cogence

The role of private markets in multi-asset strategies

Guide to private market investing through Cogence

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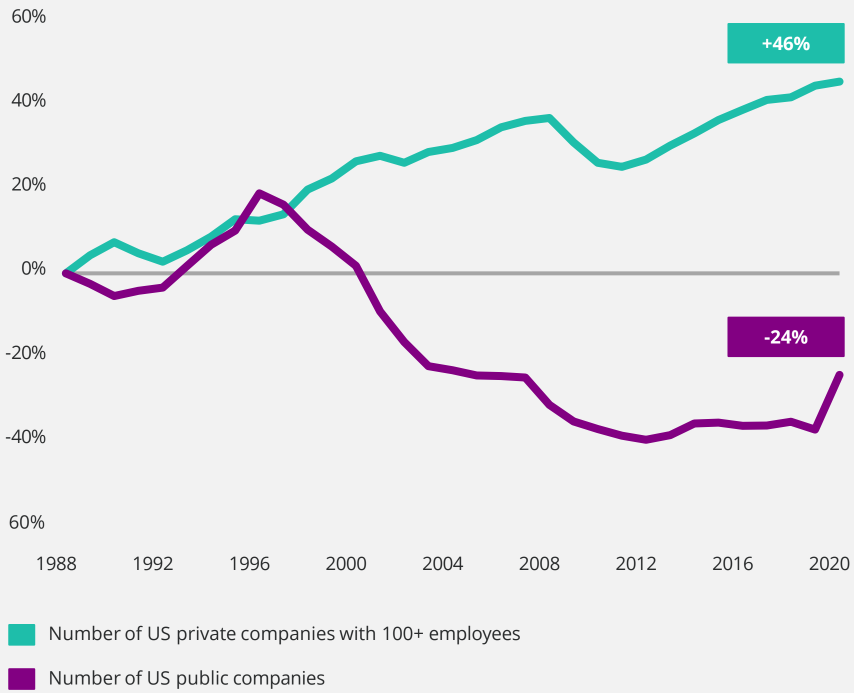
Introduction

For decades, the stock market has been an efficient way for individuals to invest and grow their wealth. However, the market is shrinking with fewer public companies available on major stock exchanges, limiting investor access to a shrinking portion of the global economy.



Source: Capital IQ, BlackRock as of 31 December 2023

On the other hand, global structural trends have accelerated the growth of private-market assets, which is one of the fastest-growing segments of the global capital markets and has become an essential part of portfolio construction. Private markets is the collective term used for assets that are not listed or traded on a public stock exchange, and include private equity, private credit, infrastructure, and real estate.

Gaining access to private markets provides investors with exposure to a broader universe of companies that are not available through traditional public markets, offering potential new opportunities for diversification and long-term growth. Historically, private-market asset classes were typically only accessible to high-net-worth clients due to:

- The inability to quickly sell or convert these investments into cash without it significantly affecting the value (illiquidity)
- The high minimums
- Lock-in periods (a minimum amount of time investors need to keep their money invested in private markets before they can withdraw or sell).

Through our association with BlackRock, the world's largest global asset manager and 5th largest alternatives manager, we are able to seamlessly blend public and private allocations to provide private-market access to South African investors with the **Cogence Diversified Markets** and **Cogence Global Diversified Markets Portfolios**.

The rise of these asset classes marks a transformative moment for investors, unlocking exciting new opportunities for potential portfolio growth and diversification. This paper explores the potential of these asset classes, provides practical guidance on how to access them, and offers strategic insights for navigating this rapidly evolving investment landscape. It also addresses key questions that arise when integrating these asset classes into a portfolio.

Private-market asset classes and their strategies

Private markets is the collective term used for assets that are not listed or traded on a public stock exchange. Below is an overview of the different private-market investment strategies.

Private equity

Investment in privately owned companies to enhance operations and grow value for future sale or public listing.

Buyout
Acquiring control in mature companies to improve operations and sell them at a profit.

Growth
Minority stakes in expanding companies needing capital for scaling.

Venture capital
Early-stage investments in innovative startups with high growth potential.

Private credit

Lending by non-bank investors, earning income through interest.

Direct lending
Loans provided to mid-sized or large companies, typically bypassing traditional banks, for business expansion, acquisitions, or refinancing, and offering investors regular interest payments.

Opportunistic
Higher-risk lending tied to special situations, restructuring, or market dislocations. Investment in distressed assets has the potential for higher returns.

Infrastructure

Investment in physical assets that provide vital services and generate long-term, stable cash flows.

High-yield debt
Debt financing for riskier infrastructure projects.

Brownfield equity
Investing in existing infrastructure needing upgrades or efficiency gains, such as roads, utilities, or airports.

Greenfield equity
Investing in new infrastructure builds, often with longer-term horizons and rewards, such as new power plants or transportation facilities.

