

Diversifying the diversifiers:

Reframing familiar asset allocation for an era of uncertainty

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The trends shaping asset and wealth management

Two types of trends over the next five years:
Industry trends and **portfolio trends**.

We are watching a **few areas of uncertainty** with the potential to accelerate (or reduce the speed and intensity of) these trends.

Not new but relevant due to the **pace** at which they shape our industry.

Open questions (what we're watching)

Pace of move to more efficient wrappers

Pace of consolidation within client segments

AI adoption and deployment

Evolution of regulation and policy

● Industry trends ● Portfolio trends



Source: BlackRock.
For illustrative purposes only. Any opinions or forecasts represent an assessment of the market environment at a specific time and is not a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation.

Model portfolios are reshaping adviser practices globally

Better investment outcomes

Allow investors **access to institutional investment expertise and processes**.
A **broad range of portfolios**.



Diversification

Offer clients **diversified exposure across asset classes and sectors**, aligned to an investor's risk profile preference.



Scale and simplicity

Advisers spend less time on investments and more time building client relationships.



Model adoption accelerating across markets

United States of America (US)

- **Highly mature adviser market** with model portfolios established as the **industry standard**.
- Adoption has **rapidly accelerated** over the past 10 years as more advisers **embrace the benefits of incorporating model portfolios** into their overall value proposition.

United Kingdom (UK)

- Europe's **most mature adviser market** with advisers progressing toward **greater adoption**.
- **Regulation is a key driver** requiring advisers to articulate clear investment rationales and operate with an increased **focus on client outcomes**.

South Africa (SA)

- Adoption has **accelerated** over the past 10 years in **mature end of adviser market**.
- An increase in **demand for globally diversified**, risk management portfolios.
- Greater adoption of **unit trusts**.

Scale and simplify your practice

Models can help you transform your practice

Hypothetical example

Before models

- **100+** funds and individual securities
- Every client review is **unique**
- **Time constrained**



After models

- **3-6 portfolios** across risk profiles
- **Consistent** & efficient client reviews
- **More time** for planning & prospecting

Reduce

investment management and administration from
40% to 20%
of your time

Potential transfer of time

450+ hours saved*

Increase

client-facing activities from
60% to 80%
of your time

*Cerulli Associates, "U.S. Advisor Metrics 2018: Combatting Fee and Margin Pressure. Time-savings estimation assumes 20% time savings x a 45-hour work week x 50 weeks per year = 450 hours saved.

Why advisers are turning to multi-asset solutions

Diversification that matters

Markets

A different regime with higher macro volatility



Complexity

Inclusion of new or non-traditional asset classes



Governance

Lack of resources, long reaction times



Insights

Market insights tailored to your specific needs



Expertise

Capabilities across asset classes and styles



Resources

Cost-effective extension of your staff



Examples:

Support with designing a **bespoke strategic asset allocation** and conducting **regular reviews**

Examples:

Identify **efficient implementation** approaches; can provide **transparency** on risks in the portfolio through reporting

Examples:

Dynamically steer exposures through time as the macro environment and market views evolve

Institutional investment expertise and processes

Macro research division

Features a global network of strategists, designed to **bridge the gap** between academic research and practical, actionable investment advice.

Specialist investment teams

Provide **subject-matter expertise** in specific asset classes and regions.



Risk management technology

Risk factors are monitored daily to support portfolio construction activities and help **build resilient portfolios**.

Risk & quantitative analysis

Risk professionals partner with investment teams to help **build risk-aware portfolios**.

Core portfolio management team

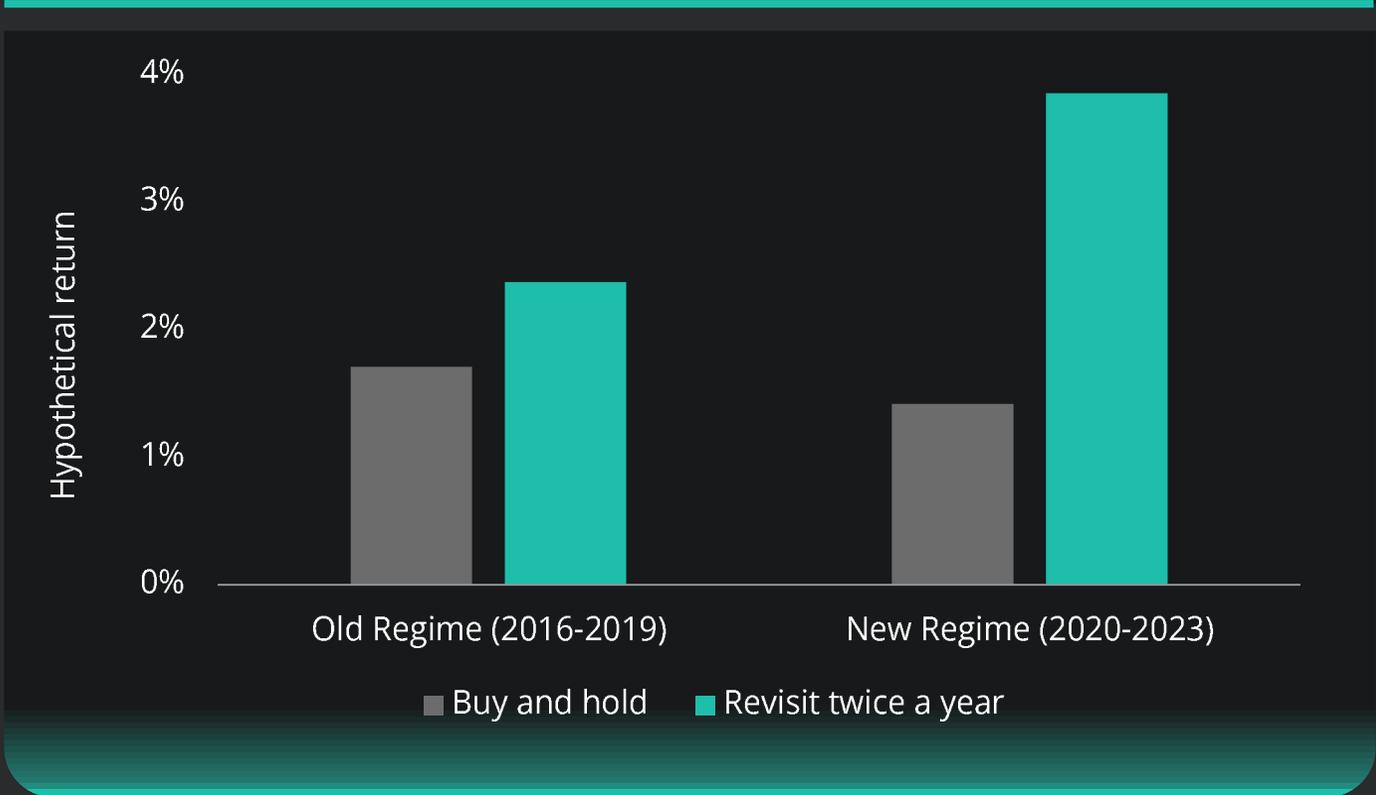
Implement diversified return drivers into portfolios in a **risk-controlled manner** utilising various asset classes, regional, active and passive strategies.

