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Private markets in UK DC

Unlocking stronger retirement outcomes

FOR PROFESSIONAL CLIENTS AND QUALIFIED INVESTORS ONLY

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Executive summary

01. **We see a significant opportunity to help millions of UK savers improve their retirement outcomes by incorporating private markets into defined contribution (DC) portfolios.**

As private markets play an increasingly important role in funding economic growth, they can enhance traditional listed portfolios by improving risk-adjusted returns, increasing diversification, providing more stable cash flows, and offering inflation protection.

02. **Incorporating private markets into DC defaults could materially improve outcomes across the savings journey.**

Our modelling suggests approximately 14% higher projected retirement balances over a full 45-year horizon[1], alongside improved resilience over 30- and 15-year timeframes. Stress tests simulating pronounced market shocks indicate that diversified private markets exposure can reduce drawdowns relative to listed-only defaults, supporting greater portfolio stability at critical pre-retirement stages without increasing downside risk.

03. **We believe this opportunity is best captured through purpose-built private markets allocations designed specifically for DC.**

Schemes can access private markets either through diversified multi-alternative approaches, or by combining single asset class strategies within their investment design. Multi-alternative portfolios – blending private credit, private equity, infrastructure and real estate within a single allocation – offer a practical, scalable solution, simplifying governance while enhancing diversification and portfolio efficiency with the operational and cost constraints of DC defaults.

04. **Policy momentum following the Mansion House reforms*, alongside continued DC market growth, is accelerating private markets adoption.**

Fund structures such as Long-term Asset Funds (LTAFs) now enable responsible, scalable implementation while addressing liquidity, transparency, and cost considerations. As with all private markets investing, outcomes depend on execution. For DC schemes, this places particular emphasis on manager selection, including broad deal sourcing, experienced investment teams, disciplined underwriting and strong transparency within an open-architecture framework – all critical to delivering long-term member outcomes.

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Section 01

Why private markets now?

Private markets are playing an increasingly central role in global investment as value creation continues to shift beyond listed markets.

Driven by the increasing need for projects and companies to be funded by both public and private capital, the opportunity set for private markets is expanding from roughly $13 trillion today to more than $20 trillion by 2030[2]. This expansion reflects both rising demand for long-term capital and a broadening range of investable opportunities across sectors and regions.

A set of powerful global "mega forces" – large structural changes reshaping economies – is underpinning this growth and creating long-term investment opportunities that are often accessed most directly through private markets.

As private markets continue to grow, the opportunity set is expanding alongside these forces. At the same time, sophisticated institutional investors are increasing allocations to private assets to enhance diversification and improve whole-portfolio outcomes. These combined push-and-pull dynamics – greater demand for capital on one side and stronger institutional appetite on the other – are creating a favourable environment for incorporating private markets investments today, including within DC schemes.

Digital disruption and artificial intelligence (AI)	Advances in AI are automating labour-intensive tasks, enabling deeper data analysis, accelerating innovation and disrupting traditional business models, with much of this value creation occurring within private companies before they reach public markets.
Future of finance	Evolving financial architecture is changing how households and companies use cash, borrow, transact and seek returns, driving demand for new platforms, infrastructure and private financing solutions.
Energy transition	The transition to lower-carbon energy systems is set to trigger a significant reallocation of capital as energy networks are rewired, creating substantial investment needs across infrastructure, renewables and real assets.
Demographic divergence	Ageing populations in developed economies and younger demographics elsewhere are increasing demand for investment in healthcare, housing, technology and productivity-enhancing innovations, often supported by private capital.

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Section 02

Why private markets for DC?

Historically, long-term institutional investors – such as defined benefit (DB) pension schemes, endowments, foundations and family offices – have allocated to private markets to enhance risk-adjusted returns, diversify beyond listed assets, and access long-term growth opportunities.

In DC, similar allocations have been more challenging to implement – mainly due to operational and structural constraints, including the need for frequent dealing, member-level pricing and regular rebalancing within default glidepaths. Recent structural and regulatory developments have begun to make access to private markets more feasible within DC defaults.

As DC is now the UK's dominant retirement savings model, representing over 30 million participants[3] with assets projected to exceed £800bn by 2030[4], improving member outcomes has become increasingly urgent. Many DC savers remain at risk of inadequate retirement income, sharpening the focus on portfolio construction choices that can enhance outcomes net of costs.

The central question for DC trustees and providers is therefore straightforward: can private markets improve retirement outcomes for members, net of costs?

DC schemes are long-term investors with steady contribution flows, allowing them to incorporate assets with differentiated return drivers alongside listed markets. From a portfolio perspective, private markets can enhance outcomes through diversification, improved risk-adjusted returns and exposure to real asset-linked cashflows. The analysis that follows explores how these characteristics translate into outcomes for DC savers at different stages of the savings journey.

Private markets relevance in supporting DC outcomes

Assumptions	In practice	Relevance for DC savers
Return premia	Access to illiquidity and complexity premia that are less available in public markets	Supports improved retirement outcomes over time, with benefits that accumulate earlier in the journey and continue to contribute to portfolio efficiency at later stages
Diversification	Exposure to different economic cycles and cashflow profiles alongside listed assets	Help smooth portfolio volatility across the savings journey
Inflation protection	Real-asset-linked and contractual cashflows	Supports preservation of purchasing power over time
Portfolio resilience	Differentiated return drivers during market stress	Helps mitigate the impact of sudden drawdowns, particularly closer to retirement