Real estate

Ownership or financing of property to earn income from rent and benefit from property value growth.

Value-add
Investing in properties needing improvement to increase their value and income over time.

Core and Core Plus
Core investments focus on high-quality, well-located properties with stable tenants and predictable income, offering lower risk and steady returns. Core Plus targets properties with slightly higher risk but the potential for more income.

Senior debt
Providing loans secured by real estate, typically at lower risk since these loans have first claim on the property's assets and income. Investors earn regular interest payments, and capital is prioritised in the event of a default.

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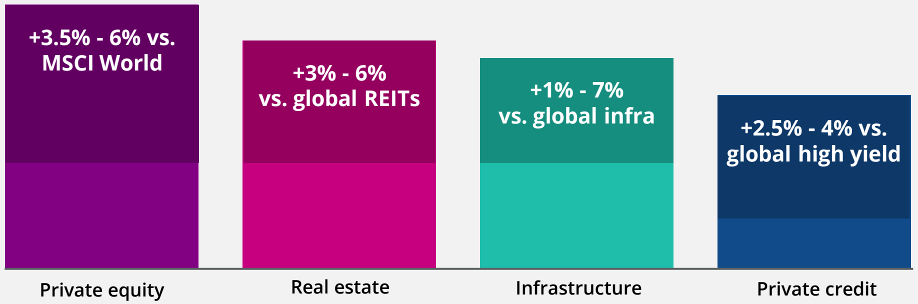
Why invest in private markets now?

Public markets can face liquidity challenges in stressed environments, but are largely liquid in normal conditions. Private markets, on the other hand, have inherent illiquidity by design. While private markets are less liquid, they have historically made up for that with higher returns, sometimes called a liquidity premium. Over the past decades, we have seen the liquidity premium come to life, with private markets outperforming their public-market counterparts.

Private markets have outperformed their public-market counterparts

Average annual premium vs public markets (Dec 2009 to June 2024)



MSCI World Index is used as a proxy for global equities. Global High Yield Index used as a proxy for global fixed income. Global REITs are used as a proxy for Global real estate.

Source: Cambridge Associates, as of 30 June 2024.

The index performance shown on this slide is not comparable to the Fund and is not representative of the performance that the Fund will achieve, and is not a reliable indicator of the returns that any investor will receive. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. index returns are for illustrative purposes only. index performance returns do not reflect any management fees, transaction costs or expenses. indexes are unmanaged and one cannot invest directly in an index. Diversification and asset allocation may not fully protect you from market risk.

Public and private markets move differently

An allocation to private markets has enhanced long-term portfolio returns, but periods of market volatility often lead to investor uncertainty – even within private-market allocations. Staying the course during uncertain times is challenging, but it's important to remember that private markets typically behave differently from public assets. Historically, private markets have outperformed public markets over time.

Interestingly, some of the strongest private-equity performance has come from investments made during turbulent periods, when public markets were under pressure and macro conditions were uncertain. Private-equity markets have tended to deliver outperformance when public markets are lagging, with returns gradually moderating as public markets recover.

A case study

Periods of macroeconomic uncertainty often introduce significant volatility in public markets, but this very disruption can create attractive entry points for private investors. One such example is *Project Cactus*, a late-2024 investment in a US-based dental service organisation operating over 100 clinics across general and specialised dentistry. Amid heightened public equity volatility, the environment enabled a lower entry price to be negotiated, securing access to a high-quality, essential healthcare asset at a meaningful discount. Despite broader market disruption, the business maintained resilient fundamentals, supported by a payor base largely insulated from short-term economic pressures. This example highlights how market dislocation can create favourable conditions for unlocking compelling opportunities in private markets.

Source: BlackRock Multi-Asset Strategy and Solutions, July 2024

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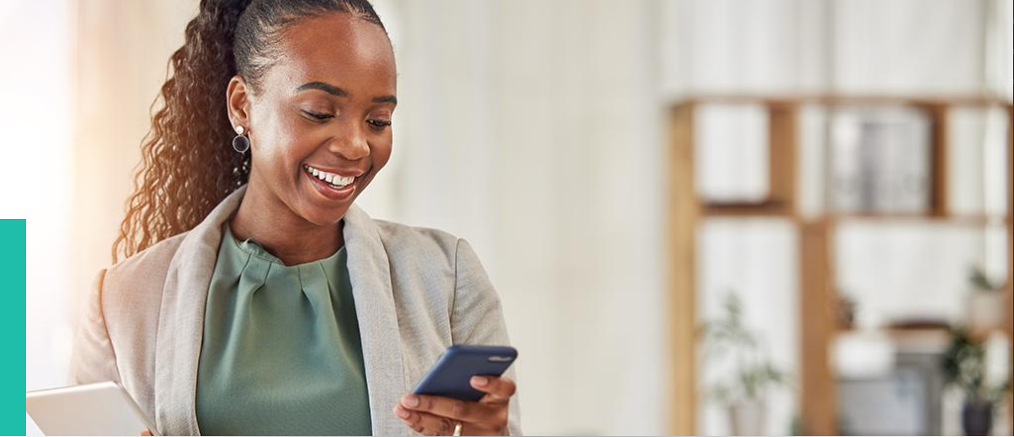


