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EXCLUSIVE DEALS

Private Markets Seem Out of Reach for Individual Investors. BlackRock Thinks It Has an Answer.

Asset manager teams up with Partners Group to offer wealthy investors a preset portfolio

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BlackRock made its name managing publicly traded stocks and bonds. PHOTO: JEENAH MOON/BLOOMBERG NEWS

It might be getting easier for individual investors to tap in to the opaque world of private markets.

BlackRock **BLK 1.32%** ▲ plans to offer wealthy investors a way to access areas such as private equity and private credit in an attempt to build a new revenue stream. The asset manager is joining with private-equity firm Partners Group

PGHN **-0.28%** ▼ to create a so-called model portfolio that wealth advisers could use to help clients invest in a variety of private-market offerings in one fell swoop.

The move is the latest push by BlackRock, which made its name managing publicly traded stocks and bonds, into the more lucrative business of private investments. Private funds tend to charge investors higher fees and are harder to sell than publicly traded investments. But investors are increasingly looking for ways to access the growing sector.

BlackRock and Partners Group see an opportunity in bringing private markets to individuals in a simplified way.

“There’s currently a zoo of documents for financial advisers, who know they should be doing more in private markets, but don’t know enough and, frankly, are a little worried about using individual products,” said Mark Wiedman, head of the global client business at BlackRock.

Institutional investors such as pension funds and sovereign-wealth funds have ramped up their exposure to private markets over the past several decades as a way to diversify and potentially collect higher returns. As growth in that market has slowed, private-equity firms such as Blackstone, Apollo Global Management and KKR have launched a slew of products targeting wealthy individuals, who tend to have little to no exposure to private markets.

Other traditional asset managers have also teamed up with private-markets specialists. State Street and Apollo on Tuesday announced a partnership to launch an exchange-traded fund and other products focused on private credit.

BlackRock remains a relatively small player in private markets, but it has spent billions this year on acquisitions to beef up its offerings. It agreed to buy private-market data-provider Preqin and Global Infrastructure Partners, which invests in assets such as gas pipelines and data centers.

The private-markets model portfolio from BlackRock and Partners will be available early next year to advisers and wealth-management clients who are “qualified,” meaning they have at least \$2.2 million in net worth excluding their

primary residence. An individual who wants a 10% allocation to private markets could do so through a single investment.

The firms didn't yet have details on the product's fees.

Partners shares rallied 5.4% in Switzerland after the announcement Thursday, their best day in more than a year. BlackRock shares were up modestly in the U.S.

Model portfolios, or preset investment templates for financial advisers, have soared in popularity in recent years, collecting trillions in assets. BlackRock alone manages \$131 billion in such portfolios.

Partners was an early mover in private wealth, and launched the first U.S. private-equity fund aimed at individuals in 2009. Still, as a Swiss firm, it isn't as well known in the U.S. as its competitors. By joining forces with BlackRock, which has roughly 30,000 wealth advisers using its model portfolios, Partners hopes to extend its reach.

Wiedman and Partners CEO Dave Layton said they hatched the idea for the product when they ran into each other on a plane from Los Angeles to San Francisco earlier this year.

Layton, who had just attended the Milken Institute Global Conference, told Wiedman he was concerned about the amount of resources his competitors were rapidly plowing into private wealth.

"We have seen a real, incredible push by many of our peers to pivot into a space where we've been for a long time," Layton said.

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