Source: BlackRock, as of 22 January 2026. For illustrative purposes only. Subject to change.

Risk management

In a more volatile market regime, dynamic portfolios are rewarded. Buy-and-hold asset allocations are likely to become less effective.

Hypothetical portfolio impact of revisiting portfolio with insight on US equity returns



Past performance is not a reliable indicator of future performance. Index returns do not account for fees. It is not possible to invest directly in an index. Source: BlackRock Investment Institute, MSCI with data from Bloomberg, December 2023. Notes: The chart shows monthly US equity returns - based on the MSCI USA - in the old and new regime under three scenarios: keeping the holdings unchanged (buy-and-hold), yearly revisits and semi-annual revisits. The revisits optimise the hypothetical portfolio for returns, diversification and risk with perfect foresight of equity sector returns in the MSCI USA index. This analysis uses historical returns and has been conducted with the benefit of hindsight. Future returns may vary and these results may not be the same as other asset classes. It does not consider potential transaction costs that may detract from returns. It also does not represent an actual portfolio and is shown for illustrative purposes only.



Micro is macro

The capital spending ambitions tied to the AI buildout are so large that the micro is macro. The overall revenues could justify the spend – yet it's unclear how much will accrue to the tech companies building AI. This is a great time for active investing.



Leveraging up

The AI buildout's investment needs are front loaded while revenue gains are back loaded. That creates a financing 'hump' requiring leverage. Yet a leveraged financial system can create vulnerabilities. There are opportunities for AI exposure in both public and private credit markets.



Diversification mirage

In markets driven by only a few forces, 'diversifying' away from these is a bigger active call than before. Portfolios need a clear plan B and readiness to pivot quickly. Traditional diversifiers like long-dated bonds offer less cushioning against risk asset sell-offs. Consider idiosyncratic return sources in private markets.

Asset allocation for the future

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Megaforces are driving investment opportunities

Megaforces are big, structural changes reshaping the world and offering major investment opportunities. Private markets are uniquely placed to accelerate and participate in these trends.

Digital disruption and artificial intelligence

Strong opportunity set in companies and assets that will benefit from the increasing need for innovation and disruption in the digital space.



The value of AI patents¹ jumped in value, from ~\$100bn to ~\$5,000bn between 1990 and 2020

Future of finance

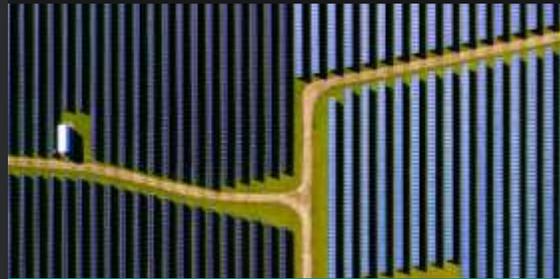
Structural shifts and disruption in public financing markets have created more opportunities for non-traditional sources of capital and growth in financial accessibility.



Potential for private credit market to reach \$1.6tn in size globally² by year-end 2028

Low-carbon transition

Cleaner energy infrastructure and innovative technology solutions are essential to the transition to a low-carbon economy, set to spur a large reallocation of capital.



\$4 trillion per year of capital investment in the global energy system expected³ through 2050 with low-carbon sources making up about 70% of the world's energy by 2050³

Demographic divergence

Shifts across different generational cohorts create opportunities across sectors, such as student housing, multi- and single-family rentals, and medical offices.



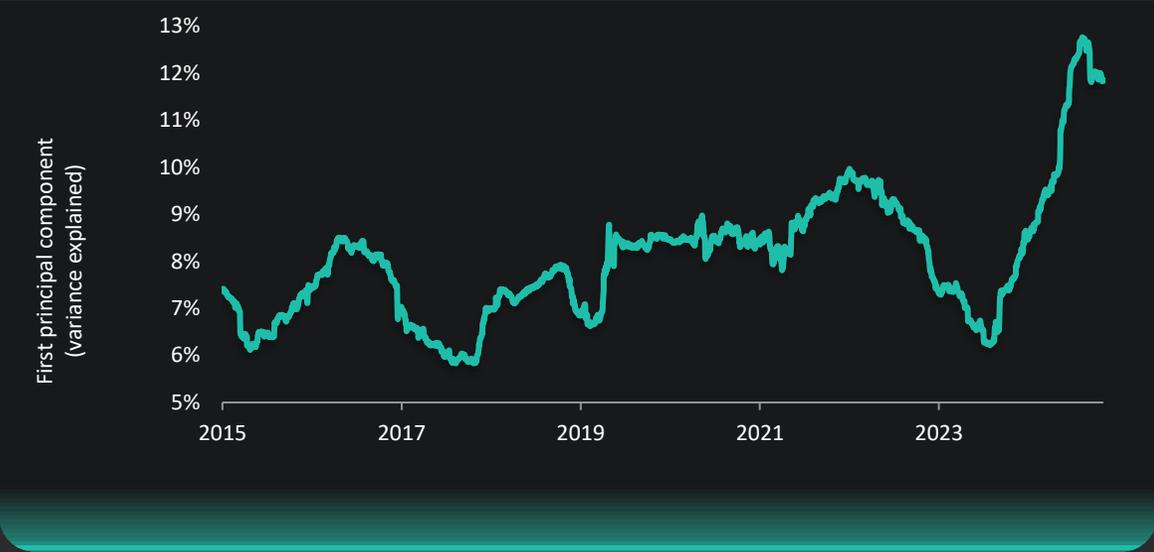
Between now and 2040, the 35-54 age cohort will grow by +22% in Australia. In contrast, the 65+ age cohort will increase by +72% in South Korea⁴

Source: BlackRock, October 2025. For illustrative purposes only. There is no guarantee that any forecasts made will come to pass 1. BlackRock Investment Institute, with data from United States Patent and Trademark Office (USPTO) and Dimitris Papanikolaou, Professor of Finance at Kellogg School of Management and Center for Research in Security Prices, November 2023. 2. Preqin, March 2023. 3. BlackRock Investment Institute, 2024 Private Markets Outlook. 4. World Health Organization, October 2022.