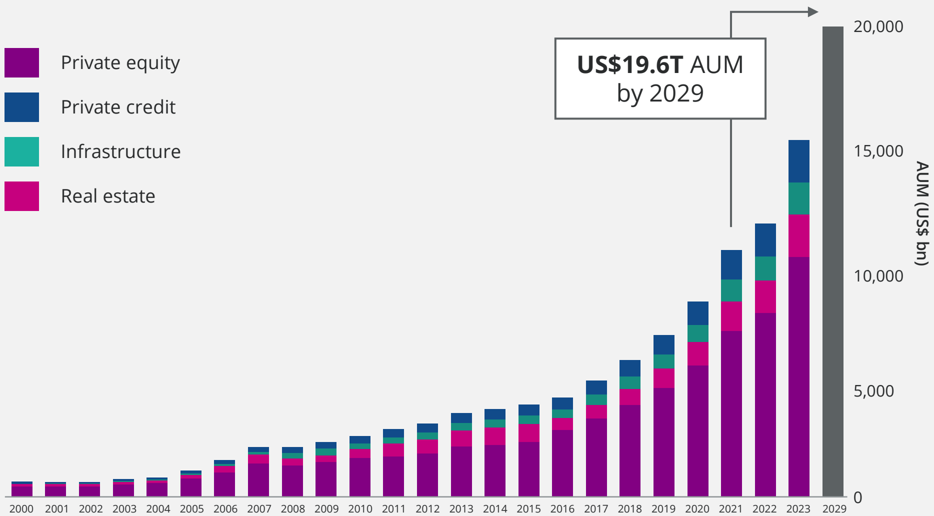
Hype or structural shift?

For decades, economies followed stable, long-term trends, allowing investors to navigate around temporary disruptions with the expectation that growth would return to its path, but today's environment is fundamentally different.

The rise of private markets

As opportunities in public markets continue to decline, private markets have experienced exponential growth. Over the past two decades, global private-market assets have expanded significantly, with more capital flowing into private equity, private credit, real estate, and infrastructure than ever before.

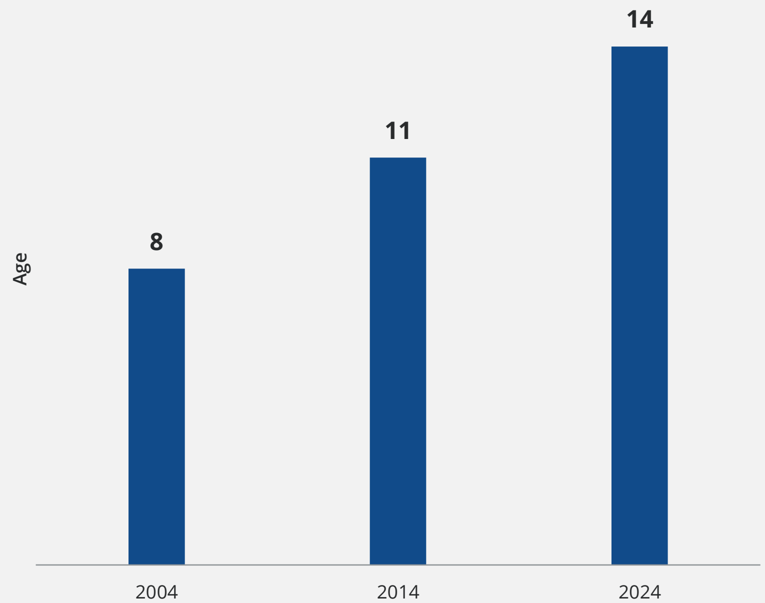
Private-market assets over time



Source: Preqin "The Future or Alternatives 2029" Report, September 2024. All figures are in USD.

One of the factors of this rapid growth is due to companies staying private for longer. As shown in the graph below, companies are spending more time as private companies before going public, with the average age of a company at initial public offering increasing from 8 to 14 years since 2004. It is evident that companies are tapping into private capital for longer than they had in the past.

Average company age at initial public offering (2004 – 2024)



Source: BlackRock Investment Institute, University of Florida, with data from Jay R. Ritter, July 2025.
Note: The bars show the median age when companies launch initial public offerings.

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Global mega forces continue to propel investment across private markets

Another reason for the rise in private markets is the existence of mega forces. According to the BlackRock Investment Institute, there is a structural transformation in the global economy – one that could shift long-term trends and introduce a much wider range of potential outcomes.

