as of March 31, 2025, and was not calculated by Blackstone. The hypothetical returns generated by these cash flows then track the public market index performance with the hypothetical PME NAV at the end of a given quarter used for the hypothetical PME Index IRR calculation. Comparisons of Cambridge Private Equity Index performance to an index are therefore based on the difference in performance between Cambridge Private Equity Index IRR and the hypothetical PME IRR of the applicable public index. Hypothetical PME index performance may differ materially from the performance of such index during the same time period on account of cash flow timing. Indices are provided for illustrative purposes only, and there are significant risks and limitations related to relying on comparisons to an index, including the PME adjustments.
8. Morningstar, Blackstone Credit & Insurance ("BXCI") from September 30, 2005 through June 30, 2025. "Leveraged Loans" is represented by Morningstar LSTA US Leveraged Loan Index.
9. Private Credit represented by Cliffwater Direct Lending Index from September 30, 2005 through June 30, 2025, which is the latest publicly available data. Total return reflects the sum of annualized income return, annualized realized gain / loss, and annualized unrealized gain / loss during the period.
10. Cerulli, Unlocking the Potential of Private Investments in Defined Contribution Plans, September 2025.

Other sources leveraged:

- Georgetown University, Making the Case: Addressing the Myths About Private Assets in Defined Contribution Retirement Plans, August 2025.
- Council for a Safe & Secure Retirement, Private Market Investments in American Retirement Accounts – Dispelling Myths, August 7, 2025.

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Index Definitions:

Cambridge Associates US Private Equity Index: The Cambridge Associates US Private Equity index is a horizon calculation based on data compiled from US buyout and growth equity funds, formed between 1986 and 2023.

Cliffwater Direct Lending Index: The Cliffwater Direct Lending Index ("CDLI") seeks to measure the unlevered, gross of fee performance of US middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies ("BDCs"), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

Morningstar LSTA US Leveraged Loan Index: The Morningstar LSTA US Leveraged Loan Index is designed to deliver comprehensive, precise coverage of the US leveraged loan market. Underpinned by PitchBook | LCD data, the Index brings transparency to the performance, activity, and key characteristics of the market.

MSCI US REIT Index: The MSCI US REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. The index is based on the MSCI USA Investable Market Index (IMI), its parent index, which captures large, mid and small cap securities. It represents about 99% of the US REIT universe. The index is calculated with dividends reinvested on a daily basis.

MSCI World Index: The MSCI World Index captures large and mid-cap representation across 23 Developed Markets (DM) countries.* With 1,320 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

NFI-ODCE Index: The National Council of Real Estate Investment Fiduciaries Fund Index — Open End Diversified Core Equity, is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of 38 funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted. NCREIF will calculate the overall aggregated Index return.

S&P 500 Index: The index measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity, and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

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