Diversification mirage

After controlling for equity style factors, the share of S&P 500 returns explained by a single factor has jumped since last year. Yet leaning against this concentration has become an active call that could miss out on potential returns.

S&P 500 returns driven by non-Fama French factors



S&P 500 performance, 2020-2025



Given market dispersion, we continue to allocate to active managers to maximise opportunities across fundamental and increasingly systematic approaches

The figure shown relates to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from Bloomberg and Kenneth R. French, December 2025. Note: The line shows the variance of daily S&P 500 stock returns explained by a common driver after accounting for factors like stock value, size and momentum. This was calculated using first principal component (PC1) of a principal component analysis (PCA) over a rolling 252-day window. PC1 attempts to determine the common driver in a set of numbers that change often – like stock returns for example.

The figure shown relates to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: BlackRock Investment Institute, with data from LSEG Datastream, December 2025. Note: The chart shows the performance of the equal-weighted and market cap-weighted S&P 500.

Correlation in a hypothetical multi-asset portfolio



The figures shown relate to simulated past performance. Past performance is not a reliable indicator of current or future results. For illustrative purposes only. This analysis is hypothetical and conducted with the benefit of hindsight. The true relationship between these assets may differ.

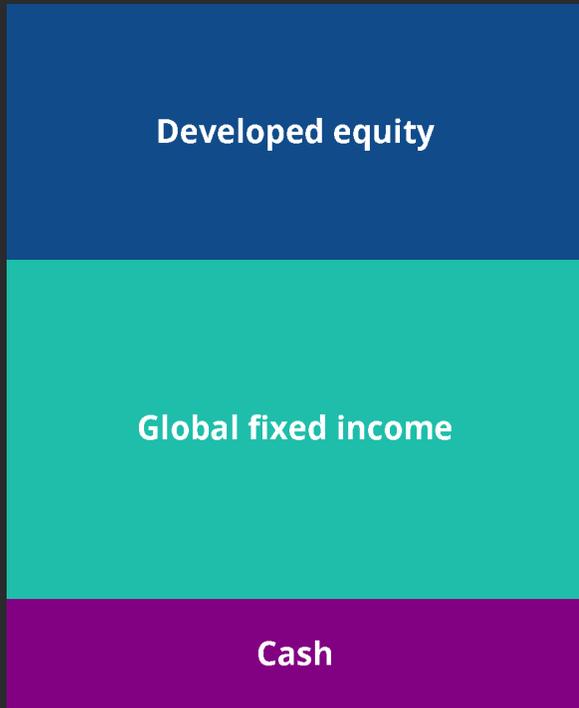
Source: BlackRock Investment Institute, MSCI, S&P, Bloomberg, FTSE, with data from Aladdin, December 2025. Note: The line represents the average pairwise correlation of all the assets in a 50-asset hypothetical portfolio spanning global equities, government bonds, credit and cash benchmark indexes. We break down each asset class into style factors and use their historical correlation to calculate the correlations across these assets.

Strategic asset allocations are complemented with tactical asset allocation (TAA) and additional return drivers

01

Strategic asset allocation

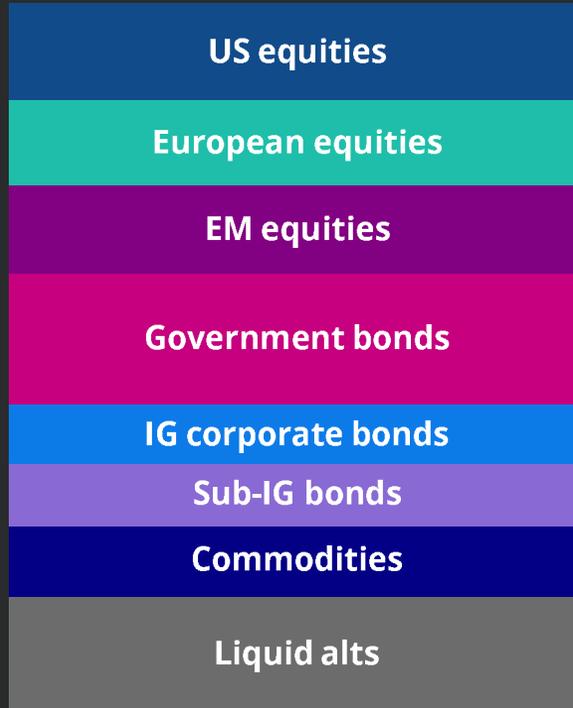
Initial benchmark



02

Increasing granularity to implement SAA tilts

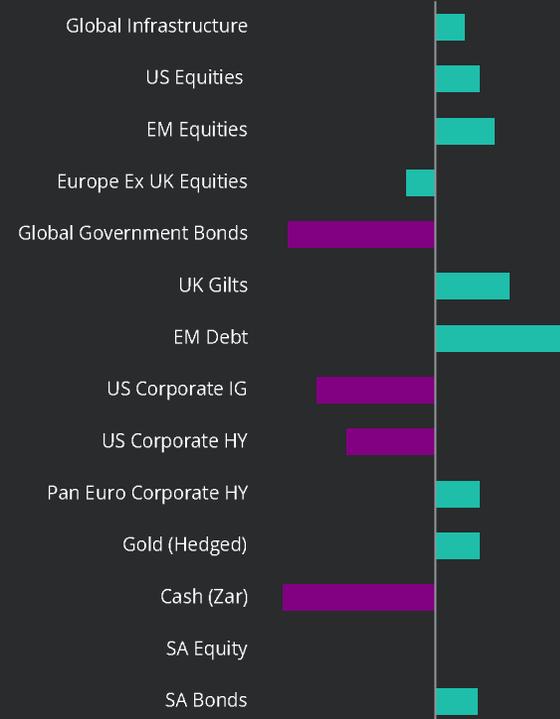
Strategic asset allocation tilts



03

Leveraging short-term market dynamics

Tactical asset allocation tilts



04

Additional Alpha Drivers



Why private markets?