We see global shifts, or mega forces, reshaping economies and driving long-term growth. These are deep, structural changes that cut across traditional asset classes and stand out as independent drivers of return.

We believe that private markets are uniquely positioned to both accelerate and benefit from these trends.

Demographic divergence

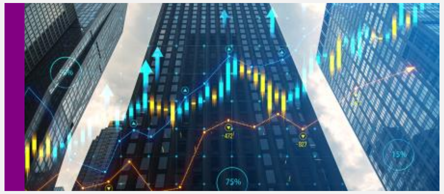
Aging populations in major economies may constrain growth, while some emerging markets stand to benefit from younger demographics and expanding middle classes.

Digital disruption and AI

Artificial intelligence can automate laborious tasks, analyse huge sets of data 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, we see countries favouring national security and resilience over economic efficiency.



Future of finance

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

Source: BlackRock Investment Institute, July 2025.

Example: An opportunity for private-market investment in AI development

Artificial intelligence (AI) is one of the mega forces and a major growth area that has the potential to transform markets, which presents a range of opportunities across all private-asset classes. We track the evolution of AI through a three-phase framework:

Phase 1	Phase 2	Phase 3
Buildout	**Adoption**	**Transformation**

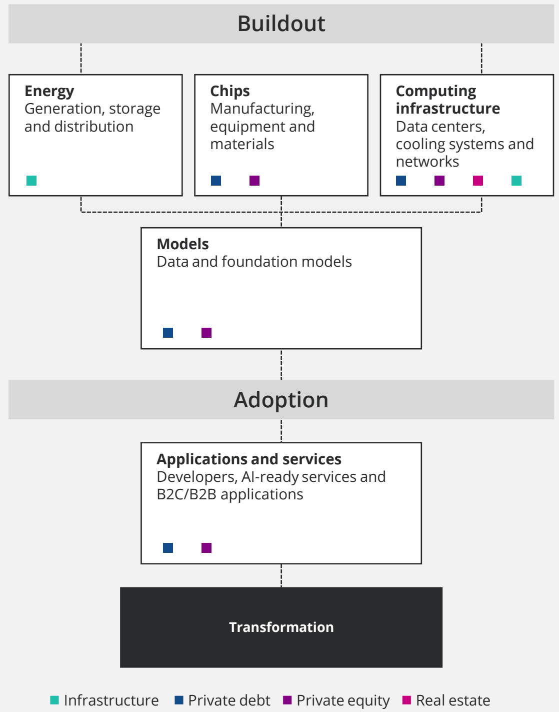
As we move from buildout to transformation, the opportunity set will evolve over time for both public and private markets.

We're in phase 1 now: the buildout. This phase is the race to build the infrastructure AI needs. The key cost components in this initial phase include developing new data centres, generating sufficient power, and increasing the chip supply to support more complex AI models. Annual investment into AI data centres and their chips could exceed US$1.5 trillion by 2030 – equivalent to 4% of annual US GDP, according to the BlackRock Investment Institute. The next layer of investment in phase 2, the adoption stage, will contribute to the expanding capabilities of AI. As infrastructure grows and AI applications mature, adoption is likely to accelerate – packaged into different apps and software. Finally, the transformation phase is where companies could unlock the full value of AI adoption, as broad productivity gains and new business models and industries emerge.

We believe private markets are key to AI's investment story – not just in funding infrastructure but also in capturing potential future winners before they are publicly listed. And these companies could become future acquisition targets for larger companies as AI applications integrate across industries. For investors that can tap into private markets, this may provide an opportunity to invest in potentially transformative use cases before they go public.

Source: BlackRock "2025 Private Markets Outlook"

The private market allocations in the Cogence solutions are currently not directly exposed to Artificial Intelligence.
This is a hypothetical example for educational purposes only.



For illustrative purposes only.
The set of examples for each category is not comprehensive.