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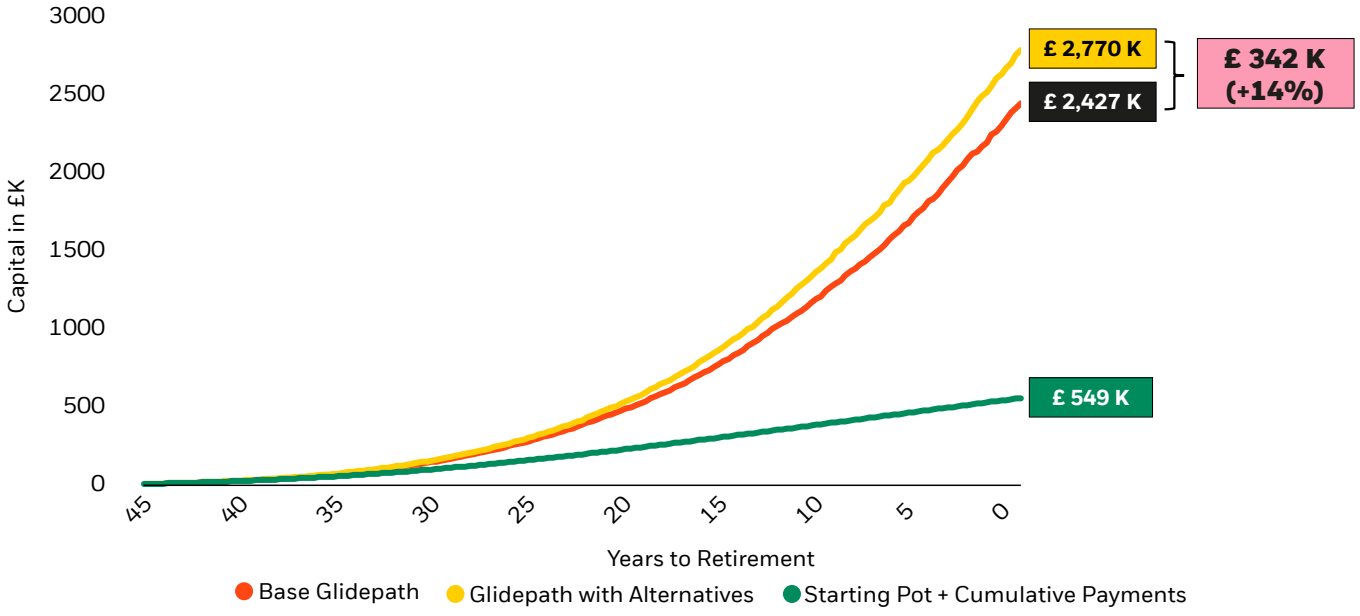
Case study: modelling the impact on member outcomes across the DC journey

A key consideration for trustees is whether private markets can improve outcomes at different stages of a member's savings journey. Evidence from glidepath modelling suggests that the benefits of diversified private markets exposure are not confined to younger members but persist across multiple cohorts.

The figure below compares a traditional listed-only DC default with a default incorporating a diversified private markets allocation.

Figure 1: Illustrative median asset outcomes – 45 years to retirement

Allocating to Alts through the period improves both return and resilience



Source: BlackRock Capital Market Assumptions (CMA), as of 30 September 2025. Returns shown in GBP. 45-year horizon. Return assumptions are total nominal returns. Asset return expectations are gross of fees. Indices are unmanaged and one cannot invest directly in an index. These portfolios represent a sample 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. 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.

14%

higher projected retirement outcome vs a listed-only default (for members with 45 years to retirement)

12%

uplift in projected outcomes (for members with 30 years to retirement)

5%

uplift in projected outcomes (for members with 15 years to retirement)

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The results above are based on a set of illustrative modelling assumptions, summarised below.

For members with 45 years to retirement, the long accumulation horizon allows portfolios to capture the benefits of compounding and illiquidity premia, resulting in a materially higher projected retirement outcome of 14% relative to a listed-only default.

We also applied the same modelling framework to members entering the DC system later in their working lives, including those 30 and 15 years to retirement. While the absolute uplift in projected outcomes naturally moderates as the time horizon shortens (12% uplift for a member 30 years to retirement and 5% uplift for a member 15 years to retirement), the analysis indicates that diversified private markets exposure continues to contribute positively by improving portfolio efficiency – supporting a balance between growth and resilience over the medium term, with an increased focus on downside protection as members approach retirement.

Importantly, across all stages of the savings journey, incorporating private markets in the modelling is associated with improved outcomes driven by diversification and portfolio efficiency. The analysis also suggests greater resilience in less favourable market environments – a critical consideration for DC trustees and explored in more detail through the illustrative stress-testing scenarios later in this paper.

Taken together, these factors suggest that private markets can play a meaningful role in strengthening DC outcomes across the full savings journey. With appropriate structures, governance, and implementation, private markets offer DC schemes the opportunity to improve long-term member outcomes while maintaining the risk discipline and operational practicality required of default strategies.

Illustrative modelling assumptions

Assumptions	Description		
Member profile	Typical auto-enrolled DC saver		
	45YtR	30YtR	15YtR
Starting pot value	£0	£86,895	£373,556
Current salary	£30k	£65k	£75k
Contribution rate	10% of salary throughout accumulation		
Salary progression	Salaries assumed to evolve in line with a representative UK salary growth curve (real wage growth plus implied inflation)		
Portfolio comparison	Listed-only default vs default including private markets		
Private markets allocation	10% during accumulation phase		
De-risking	Private markets exposure reduces within the final 15 years in line with other risky assets reduction trend		

The modelling is based on illustrative assumptions regarding salary progression, default glidepath design, portfolio composition and capital market expectations; further detail is provided in the appendix for reference.

Stress testing: portfolio behaviour in market downturns

In addition to base-case modelling, it is important to understand how diversified private markets exposure behaves under sudden market dislocations. The stress testing presented below reflects the impact of a severe, point-in-time market shock – similar in nature to episodes such as the Global Financial Crisis – applied at different stages of the DC savings journey.

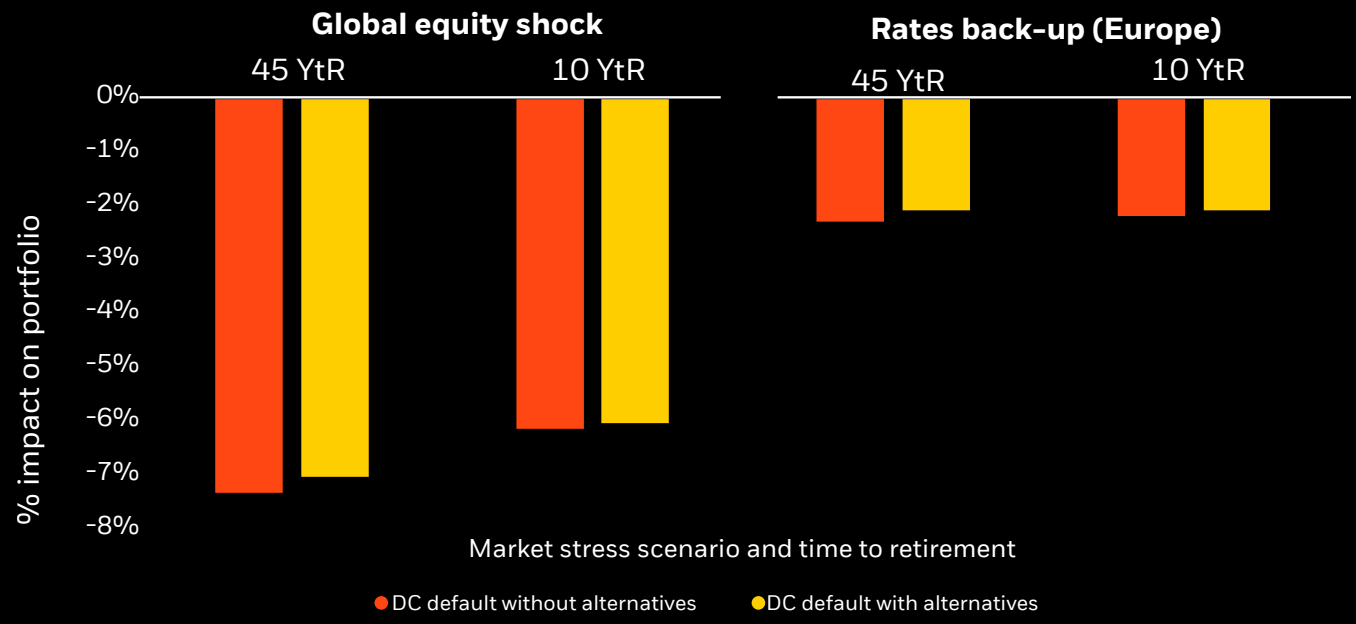
This analysis is designed to assess short-term downside sensitivity at a given point in time. It does not attempt to model the subsequent recovery path or longer-term return dynamics but instead focuses on the immediate impact of abrupt market movements, which can be particularly relevant for members closer to retirement with less time to recover from drawdowns.