01

Deepening and broadening opportunity set

02

Potential for enhanced returns and greater diversification

03

Acceleration and benefit from the megaforges*

Wealth and retail clients are significantly underexposed to private markets, presenting an opportunity to unlock growth and greater diversification in portfolios.

Adding private markets can lead to superior risk-adjusted returns

Why allocate to private markets?

- ✔ Private markets have grown dramatically in depth and available opportunity set, expected to reach **US\$19 tn by 2028¹**.
- ✔ Alternative asset classes can provide better access to **secular tailwinds**.
- ✔ Private capital is increasingly driving **economic growth**, across both equity and debt.
- ➔ 88% of global companies with more than \$100mn revenue are private².
- ➔ Companies stay private much longer and can often experience explosive growth.
- ➔ Post-global financial crisis (GFC), private lending has increasingly replaced traditional sources of capital.



This means that private allocation can provide a return premium over public markets, access to secular trends and unique businesses while providing diversification benefits at the portfolio level.

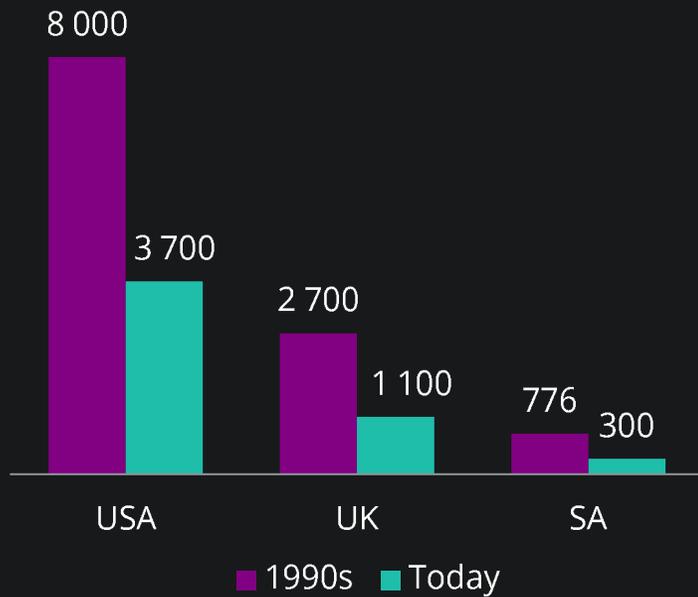
The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. This information is meant to illustrate private equity investments generally and does not reflect the current or future investments or investment guidelines of the Fund and should not be interpreted as the performance that could potentially be achieved by the Fund.

1 Source: Preqin "The Future of Alternatives 2029" Report, September 2024. Values relate to end of year. All figures are in USD. Forecasts are not guaranteed and subject to change. 2 Source: Capital IQ, BlackRock as of 31 December 2023. Represents the number of companies with annual revenues greater than \$100 million.

The market has changed

Stock markets are shrinking

Number of listed companies

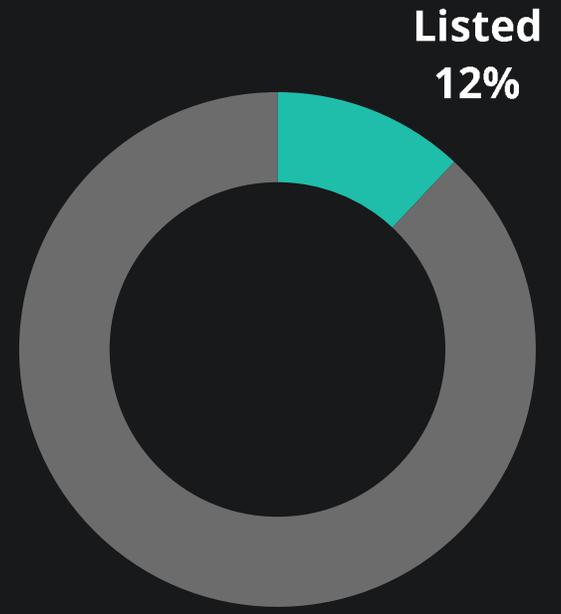


Returns are driven by a small subset of companies



Year	S&P 500 return	Mag 7 return
2023	26.29%	111.05%
2024	25.02%	60.84%

Listed companies make up only 12% of global companies*



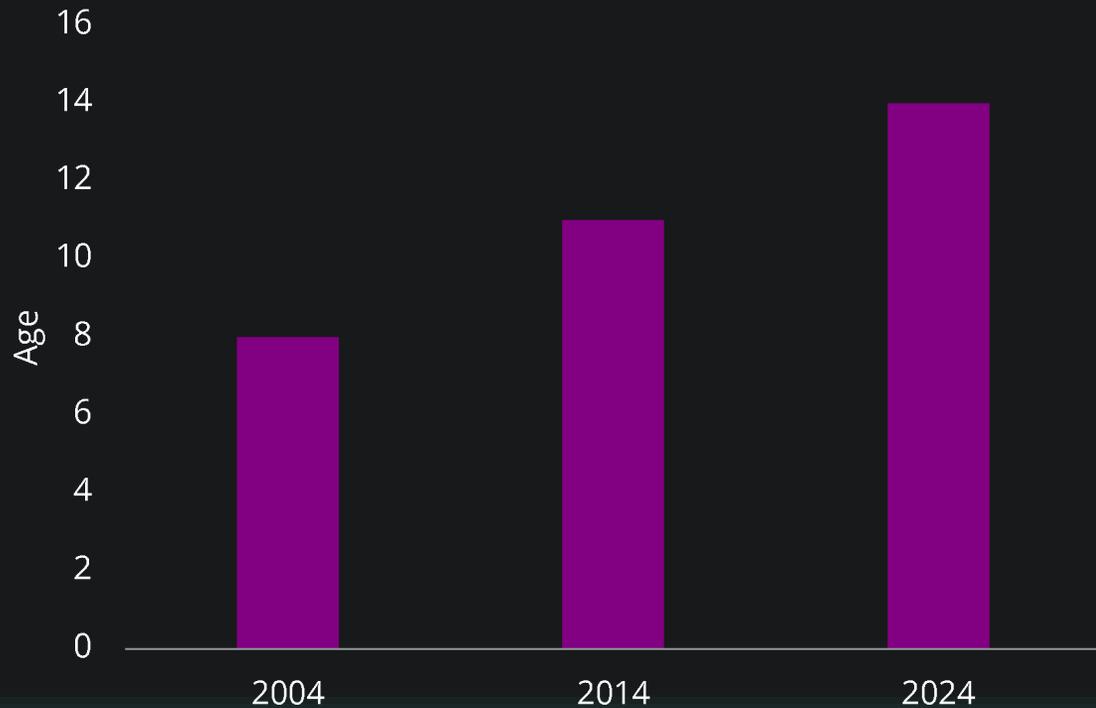
* Global companies with revenue exceeding \$100m