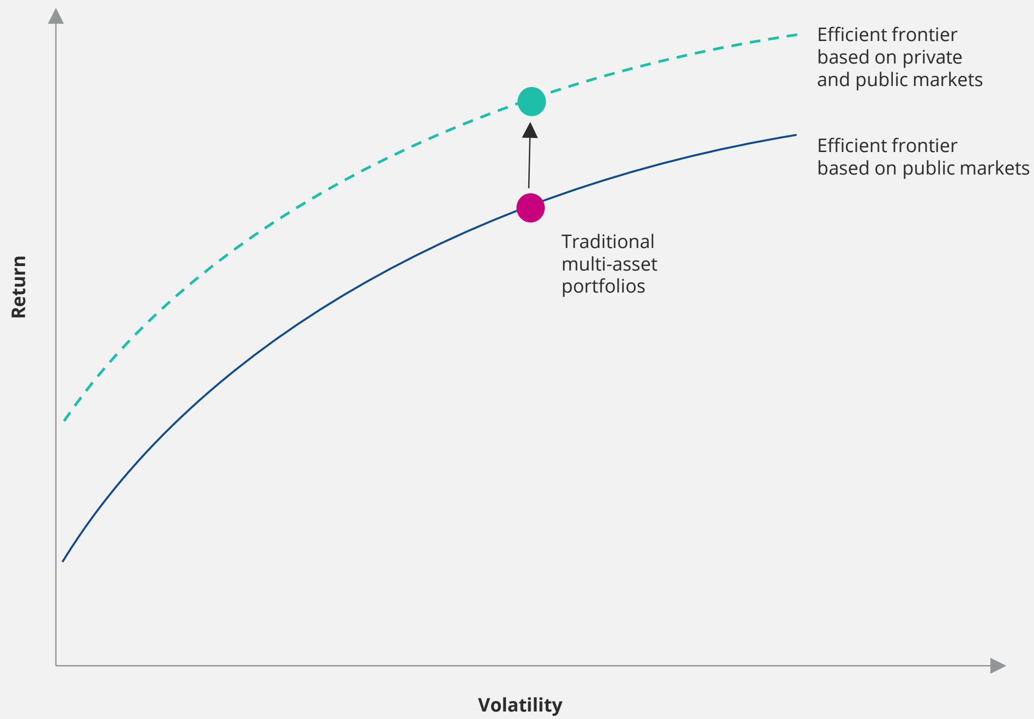
A multi-alternative approach to investing

In today's evolving investment landscape, diversification remains a cornerstone of resilient portfolio construction. While traditional portfolios, anchored in equities and bonds, continue to play a vital role, recent shifts in market dynamics have prompted investors to consider broadening their approach.

In the past, investors could rely on stable, strategic asset allocations across public equities and fixed income, supported by decades of disinflation and predictable policy backdrops. But that era, often referred to as the "Great Moderation", has ended. Today's environment demands a more dynamic and resilient approach to portfolio construction.

We think investors should broaden out where they invest, allocating to public markets and across a diverse range of private-market assets. A hybrid structure introduces meaningful diversification benefits by reducing concentration in traditional asset classes and broadening exposure to uncorrelated return sources. Private markets are increasingly playing a central role in enhancing portfolio outcomes through stronger risk-adjusted returns.

Portfolios with private markets can enhance risk-adjusted returns



For illustrative purposes only.

Source: Cogence Internal Analysis

Private-market strategies can play different roles

Each private-market strategy has distinct characteristics, making it essential to consider the role they play in portfolio construction.

The table below shows some of the ways private asset classes can provide unique investment benefits. For example, a buyout strategy prioritises investment gains (capital growth) over yield (income), lower volatility (equity market diversification), and protection against losses (downside mitigation). In this table, red means lowest and green means highest.

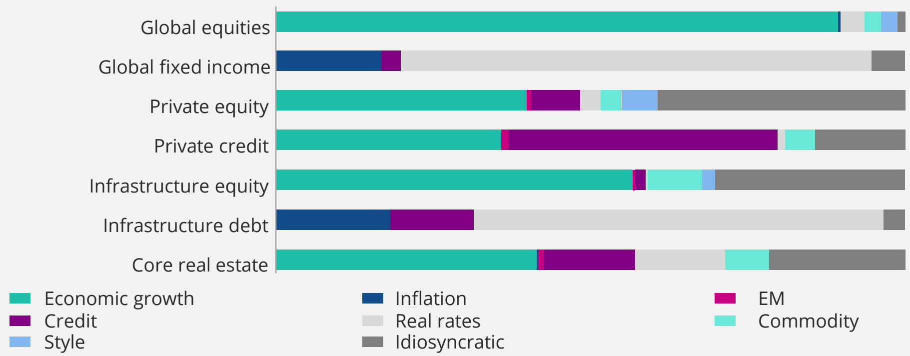
Source: BlackRock, April 2025. For illustrative purposes only. Scale from low (red) to high (green).

Private markets may enhance portfolio diversification

The main reason for the dispersion in returns between public and private markets is correlation of asset classes. Private markets exhibit historically low correlations to global equity and global bonds. In today's environment, we've seen the traditional negative correlation between equities and bonds becoming less dependable, with the relationship turning positive at times.

This erratic correlation has meant that government bonds have become a less reliable cushion against equity selloffs as a result. Therefore, we see the potential for other diversifiers – those assets with low correlations in returns – like private markets, to step up. This is not about replacing long-term bonds to find diversification but instead incorporating private markets to boost portfolio resilience.

Additionally, private markets provide diversification across macro risks. The chart below shows that traditional asset classes available through public markets are overly concentrated on economic growth, real rates and inflation risk factors. Private markets, however, have exposure to other risk factors, enabling lower expected correlations and thus diversification benefits.