The results suggest that, across different stages of the savings journey, portfolios incorporating diversified private markets are associated with less severe drawdowns than listed-only defaults under a sudden market shock, without increasing overall downside sensitivity. This reflects the role of private credit, infrastructure and real estate in providing differentiated return drivers and contractual or inflation-linked cashflows, which can help mitigate the immediate impact of market stress, while private equity continues to play a complementary role through long-term growth and recovery over full market cycles.

While all portfolios remain exposed to market risk, the analysis highlights how diversified private markets exposure can contribute to greater portfolio resilience at points in time when sudden drawdowns may be most disruptive, particularly for members approaching retirement.

Figure 2: Illustrative impact of stress scenarios on DC portfolios across the savings journey

Comparison of a listed-only DC default and a DC default including diversified private markets under a point-in-time market shock, shown at different stages of the savings journey (45- and 10-years to retirement).



Source: BlackRock, as of 30 September 2025. Risk calculated using Aladdin® risk models. GBP terms. Risk is shown as one-year analytical value at risk with at 84% confidence interval, using 296 monthly observations constantly weighted. For illustrative purposes only. There is no guarantee that stress testing will eliminate the risk of investing in this fund or strategy nor that the Profit and Loss movements depicted in the stress testing will replicate in the future.

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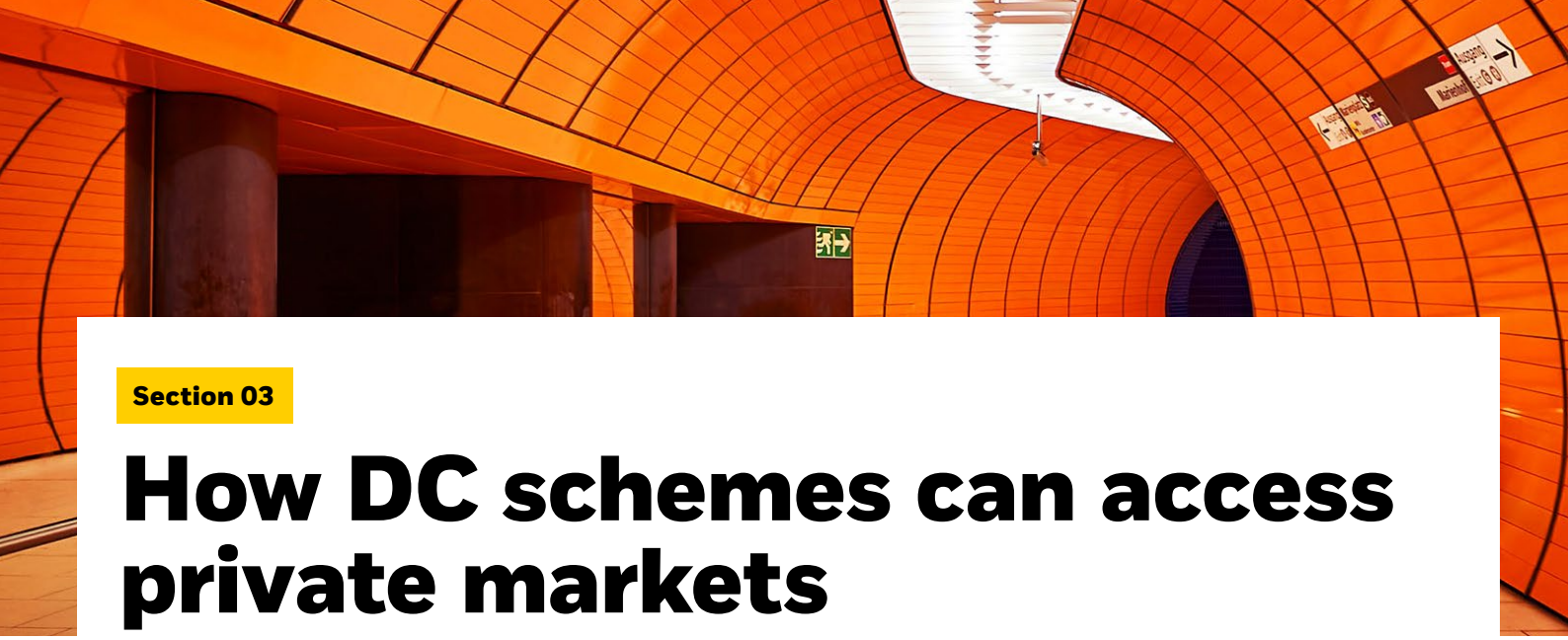

Section 03

How DC schemes can access private markets

Bringing private markets into DC defaults requires investment portfolios that innovate within the DC operational ecosystem.

In practice, DC schemes typically access private markets through two broad implementation approaches: single asset class allocations or multi-alternative strategies.

Different private markets asset classes contribute in distinct ways to DC portfolio objectives.

Understanding these roles helps trustees assess how private markets can be combined to support outcomes across the savings journey.