Sources: <https://businesstech.co.za/news/finance/529244/south-africas-shrinking-jse-investors-explain-whats-going-on/> | <https://dailyinvestor.com/investing/7912/jse-listed-companies-drop-to-lowest-level-since-1994/> | <https://www.ft.com/content/b5181224-9f4f-42ee-892e-e2238adf8641> | <https://www.forbes.com/sites/wesmoss/2025/02/03/the-decline-in-us-stocks-to-choose-from-what-it-means-for-investors/> | Morningstar | BlackRock Multi-Alternatives Growth Fund Q4 2024

The rise of unlisted private markets

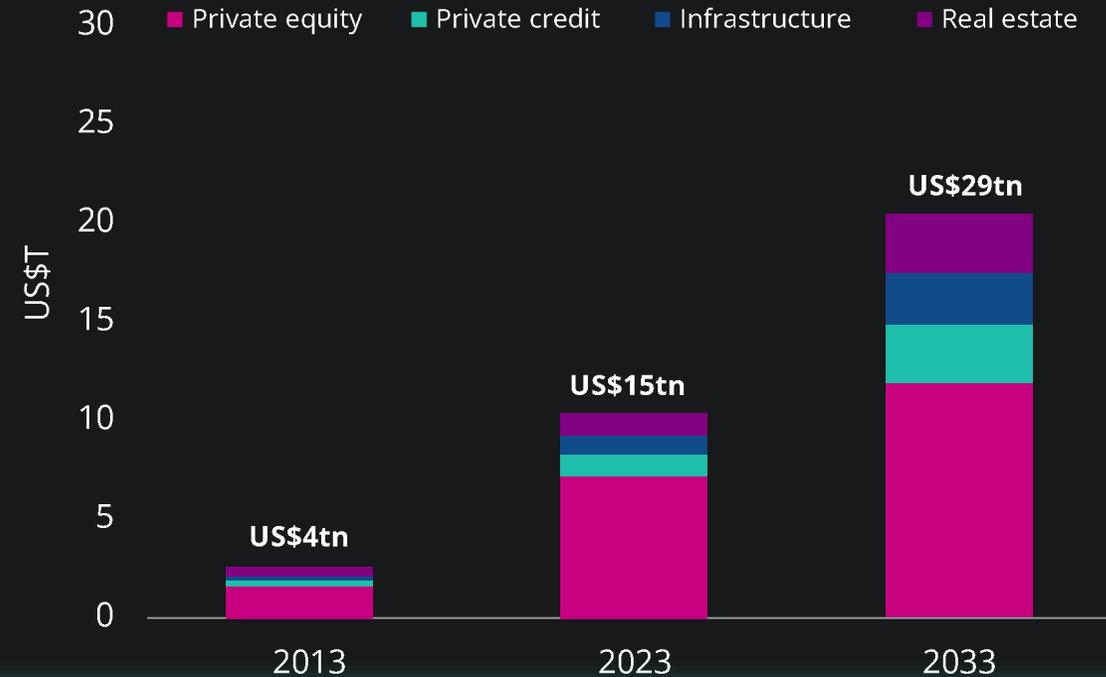
Companies are staying private for longer

The average company age at initial public offering



Private markets are poised for growth

Private markets could exceed US\$20 trillion by 2030

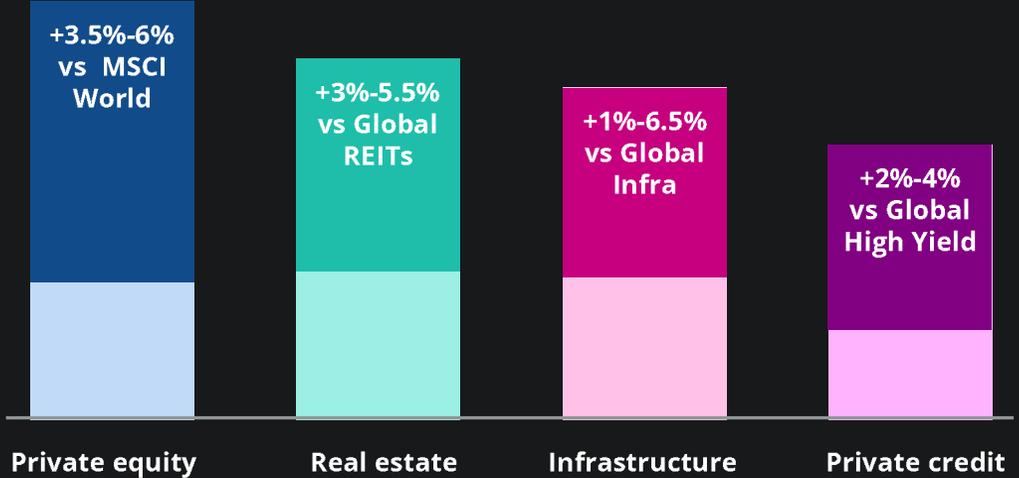


Sources: <https://www.visualcapitalist.com/sp/public-vs-privately-held-companies-the-shifting-landscape/> | World Economic Forum, 2023 | BlackRock, 2025 | BlackRock Investment Institute, University of Florida, with data from Jay R Ritter July 2025 | Partners Group analysis of Preqin data as of Q1 2023. Private equity inclusive of venture capital. There is no guarantee that any forecasts made will come to pass.