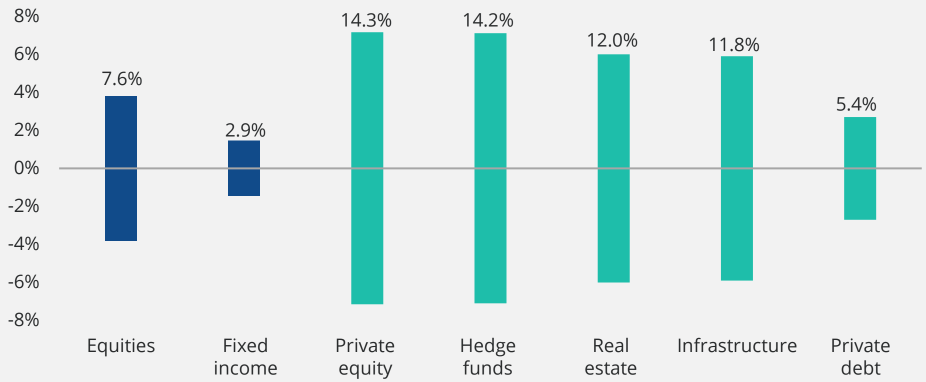
Source: BlackRock "Investment Directions: exposures for today's market"

The need for diversification within private markets

While diversification *across* public and private markets is important, diversification *within* private markets is also necessary as performance can vary significantly as market conditions evolve.

Consideration of the dispersion of performance within private-markets asset classes is also important. Within many private-asset classes, the dispersion of returns among managers can be dramatic (see chart below), especially in private equity. This variation is driven by each manager's sourcing and underwriting capabilities, as well as the high variability in individual deal performance.

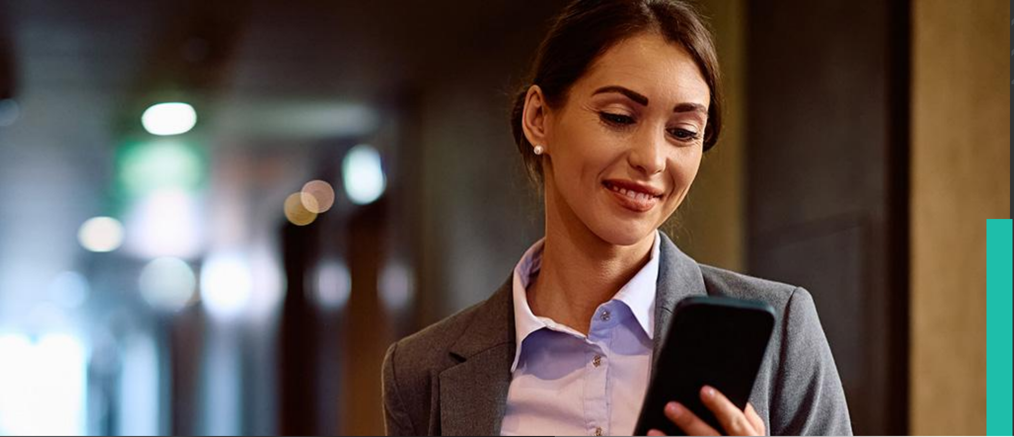
The dispersion of returns



Source: BlackRock: Implementing Private Markets in Wealth Portfolios, 2024

This highlights the need for an experienced asset manager with deep expertise, proven capabilities, and the global reach to uncover opportunities and manage risk with conviction.

Private-market access through Cogence



Private-market access through Cogence

Through our partnership with BlackRock and their $631 billion alternatives platform, we are able to give South African investors access to leading private-market managers globally.

Successfully navigating private markets requires deep expertise to identify opportunities, manage risks, and build a well-balanced portfolio over time.

BlackRock's $631 billion alternatives platform

$631B in client assets[1]

50+ locations

147,000 unique companies tracked by eFront[2]

1400+ Alternatives investment professionals[4]

There is no guarantee that a positive investment outcome will be achieved. *Sources: BlackRock, 6/30/2025 unless otherwise specified. 1. Alternatives platform AUM figure includes liquid credit and liquid alternatives. Client assets represent a combination of BlackRock's client assets, GIP Total Assets, and HPS Total AUM. BlackRock defines client assets as Alternative assets across reported Client AUM and non-fee-paying committed capital, co-investments and market related gains on invested assets. GIP Total Assets expand on this total by incorporating the mark-to-market valuation of fund investments and non-fee-paying assets,. HPS Total AUM as of 3/31/2025 reported during the BlackRock Investor Day 2025, are estimated and unaudited, based on capital commitments, cost, or NAV (as applicable) across fund types, including leverage where relevant, and may be subject to change. 2. Figure refers to eFront platform 31st December 2024. 3. Private Credit: Primarily represents Direct Lending, Opportunistic, Asset-Based Financing and Venture Debt strategies but excludes infrastructure and real estate debt, as well as assets in private placements and multi-strategy credit funds, which are reported within fixed income and multi-asset. 4. Includes employees of affiliates funds managed by HPS, BlackRock Private Debt, Private Equity Partners ("PEP"), and Secondaries and Liquidity Solutions ("SLS") locations, as of 5/31/2025, and employees of GIP, BlackRock Real Estate Equity, and BlackRock Multi Alternatives as of 3/31/2025.*