Taken together, these asset classes play complementary roles. Combining them within a diversified framework can help DC schemes potentially balance growth, income, inflation protection and resilience across the savings journey, regardless of the implementation approach. This complementarity across asset classes is a key rationale for multi-alternative approaches.

Role of key private markets asset classes in DC portfolios

Asset class	Role	Where it adds most value in DC
Private equity	Primarily a long-term growth engine, providing exposure to innovation, operational improvement and value creation beyond public markets	Contributes most strongly during the accumulation phase and over full market cycles, supporting higher long-term retirement outcomes
Private credit	Provides contractual income and downside protection through seniority in the capital structure and predictable cashflows	Can help stabilise returns and improve resilience, particularly as members move closer to retirement
Infrastructure	Typically offer long-duration, inflation-linked cash flows supported by essential assets and regulated or contracted revenues	Can provide income and inflation protection, supporting portfolio resilience across market environments
Real estate	Provides diversified exposure to real assets through a combination of income generation and capital appreciation	Can help smooth returns, provide inflation sensitivity and diversify public equity-heavy scheme defaults

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Single asset class allocations

Under a single asset class approach, DC schemes allocate to a specific private markets strategy – such as private equity, private credit, infrastructure or real estate – within the default glidepath. This approach may be appropriate for schemes with clear objectives and sufficient governance and investment resources to manage pacing, liquidity and concentration risk.

In some cases, schemes may choose to build private markets exposure incrementally, complementing individual asset classes over time to achieve diversification. While this approach offers flexibility and control, it also increases governance and operational complexity, as trustees or advisers must coordinate capital deployment, cash-flow management and risk across multiple strategies.

As a result, single asset class and building-block approaches are generally better suited to schemes with larger in-house teams or more developed investment capabilities.

Multi-alternative approach

Multi-alternative strategies (multi-alts) provide diversified exposure across a range of private markets asset classes within a single, integrated allocation. By combining growth-oriented strategies with income-generating and inflation-linked investments, multi-alternative portfolios are designed to deliver more balanced outcomes across market cycles.

For many DC schemes, particularly those without extensive in-house investment teams or governance resources, multi-alternative approaches can offer a more practical route to private markets. By delegating asset allocation across private markets strategies, pacing, liquidity management and manager selection to a single solution, multi-alts can simplify governance while delivering diversified exposures aligned to DC objectives.

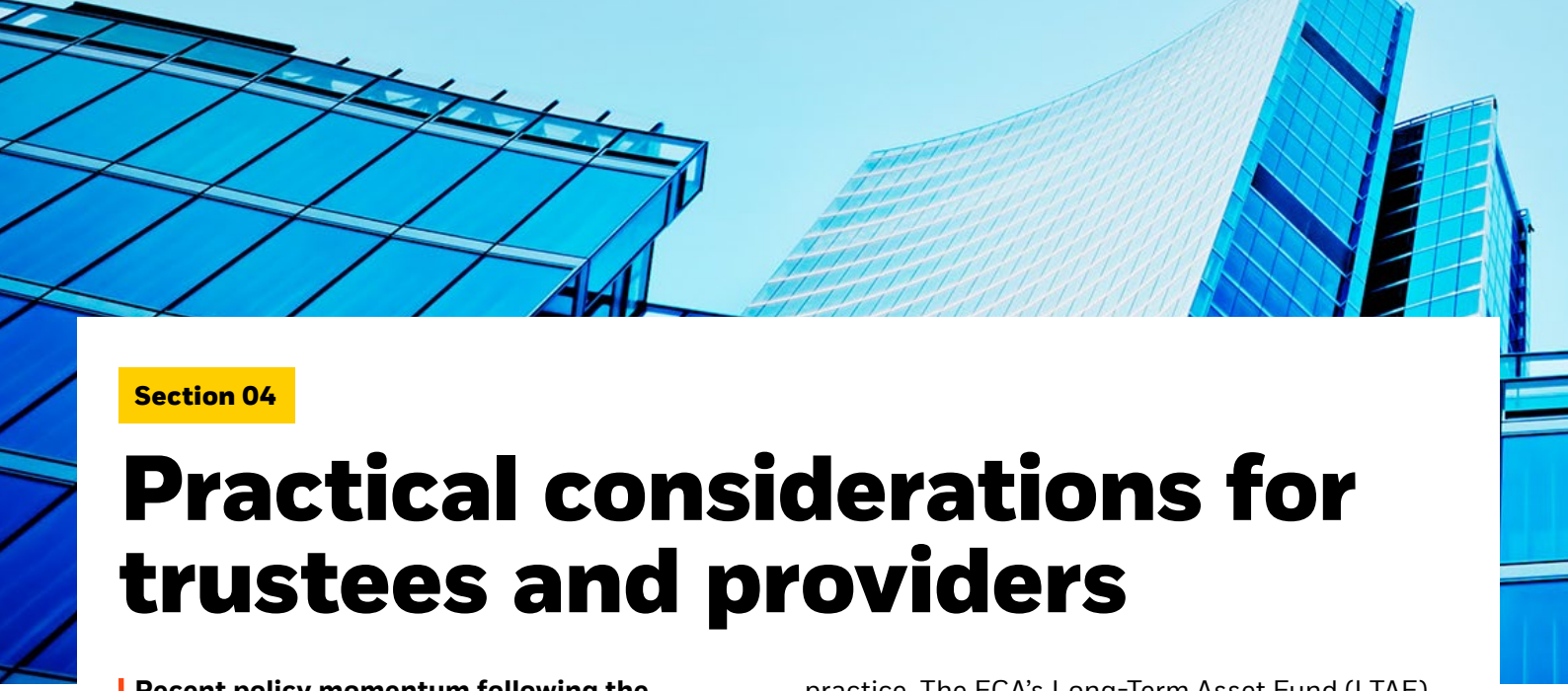
Importantly, multi-alternative strategies are designed to complement, rather than replace, listed equity and fixed income allocations within the default strategy, and can improve member outcomes without increasing overall portfolio risk.

The considerations trustees should take into account when assessing the robustness of different implementation approaches including governance, liquidity management, cost and execution quality are discussed in section 4.

Figure 3: Characteristics of private assets

Illustrative only. The figure highlights how different private markets asset classes typically contribute to growth, income, diversification and inflation protection.

Desired outcomes	Characteristics	Direct lending	Real estate equity	Infra equity	Infra debt	Private equity
Growth	High target returns	✓	✓	✓		✓
Inflation protection	Inflation-linked cash flows		✓	✓	✓	
Diversification	Low correlation	✓	✓	✓	✓	✓
Income	Stable cash flows	✓	✓		✓	



Section 04

Practical considerations for trustees and providers

Recent policy momentum following the Mansion House reforms has accelerated efforts to broaden DC access to long-term productive assets.