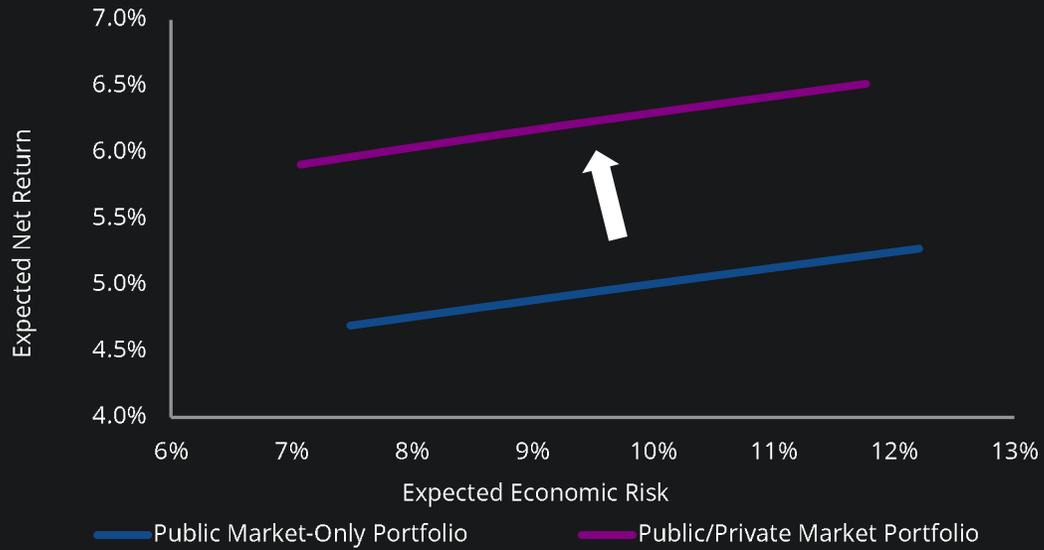
Accessing the return premium in private markets

Private markets strategies present particularly attractive opportunities for investors to generate significant premiums versus comparable public markets assets, which could enhance the whole portfolio performance. They also bring increased diversification to the portfolio, and as a result, have the potential to deliver more consistent and resilient returns over time.

**Average annual premium vs public markets
December 2009 to March 2025¹**



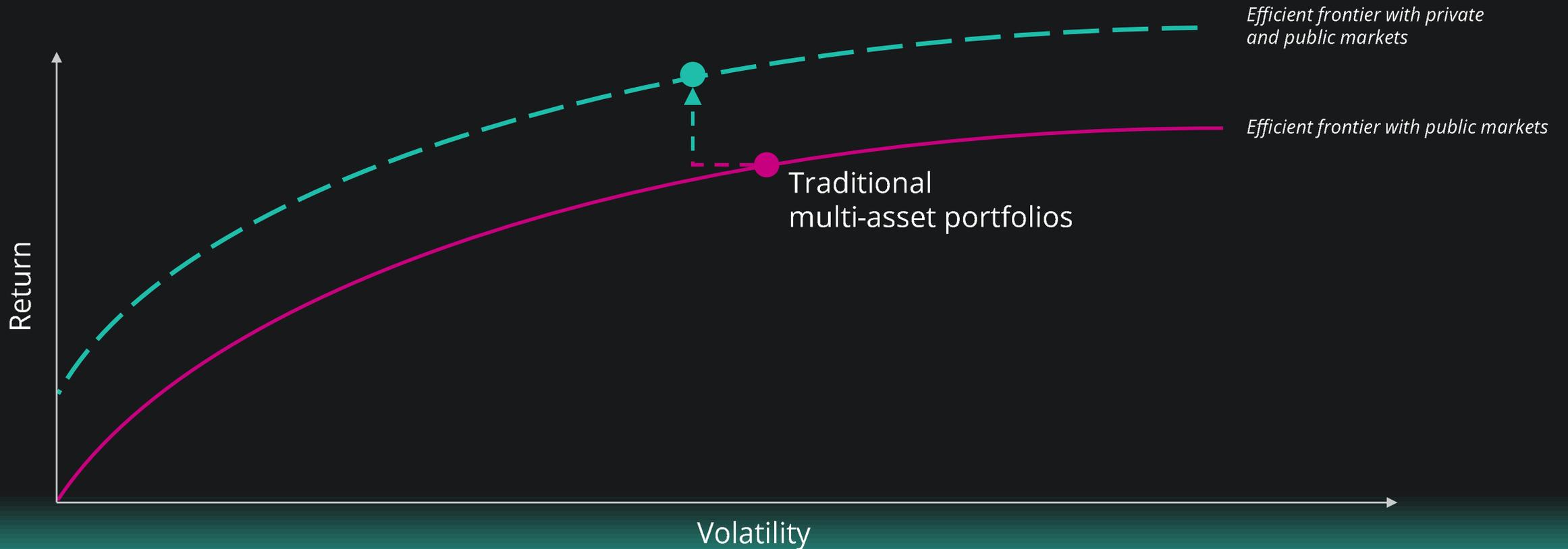
**Public portfolio vs 70-30 public/private exposures
risk-return landscape²**



For illustrative purposes only. Past performance is not a reliable indicator of future performance. The inclusion of fees and charges will reduce the overall return received by the investor. Diversification and asset allocation may not fully protect you from market risk. Forecasts are not a reliable indicator of future performance. 1 Source: Cambridge Associates, as of 31 March 2025. Please refer to the appendix for more details on the indexes used. 2 Risk calculated using BlackRock's risk management platform, Aladdin. Indicated systematic risk exposures and the market-based risk factor changes and are meant to predict the performance of illiquid investments if they were traded in the public market as of July 2024, from the trailing 72 months of data. It does not represent accounting volatility based on quarter-over-quarter valuation marks. BlackRock's expected market return information is based on BlackRock's five-year capital market assumptions as of May 2024, which are subject to change. Private market expected returns are gross of fees. Capital market assumptions are sourced from BlackRock Investment Institute. There is no guarantee that the capital market assumptions will be achieved, and actual risk and returns could be significantly higher or lower than shown. Hypothetical portfolios are for illustrative discussion purposes only and no representation is being made that any account, product or strategy will or is likely to achieve what is shown.