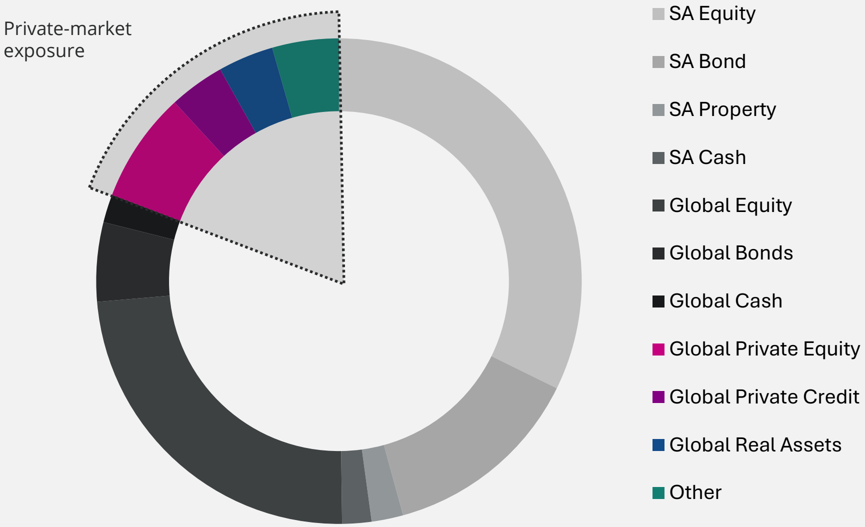
Our private-market portfolios

In the previous sections we highlighted the benefits of integrating private markets in investor portfolios as a means of enhancing potential risk-adjusted returns. However, due to the nature of private markets, risk and returns form only one part of the picture, as investors also need to consider the dimension of liquidity. Private-market assets trade far less frequently than their public counterparts.

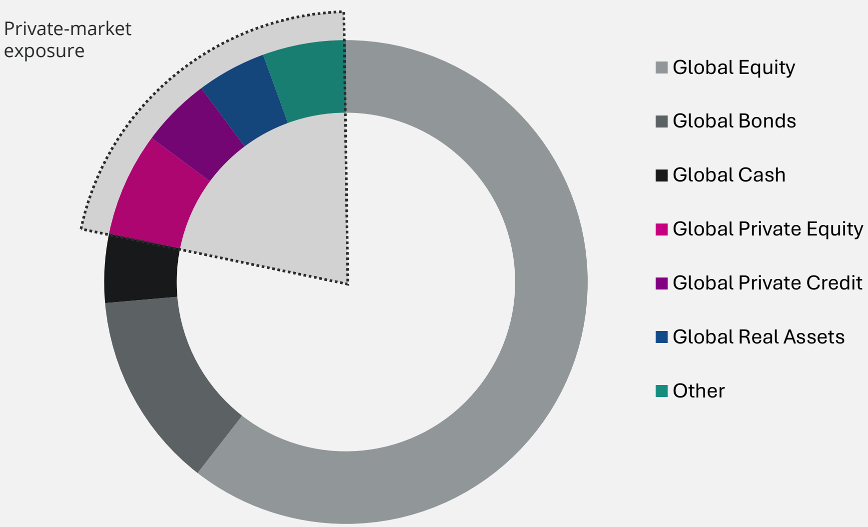
Private markets typically required large investments of $250,000+ and had liquidity constraints due to lock-up periods in excess of 10 years (as the investments are tied up in long-term commitments such as building developments). This limited the accessibility of these markets to institutions and ultra high-net-worth individuals. But new innovations in evergreen structures provide investors with more flexibility and makes private-market exposure more accessible.

The **Cogence Diversified Markets** and **Cogence Global Diversified Markets Portfolios** are structured in a way to offer some liquidity options. These diversified portfolios provide exposure to both private and public investment markets across all asset classes. The private-market allocation targets returns of 10%+ per year in euros, net of all fees. These funds can be accessed through the Discovery local Endowment.