At the same time, the continued growth and scale of DC schemes and providers have sharpened the focus on implementation approaches that can support member outcomes while remaining compatible with trustee duties, governance requirements and operational constraints.

Against this backdrop, regulatory and product innovation has evolved to enable adoption in practice. The FCA's Long-Term Asset Fund (LTAF) regime, alongside other UK-authorised fund structures such as Life Funds and Non-UCITS Retail Schemes (NURS), including Fund of Alternative Investment Funds (FAIFs), provides vehicles designed to hold illiquid assets responsibly within DC defaults, combining periodic dealing, transparent valuation and enhanced governance. Different private markets asset classes contribute in distinct ways to DC portfolio objectives. Understanding these roles helps trustees assess how private markets can be combined to support outcomes across the savings journey.

Ultimately, operational excellence is about scale, transparency and communication. Managers must have the infrastructure to report meaningfully, monitor risk continuously, and integrate private markets into the overall strategy – not bolt them on as an afterthought.

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Implementation, liquidity and pacing considerations

Liquidity and access remain key operational constraints for DC schemes. Historically, the desire for daily dealing within default glidepaths constrained the use of illiquid assets. Fund structures, such as LTAFs and other dedicated semi-liquid fund formats, have been designed to address these challenges by offering periodic dealing, structured liquidity management and robust valuation frameworks. This allows private markets to be introduced within DC defaults in a measured way that aligns long-term investment horizons with member needs.

Implementation flexibility further strengthens this approach. Multi-alternative portfolios can access private markets exposure through a combination of primary investments, secondaries and co-investments, enabling managers to manage pacing, liquidity and cost efficiency within charge-cap constraints.

Taken together, these implementation routes underpin open-architecture approaches to private markets. Open architecture allows DC schemes to access a range of strategies and managers rather than relying on a single vehicle or provider, broadening sourcing while maintaining appropriate governance through consolidated oversight and simplified implementation. For DC schemes without extensive in-house investment teams, this approach from their chosen manager can help translate private markets access into practical, scalable allocations aligned with default-fund requirements.

Governance, cost and whole-portfolio integration

Successful implementation requires integration into whole-portfolio design, ensuring that private assets contribute to the same risk, return and diversification objectives as listed holdings. This supports aligned portfolio construction across the default glidepath and enables schemes to balance growth objectives with liquidity management and member de-risking requirements over time.

Cost remains a central consideration. Private markets are inherently more expensive to access than public market equivalents. However, we observe they can be implemented well within the DC charge cap through blended fee structures that emphasise value for money rather than headline cost.

Manager selection, reporting and execution

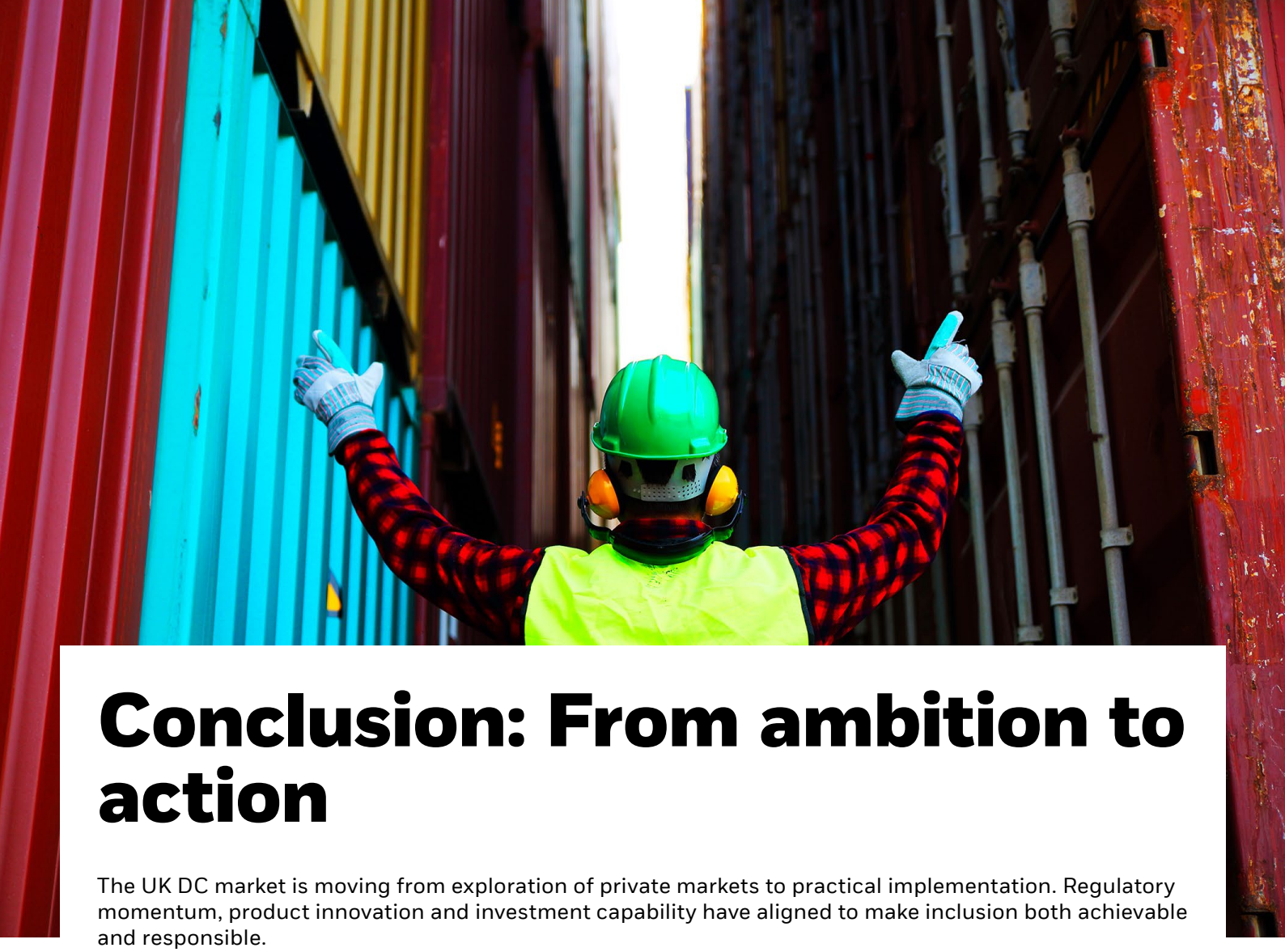
Even with improved regulatory frameworks and investment structures, member outcomes ultimately depend on execution. In private markets, where dispersion of returns is significantly wider than in listed assets, manager selection is a critical differentiator.[5] Access to high-quality opportunities, disciplined underwriting and selectivity, the ability to manage liquidity and pacing within a DC-appropriate operational framework and strong risk management all play a critical role in determining long-term outcomes.

