Integrating public & private markets

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WELLINGTON MANAGEMENT®

Vanguard®

Blackstone

A new era of portfolio design potential

Wellington Solutions

Summary

Discover how blending public and private markets can unlock new sources of potential return and diversification in client portfolios.[1] For decades, a 60/40 mix of stocks and bonds has been a simple, proven foundation for long-term portfolio construction, helping investors grow wealth and manage risk. But markets, regulation, technology, and knowledge continue to evolve, providing individuals access to a wider array of assets and more advanced tools to build on that foundation.

Three clear shifts stand out, with potential implications for investors:

01

Private-market access

New regulations and fund design innovations are lowering barriers to private-market participation for companies and investors.

02

New normal for public

Consistent evidence supporting the inclusion of low-cost index funds in portfolios has led to active/passive blends becoming common.[2]

03

Reimagining portfolios

Smarter tools for asset allocation, risk, and liquidity management make public-private more accessible.

The result:
Both a richer opportunity set and a greater need for simple, cohesive, durable frameworks to manage it.

Institutional-quality* portfolio frameworks

While access to a wider array of markets and strategies creates real opportunity, we believe it’s also crucial to consider the additional oversight and education necessary to empower investors.

Wellington, Vanguard, and Blackstone are combining their strengths in the WVB Strategic Alliance to help advisors address these challenges. By uniting the expertise of these three trusted leaders across public and private markets, and across active and index strategies, the Alliance seeks to deliver valuable insights and clear answers to the questions we think matter: how to use private assets, balance active and passive, prioritize goals and risks, and build integrated solutions to achieve outcomes.

The ultimate goal:
Help advisors create resilient portfolios that drive client success.

1. Diversification and active investment do not ensure profit or protection against losses . * Institutional-quality refers to the investment process utilized by Wellington Solutions that would meet the high standards and investment criteria of large financial institutions. Wellington Management, Blackstone, and Vanguard are not affiliated. **The firms maintain an alliance to deliver public-private investment solutions to investors.** 2. Cerulli U.S. Intermediary Distribution 2025

We believe constructing an “all markets” portfolio requires a clear framework that manages a diversified range of assets, both public and private, together. This approach guides where to use active and passive, defines each investment’s role, and accounts for liquidity needs while mitigating risk. Allocating assets this way can result in a portfolio designed to meet client goals and deliver more than the sum of its parts.

Asset allocation should reflect an investor’s long-term goals, risk tolerance, and liquidity needs. Historically, the expectation is that stocks drive growth; bonds steady the return profile; private assets can enhance outcomes for investors with longer horizons. The right split depends on the individual: their timing, objectives, and considerations.

Why private assets?

When considering why and how to use private assets, a number of potential advantages emerge:

Diversification: Private markets deliver opportunities for enhanced diversification, providing access to a broader opportunity set and sources of return.

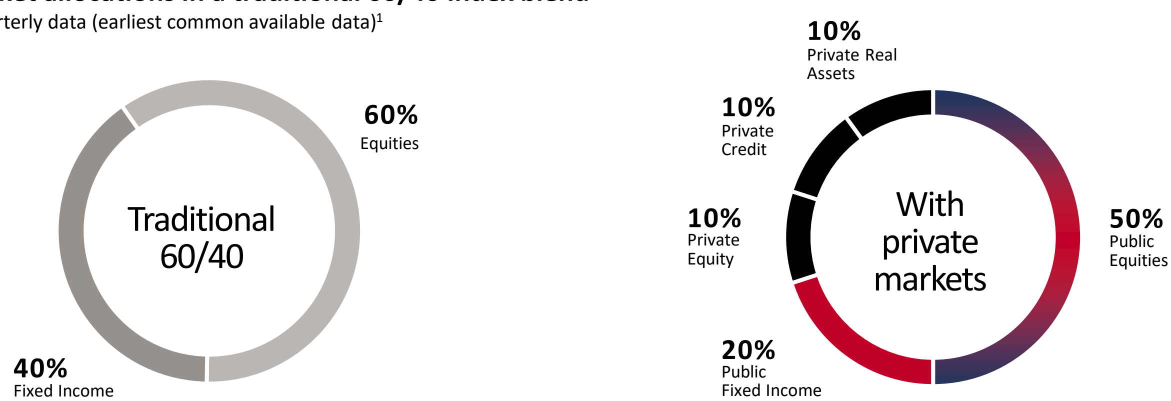
Growth potential: Private assets provide an opportunity to capture private asset liquidity risk premiums and potential manager alpha, assuming high-quality manager selection and reasonable fees.

Risk management: Private assets may enhance the risk/return profile of a portfolio when sized prudently and with an eye to strong manager selection.

Adding private markets to a portfolio may enhance returns but with less liquidity and a broad dispersion of potential outcomes.