Cogence Diversified Markets Portfolio



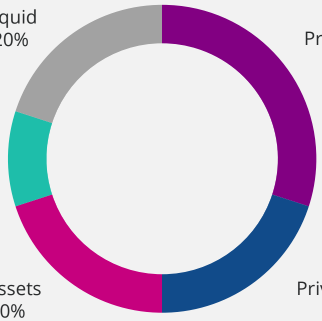
Cogence Global Diversified Markets Portfolio



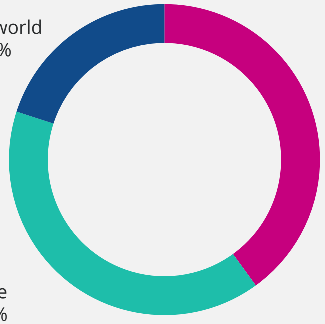
Our private-market allocation strategy

We achieve diversification in three ways: Strategic asset allocation, geographic exposure and implementation strategies.

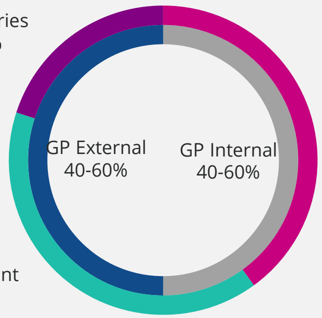
Strategic asset allocation



Geographic exposure



Implementation



Around half of the opportunities are sourced directly by BlackRock as the General Partner and roughly half are sourced through external managers. This approach offers the best of BlackRock and the best of the industry in a combined structure.

Our implementation strategies

Direct
Investing directly in a private company or asset, rather than through a fund, giving investors more control and transparency over individual investments.

Co-investment
Investing alongside a private-market fund manager in a specific deal, usually on a deal-by-deal basis, allowing investors to increase exposure to attractive opportunities with reduced fees.

Secondaries
Purchasing existing interests in private-market funds or assets from other investors, providing access to more mature investments and often greater liquidity compared to new fund commitments

Source: BlackRock "Multi Alternatives Growth Fund (MAG)" Q4 2024. The above allocations are illustrative of aspirational goals, and do not reflect the portfolio to date, nor does it act as a guarantee that the portfolio will reach these specific allocations.

Please see the InvestAware note at the end of the document, which highlights the risk associated with these funds.

Opportunities our funds are invested in

Below are three examples of sectors that our funds are currently invested in.

Infrastructure

Project DC

Sector | Telecom

Geography | Europe

Investment highlights

Project DC is a pan-European colocation data centres alongside another private-markets sponsor, with limited construction and contracting risk.

The DC platform delivers both traditional and interconnection colocation services to a broad and diversified customer base, including IT and service providers, financial institutions and hyperscalers.

Multiple growth levers with additional upside potential through continued platform expansion via both organic and inorganic growth.

Private Equity

Project Iris

Sector | Telecommunications and Financial Services

Geography | Europe

Investment highlights

Project Iris is a General Partner-led continuation vehicle involving two unique assets that are leaders in the satellite communications and independent financial adviser markets.

Both companies are leaders in their respective sectors, with robust growth profiles and executable value creation strategies, acquired at a discount to NAV.

The commercial satellite communications provider services diverse clients spanning maritime, energy, enterprise and government. It has demonstrated robust financial performance over the past years and is well-positioned for future growth.

Private Credit

Project Clock

Sector | Diversified

Geography | Europe

Investment highlights

Project Clock is a unique opportunity to build exposure to a diversified programme of European third-party Collateralised Loan Obligation equities The programme provides investors exposure to 100+ underlying loans, combining the benefit of diversification with structurally enhanced returns.

Entering through a combination of primary issuance and secondaries with income-driven returns enabling accelerated value creation for the Fund.

Primary investments enable deployment at attractive pricing given the higher spread environment, while secondaries capture market dislocation opportunities as investors seek liquidity.

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Conclusion

In an investment landscape marked by shrinking public markets and increasing volatility, **the importance of diversification has never been more critical**. Private markets play a valuable role in enhancing portfolio resilience through diversification, while also offering potential access to growth opportunities linked to transformative global themes such as artificial intelligence.

The **Cogence Diversified Markets Portfolio** and **Global Diversified Markets Portfolio** enable investors of all sizes to participate in sectors traditionally reserved for institutions and high-net-worth investors. As the financial world evolves, embracing private markets is no longer just a strategic advantage but rather an essential component of a portfolio built for the future.

InvestAware

Please note that the Cogence Diversified Markets Portfolio and Cogence Global Diversified Markets Portfolio are intended as long-term investments of five years or more, and early withdrawals are not recommended. Although the portfolios offer daily pricing and daily liquidity under most market conditions, the portion of the portfolios that are allocated to private market assets are inherently illiquid, and investors should be aware that in rare or exceptional circumstances, there may be limits or temporarily suspended withdrawals from the allocation to private market assets. This means that investors may be required to keep their money invested in the allocation to private market assets until there is sufficient liquidity. This period will depend on the prevailing market conditions and during such periods, there may be delays in receiving your money when withdrawing from the allocation to private market assets.