Strong governance is underpinned by transparent, trustee-grade reporting. Regular portfolio updates, clear insight into underlying transactions and exposures, and openness around costs enable trustees and advisers to assess how private markets allocations are contributing to overall member outcomes and to meet regulatory and fiduciary governance requirements.

The most capable partners are therefore those who can:

- Source diverse, high-quality private-market opportunities across asset classes and regions
- Manage liquidity, valuation and pacing within a DC-appropriate operational framework
- Deliver transparent, trustee-grade reporting that supports governance and regulatory compliance
- Provide flexible implementation routes supported by robust risk management to address liquidity concerns

Managers with the scale and infrastructure to combine private-market depth with DC implementation excellence are best positioned to translate access and innovation into stronger, more resilient member outcomes.



Conclusion: From ambition to action

The UK DC market is moving from exploration of private markets to practical implementation. Regulatory momentum, product innovation and investment capability have aligned to make inclusion both achievable and responsible.

For trustees and providers considering the role of private markets within DC defaults, the analysis in this paper highlights a number of key considerations as they move from ambition to action:

- Clarify the role private markets are expected to play within the default strategy, whether supporting long-term growth, income generation, inflation protection or portfolio resilience.
- Select implementation approaches designed for DC, with appropriate liquidity management, valuation frameworks and governance structures.
- Assess diversification and resilience, including how private markets may contribute to outcomes under different market environments.
- Focus on execution and governance, recognising the importance of manager selection, transparency, and integration within the overall portfolio.

By adopting diversified, purpose-built private markets allocations – whether through complementary single asset class strategies or integrated multi-alternative approaches – DC schemes can take practical steps toward strengthening portfolio resilience and helping improve member outcomes across the savings journey.

Explore how private markets can strengthen your DC default

https://www.blackrock.com/uk/professionals/solutions/multi-asset/defined-contribution/long-term-assets-fund

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Endnotes

1. BlackRock, CMA data as of September 30, 2025.
2. Preqin, Private Markets in 2030 report. As of October 16, 2025.
3. The Pensions Regulator, March 2025.
4. DWP, November 2023.
5. Industry Arena, November 2025.

*The Mansion House reforms refer to a set of UK government policy initiatives announced in 2023 aimed at encouraging greater investment by UK pension schemes into long-term productive assets, including private markets, while maintaining appropriate standards of governance, liquidity management and member protection

Methodologies, Risk Warnings, and Important Information

BlackRock's Capital Market Assumptions Disclosures

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CMA Methodology

Interest Rates: Our model provides a way to chart the yield curve at multiple time horizons in the future. We base this on our estimates of: (1) the short rate and (2) model implied term premia. We base our estimates of short rates on market data in the near term and on macro-informed data in the long term. We assume investors' views about long run inflation and real growth, coupled with changing preferences as to savings and risk aversion, will ultimately determine their expectations for short rates (the 'long run short rate'). We use an affine term structure model – a type of model that assumes bond yields as a linear function of a small set of parameters (Piazzesi, 2010) – to compute model-implied term premia. In our implementation, we represent the yield curve using the first five principal components of yield, as laid out by Adrian et al. (2013). We then blend the model implied term premia from the affine term structure model with market implied term premia, with the relative weights dependent on the relevant time horizon.

Equities: Expectations of cash flows and discount rates can help explain the variability in equity returns as shown by Campbell (1990). We have used this insight to develop a discounted cash flow (DCF) model, with a few key innovative features. Most academic research focuses on the question of whether stock returns are predictable at all. We are concerned with making the best estimates that we can. We make two additional contributions. First, the baseline DCF model estimates earnings by leveraging analyst earnings estimates in the near term as discussed by Li et al (2013) to derive the implied cost of capital. The common assumption in implied cost of capital (ICC) studies is that earnings growth implied by analyst earnings estimates in the near term should trend towards GDP growth in the long term. This can introduce an unintended assumption of continued expansion of profit margins. We have introduced a modification to account for late economic cycle dynamics. We allow for corporate profit margins to revert to trend (the median over a rolling 10-year history) as margins typically peak late-cycle. The standard ICC approach typically tests for equity returns using linear regression tests. For our DCF model, we take the desired time horizon as an input (number of years) and we estimate the appropriate discount rate for the specific time horizon using our aggregate implied cost of capital. This way, we account for both key sources of variability in equity returns, namely changes in cash flows and changes in the discount rate.

Credit: Our model for credit asset (excess) returns is anchored on two key elements: 1) our estimate of credit spread at a given horizon and 2) our estimated loss due to defaults and downgrades over the horizon. The first component is projected in a consistent manner with our view of real GDP growth and the link between credit spreads and equity volatility. Our approach helps explain the behaviour of credit spreads using a limited number of predictive variables. Yet, as validated by tests against more complex methods, it retains the ability to help explain a high proportion of the variance in credit spreads. The second component is estimated based on our outlook for spreads, the duration of the asset and an assumed transition matrix which captures migrations and defaults across multiple credit cycles. We currently base our transition matrix on Moody's long-run transition data. We aim to further develop our model by directly modelling transitions based on macroeconomic conditions in order to better capture cycle dynamics and the respective variation in losses due to credit events. In addition to making our estimates of credit spreads consistent with our macroeconomic views, our new credit (excess) return model allows greater flexibility of calibrating our expected returns to different credit rating compositions which may prevail over the entire time horizon.

Uncertainty and optimisation: Expected returns and asset price volatility are difficult to predict. We believe any technique that builds portfolios should incorporate this inherent uncertainty (Ceria et al. 2006). We consider both long-and short-term drivers of return. In the long run, we expect a relatively small number of macroeconomic drivers—economic growth, rates, inflation, credit and currencies —to determine an asset's returns. In the short-run, other factors can overpower the structural drivers causing wider fluctuations from an asset's fair value. Valuations can be helpful in estimating short-term returns. We combine contributions from the long-and short-term return drivers to produce a final set of return expectations with a range of uncertainty around each.