A hybrid structure can lead to more resilient portfolios

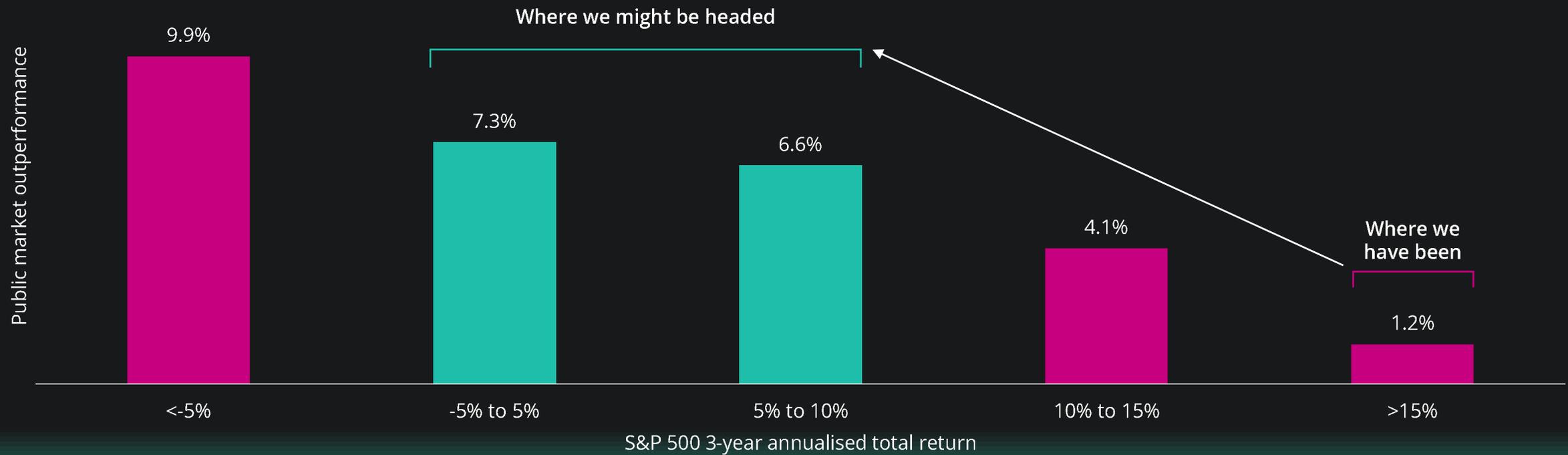
Portfolios with private markets provide superior risk-adjusted returns



Especially during bouts of market sluggishness

Private markets provide exceptional outperformance when public market returns are muted

US private equity 3-year outperformance of S&P 500 in different public market return regimes



Source: Cambridge Associates, Pitchbook, KKR Global Macro & Asset Allocation analysis as of 30 September 2024. Data reflects actual pooled horizon return, net of fees, expenses and carried interest. For funds formed between 1986 and 2023.

Optimal strategic allocation to private markets

Sizing strategic allocation to private markets needs to be evaluated across multiple factors

Overall risk/return characteristics

- ✓ Driven by capital market assumptions
- ✓ Optimised for Balanced & Growth Portfolios¹
- ✓ Optimised for the strategic horizon (20 yrs)

Conclusion

- Higher return potential with similar level of risk
- Private markets expected to outperform public markets over the long term
- Private market allocation is funded from equity

Managing liquidity at the whole portfolio level

Simulation based

Markets are volatile; hence we model various scenarios to evaluate potential outcomes

Multi-alternatives

Multi-alternative approach allows for more diversification and less-extreme outcomes

Limited liquidity

ELTIF 2.0 framework allows for measured withdrawals, helping manage the overall liquidity

Conclusion

- Over the long term, the increase in private market allocation should be modest (measured as median).
- There's a less than 5% chance of concentrated exposure² to private markets.
- Shorter-term changes in allocation are driven by public market movements.

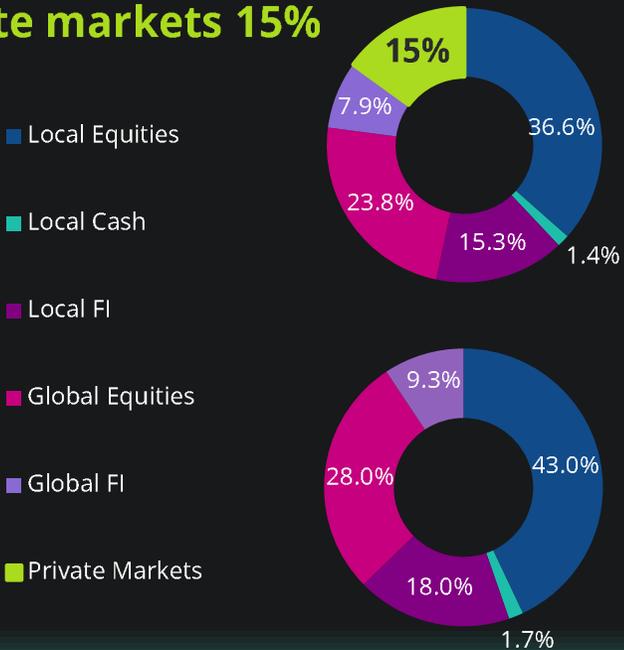
A portfolio with private markets can outperform with a similar level of risk

Source: BlackRock, 30 January 2025. 1. Balanced (risk between 6.5% - 9.0%, with a cap of 15% allocation to private markets) and Growth (risk between 9.5%-11.5%, with a cap of 25% allocation to private markets). Concentrated exposure is defined as more than 40% allocation to private markets for the Balanced portfolio. 2 Concentrated exposure is defined as a combined allocation of more than 40% to private market vehicle(s)

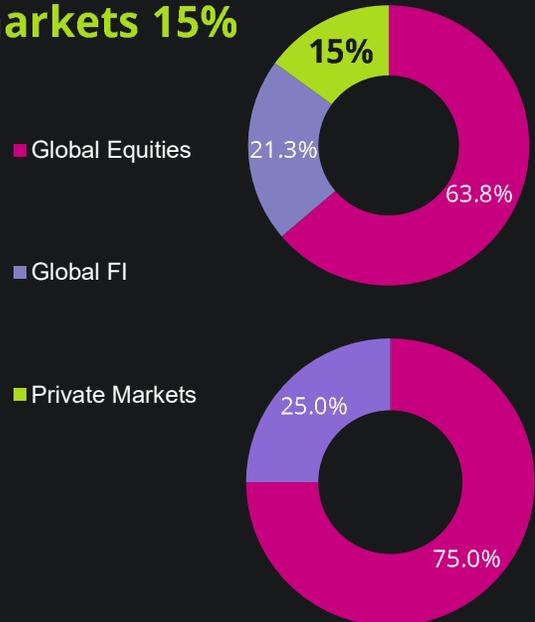
Adding private markets provides higher returns while targeting a similar level of overall risk