Private-market allocations in a traditional 60/40 index blend

2013 – 2025 quarterly data (earliest common available data)[1]



	60/40 index blend	Allocation with private indexes/indices
Annualized returns (%)	8.5	10.1
Annualized volatility (%)	9.8	8.6

Reflects a blend of indices only and does not reflect any actively managed portfolios. Diversification does not ensure profit or protection from losses.
PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. Non-traded investments are not valued as frequently as publicly traded investments, which impacts volatility measures. Further, there are significant liquidity differences between public and private equities. [1] Quarterly data from 2013–2025 (12-year annualized). Sources: Private Equity: Preqin Private Equity Price Index; Private Credit: Preqin Private Debt Price Index; Private Real Estate: Preqin Real Estate Price Index; Private Infrastructure: Preqin Infrastructure Price Index. The Preqin Private Equity Price Index is a performance benchmark for private equity funds, capturing returns on committed capital from closed-end private equity funds across various stages of development. The Preqin Private Debt Price Index is not a single, distinct index but rather a category within Preqin's broader Private Capital Indices framework, which provides time-weighted returns for various private capital asset classes, including private debt. The Preqin Real Estate Price Index is one of the Preqin Private Capital Indices designed to track the quarterly performance of closed-end private real estate funds globally. The Preqin Private Infrastructure Index captures the average returns for investors in private infrastructure funds. Preqin combines self-reported information with other forms of data collection and has a multi-step process to verify the data it receives before it is published. Preqin indices are subject to survivorship bias in that failed funds are not self-reporting performance results and higher-performing products may more frequently self-report performance. Privates allocation= 10% PE, 10% PC, 5% REIT and 5% infrastructure. The 60/40 portfolio is 60% allocated to the MSCI USA Net Total Return USD Index and 40% is allocated to the Bloomberg US Aggregate Total Return Value Unhedged USD Index. There can be no assurance any alternative asset classes will achieve their objectives or avoid significant losses. Returns displayed reflect index-level data. Indices are provided for illustrative purposes only. The volatility and risk profile of the indices presented is likely to be materially different from that of an actively managed portfolio. Private market indices are not directly investable. Certain data provided is that of a third party. While data is believed to be reliable, no assurance is being provided as to its accuracy or completeness. There can be no assurance any alternative asset classes will achieve their objectives or avoid significant losses.

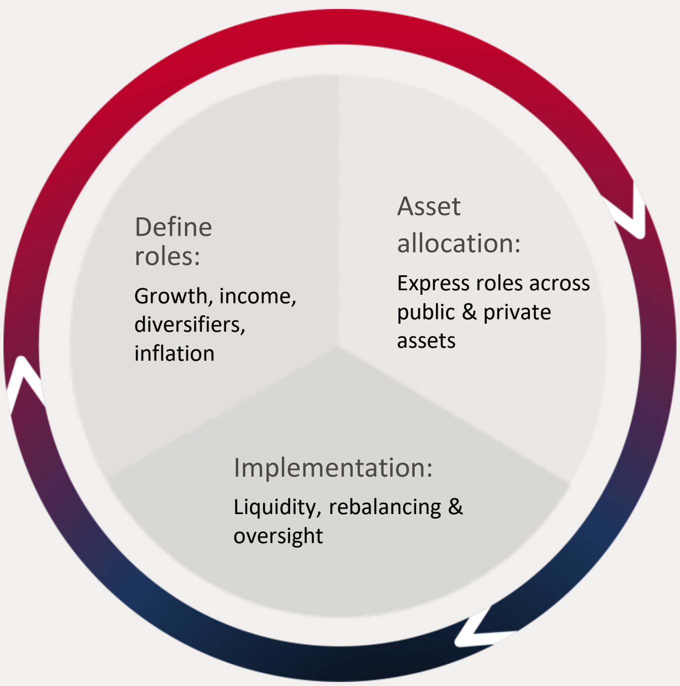
Why active and passive?

We believe it's important to have an equally thoughtful approach to the implementation of active and passive strategies.

- Passive strategies offer low-cost, broad exposure and have historically delivered consistently competitive returns over the long run.[3]
- Active management can enhance returns in less-efficient markets at fair costs under skilled management.
- In determining where to include each strategy, consider balancing cost discipline with targeted opportunity for excess returns.

A unified framework for thoughtful portfolio construction

The approach to portfolio design itself is simple: Define the portfolio's objective; align the allocation to those objectives; then size , implement, and monitor—within one integrated, cross-asset framework.



Disciplined design allows for long-term success

We believe improving client outcomes requires enhanced tools for asset allocation, risk, and liquidity management.

Know the roles
Every allocation has a defined job: growth, income, consistency, downside protection, diversification, or inflation sensitivity. Clarify roles across public and private markets to align with objectives and keep design simple to communicate.

Design with liquidity discipline
Treat illiquidity as a core feature and align allocations with investor horizons. Build a portfolio-wide liquidity plan: Know cash sources under stress, balance liquidity for access without diluting exposure, and rebalance.

Seek to manage risk end-to-end
Because private markets don't trade daily, their risks are better assessed through multiple lenses that consider their role and impact within the overall portfolio. Apply one risk lens across public and private markets: Monitor, stress test, and adjust to try to keep portfolios resilient.

A well-defined framework that prioritizes alignment with client outcomes alongside disciplined liquidity and risk management can help advisors unlock a wider opportunity set for investors.

The bottom line: A framework that supports long-term investing

Allocating to public, private, active, and index investments in one portfolio can improve access to broader opportunities, simplify implementation, and improve alignment with client goals. It can provide the clarity and discipline necessary for end-to-end implementation—across asset classes, critical manager selection, and risk oversight.

Considered thoughtfully, this approach has the potential to simplify risk, ease rebalancing, and improve alignment with client outcomes, creating resilient portfolios designed for real-world goals.

Want to learn more?

Call us at 888-287-3403 or visit wellington.com/wvb

3. "Considerations for index fund investing", Vanguard, 2024. Past results are not necessarily indicative of future results. https://corporate.vanguard.com/content/dam/corp/research/pdf/considerations_for_index_fund_investing.pdf

Important disclosure