The next step is to use this set of return expectations in an optimisation engine that seeks out the best return without breaching an investors' risk limit. Mean variance optimisation would produce a portfolio that maximises expected return under one base scenario with a given level of risk. In contrast, we look to build a 'least-worst' portfolio –one that maximises returns for an investors' target risk levels across the worst outcomes, say for the bottom 50% of the distribution, from a set of stochastically generated scenarios (cf. Tütüncü et al. 2004 and Garlappi et al. 2006). This helps ensure the portfolio is not overly reliant on just the median return. This process seeks to produce a portfolio that is robust to small changes in the central return estimates (Scherer, 2006).

Stochastic engine: We use Monte Carlo simulation to create random distributions informed by historical return distributions and centred on our expected returns. The engine simulates thousands of return pathways for each asset, representing the range of possible outcomes over a five-to 20-year time horizon. We leverage BlackRock's risk models to help ensure that assets generate similar returns, to the extent that

they have common drivers. The range of scenarios incorporate our work on incorporating uncertainty in return expectations. We use an extension of the Black-Litterman model (1990) –a well-known model for portfolio allocation that combines equilibrium returns and medium-term views in a single-period setting. Our model uses a Kalman filter (1960) –an algorithm that extracts insights about return paths by bringing together a number of uncertain inputs -to extend Black-Litterman into a multi-period setting. This allows us to capture the variation of expected returns over time under various scenarios — from economy-related to market sentiment driven. A large part of these variations is not predictable. Constructing portfolios that are robust to, or can exploit, these variations is a major challenge for investors. The ability to calibrate the engine with asset class views with uncertainty at arbitrary time horizons, and to evolve this uncertainty stochastically, drives the dispersion of return outcomes. Highlighting the uncertainty that investors face when building portfolios helps ensure ostensibly precise return expectations do not lead investors to concentrated portfolios.

Simulated return paths support a broader range of applications, such as asset-liability modelling. We believe stochastically generated return scenarios enable investors to move with ease beyond mean-variance and optimise portfolios against their individual needs. Investors can place more emphasis on the tails of the distribution or focus on the path of returns rather than just the total return. They can incorporate flows in or out of the portfolio over the course of the investor's time horizon or place more emphasis on scenarios that are challenging for the investor's business beyond their portfolio. Investors with complex asset-liability matching requirements, such as insurers, typically rely on stochastic simulations of returns to assess and construct portfolios.

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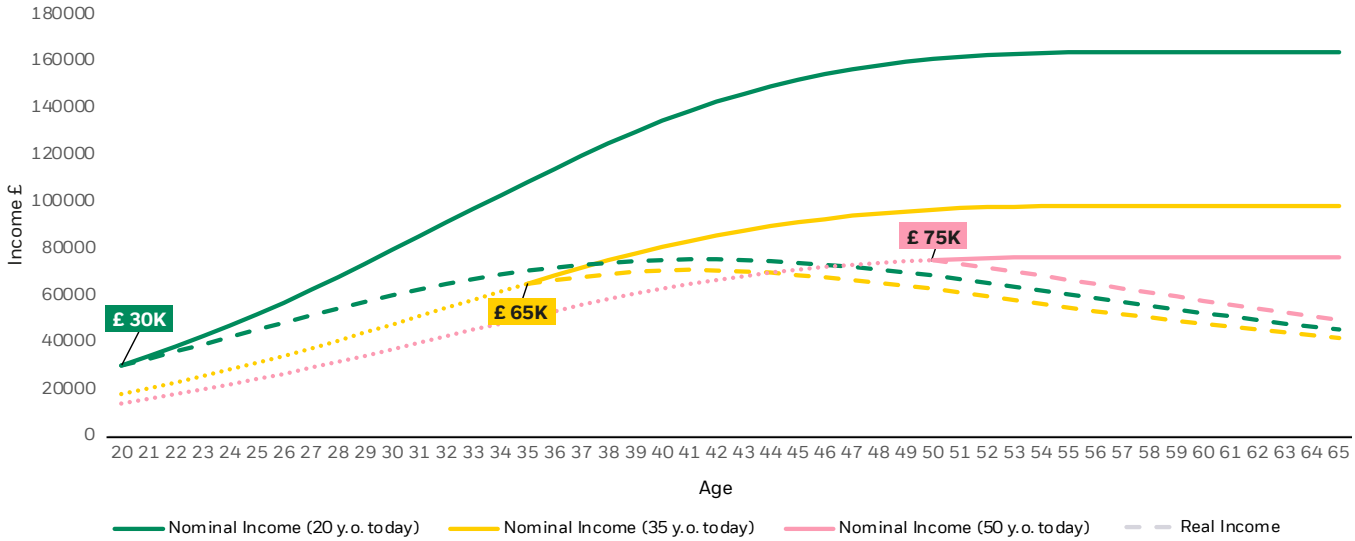
Appendix: Modelling Assumptions and Illustrative Inputs

Appendix A: Illustrative UK salary curve assumptions

Assumed Salary Curve in Real and Nominal Terms

Nominal and real income progression for members aged 20, 35 and 50



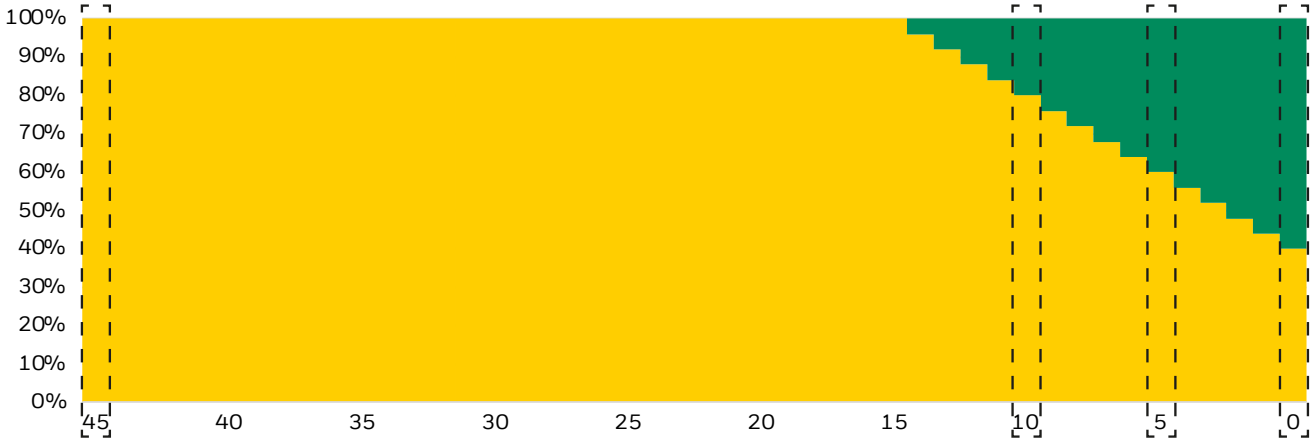
Assumptions

- A representative 20-year-old member starting today is assumed to have an initial salary of £30,000[1], and projected to evolve according to the real UK salary growth curve and implied inflation curve (nominal salary)[2].
- A 35-year-old member, who began working 15 years ago, is assumed to have had a starting salary of £18,000[3], and a current salary of £65,000, evolving under the same assumptions as above.
- A 50-year-old member, who began working 30 years ago, is assumed to have had a starting salary of £14,000[3], and a current salary of £75,000, evolving under the same assumptions as above.