Allocation to private markets provides additional returns while maintaining a similar level of risk

Private markets 15%



Private markets 15%



Return +0.8%

Return +0.8%

Source: BlackRock, 30 January 2025. For illustrative purpose only. ZAR CMAs as of Q3 2025, 20y tenor. Further information available in Appendix. The Multi-liquid Alternatives with a path volatility of 16.8% and an expected geometric return of 10.10%. The Multi-alternatives Growth Strategy is modelled as a combination of private equity, private credit, real assets, opportunistic and liquid assets. Efficient frontiers are generated by BlackRock in ZAR using 20-year capital market assumptions as of Q3 2025. Please see appendix for further details on capital market assumptions. Any opinions or forecasts represent an assessment of the market environment at a specific time and is not a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation. This is for illustrative purposes only and subject to change. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Forecasts are not a reliable indicator of future performance. Return assumptions are total nominal returns. Asset return expectations include the impact of asset-level fee, alpha, active risk and hedged, and are subject to approximation. Fees and alpha are estimates for illustrative purposes only and do not represent any actual fund performance. Indices are unmanaged and one cannot invest directly in an index. These portfolios represent a sample of just two of the various possible solutions on the efficiency frontier. BlackRock has not considered the specific needs of the client and is not making any recommendation of any particular option. You should consider the most appropriate allocation for your needs.

Private markets are uniquely positioned to benefit from global mega forces



Demographic divergence

Ageing populations in major economies may constrain growth, while some emerging markets stand to benefit from younger demographics and an expanding middle class.



Digital disruption and AI

Artificial intelligence can automate laborious tasks, analyse huge data sets and help generate fresh ideas. Digital disruption goes beyond AI.



A fragmenting world

In a marked departure from the post-Cold War period of increasing globalisation, countries are favouring national security and resilience over economic efficiency.



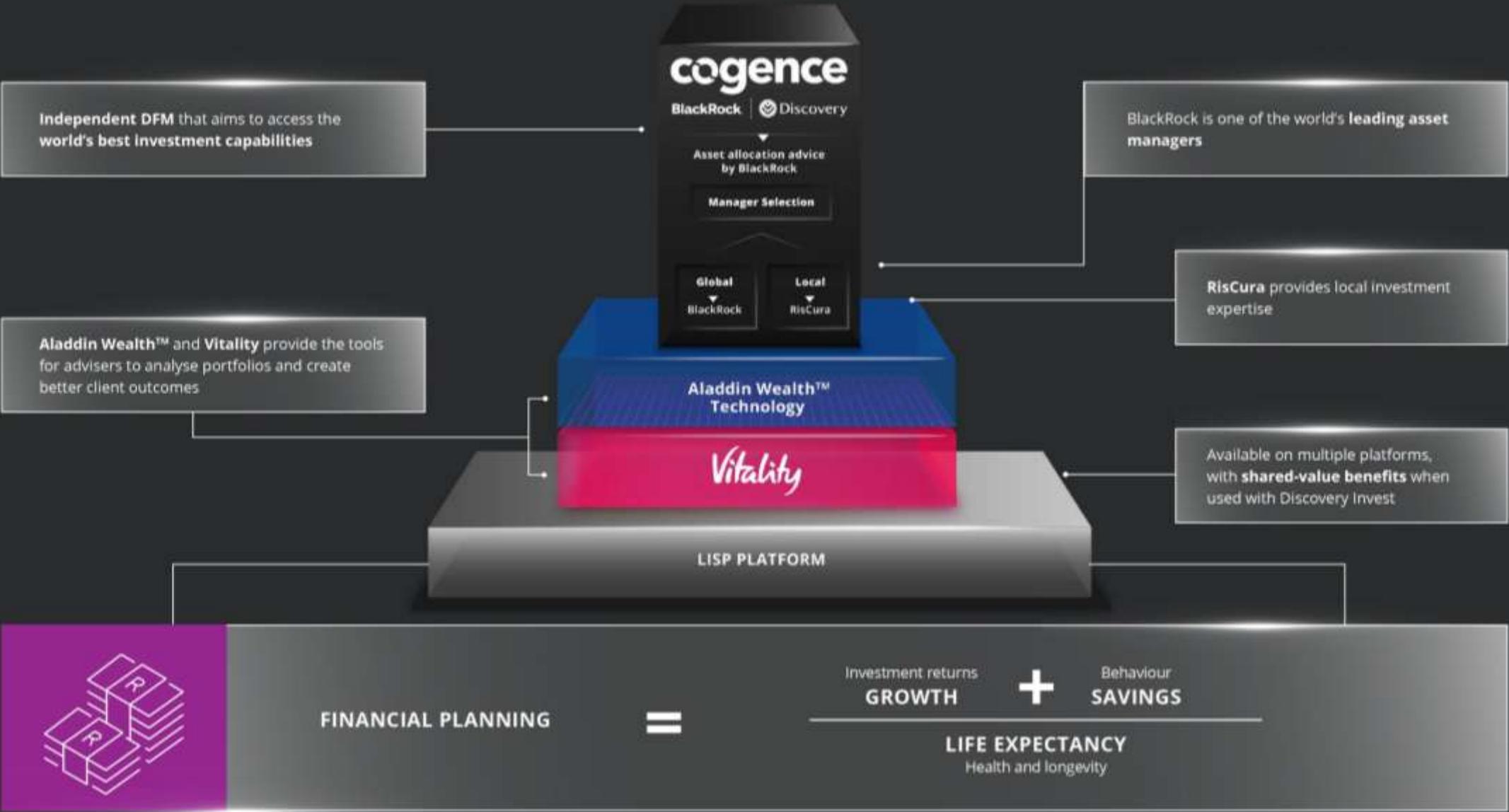
Future of finance

A fast-evolving financial architecture is changing how households and companies borrow, transact, use cash and seek returns.



Low-carbon transition

The transition to a low-carbon economy is set to spur a massive reallocation of capital as energy systems are rewired.



Thank you

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