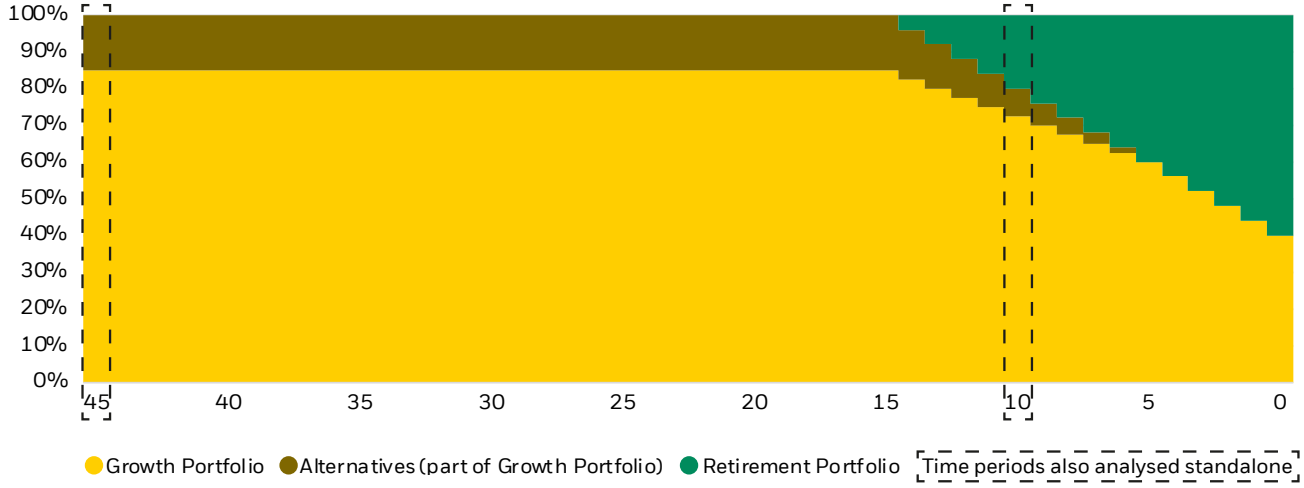
Sources: Chart: BlackRock, as of 30/09/2025. 1. Institute of Student Employers, 2024. 2. Salary curve: British Household Panel Survey, 2025; BlackRock calculations based on the market-implied inflation curve. 3. Office for National Statistics, Earnings time series of median gross weekly earnings from 1968 to 2025.

Appendix B: Illustrative DC glidepath allocation with and without private markets

Base Glidepath allocation based on Year to Retirement



Glidepath with Alternatives based on Year to Retirement



Source: BlackRock, as of 30/09/2025.

Appendix C: Portfolio Composition and Benchmarks

Composition and Modelling

Growth Portfolio

Asset	Benchmark	Weight
Global Equities	MSCI ACWI Index	100%

Assumed fee: 15 bps

Retirement Portfolio

Asset	Benchmark	Weight
Fixed Income	Bloomberg Global Aggregate Index – hedged to GBP	100%

Assumed fee: 15 bps

Alternatives Portfolio

Asset	Benchmark	Weight
Private Equity	BlackRock Proxy - PE Buyout Global	30.00%
Private Credit	BlackRock Proxy - Private Credit	20.00%
Infrastructure Equity	BlackRock Proxy - Infra Equity Diversified Global	30.00%
Real Estate Equity	BlackRock Proxy - RE Core Global	20.00%

Assumed fee: 175 bps

See page "Capital Market Assumptions" for utilised benchmarks and expectations.

Source: BlackRock CMA, as of 30 September 2025. Returns shown in GBP. 45-year horizon. Return assumptions are total nominal returns. Asset return expectations are gross of fees. Indices are unmanaged and one cannot invest directly in an index. These portfolios represent a sample of the various possible solutions on the efficient 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. 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.

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Appendix D: Capital Market Assumptions

Capital Market Assumptions

Asset	Benchmark	Expected return (gross of fee, no alpha)	Assumed alpha	Expected return (gross of fee, including alpha)	Expected Risk
Equities	MSCI World Index	5.6%	0.0%	5.6%	16.1%
Global Fixed Income	MSCI World Index 50% GBP hedged	3.7%	0.0%	3.7%	3.7%
Private Equity	BlackRock Proxy - PE Buyout Global	12.1%	5.7%	17.8%	26.5%
Private Credit	BlackRock Proxy - Private Credit	8.4%	2.6%	11.0%	11.7%
Infrastructure Equity	BlackRock Proxy - Infra Equity Diversified Global	8.7%	5.5%	14.2%	19.3%
Real Estate Equity	BlackRock Proxy - RE Core Global	5.1%	0.8%	5.9%	10.0%
Cash	GBP Cash Benchmark	3.2%	0.0%	3.2%	0.5%

Return is 15Y geometric return, annualised. Risk is 15Y volatility, annualised. Return and risk are not considering the effect of the strategy, and therefore be viewed as baseline, pessimistically reflecting a manager only modest capability. Assumed alphas are based on a combination of the views of the BlackRock Investment Institute and do not represent the views of any BlackRock alternatives team. Overarching strategy-specific fees are applied, see previous page. Note these synthetic expectations are provided for illustrative purposes over a sample time horizon. For the purpose of our analysis we have utilised full simulation paths over the full lifecycle horizons, with variable capital.

Source: BlackRock Capital Market Assumptions (CMA), as of 30 September 2025. Returns shown in GBP. 45-year horizon. Return assumptions are total nominal returns. Asset return expectations are gross of fees. Indices are unmanaged and one cannot invest directly in an index. These portfolios represent a sample of the various possible solutions on the efficient 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. 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.

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