Think Wealth Visionaries
In Conversation with Larry Fink (Part 2) - Beyond Traditional Investing: Exploring the Liquidity Trade-Off

Larry Fink:
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I'm not going to recommend private investments because you do have that illiquidity side of it.
But if you're investing for that 30 or 40-year outcome called retirement…

Ida Liu:
It is very necessary, as you said, to be invested and to think about how to make the capital work better for you, particularly as capital is outpacing the wages as well.
And on that same token, Larry, there's much more interest in private investment.
So what are you seeing in terms of the right allocation on the private side into investment portfolios?

Larry Fink:
I look at a whole portfolio setting.
If you believe that portfolio navigation should be looked upon in the entirety of what your long-term objectives are, the insertion of private markets and public markets should be just another tool, another product to invest.
If you're investing for an objective that is in five years or less, I'm not going to recommend private investments because you do have that illiquidity side of it.
But if you're investing for that 30 or 40-year outcome called retirement or investing for a longer dated, the added return that you could get from private markets justifies that investment.
But importantly, I look at liquidity as just one of the risk measurements that everybody should be navigating.
I am certainly not suggesting having a 50% allocation in illiquid privates, but I do believe if you could add an extra, let's say, private credit, or if you happen to have the ability to invest in growth equity from the beginning.
But I look at private versus public in the spectrum of liquidity.
What type of liquidity can you afford to take without jeopardising your long-term aspirations?

Ida Liu:
And Larry, the area that we've seen a lot more interest in and a pickup in volume on private market investing is really in the family office space.
And as you know, we work with some of the most significant family offices around the world.
And the AUMs (Assets Under Management) in the family offices have literally doubled over the last five years.
Where are you thinking about for long-term investment in the family office space, where you have much more patient and generational capital?

Larry Fink:
I do believe an allocation to growth equity, especially if it's generational, is really appropriate. I think growth equity is an important component.
If you believe in AI and how technology is going to transform humanity, which I do, then an investment in growth equity or some quadrants of that.
Another way that you could invest, I would say, in the growth of AI or technology is through infrastructure.
We're seeing more and more family offices looking at infrastructure, as a good way of investing in technology.
But also, it's almost in between pure equity and pure debt because it's inflation-adjusted.

The beauty of infrastructure is that it generally has long durations, 20-year durations.
And so we are witnessing a real revolution with family offices investing in infrastructure.
I believe global trade is going to be a major component of the world going forward.
We need to be investing in ports. We need to be investing in airports.
So across the board it can be an AI with data centres.
But I think one of the key messages is that growing our economies with this new technology requires trillions and trillions of dollars to achieve that level of success.

Ida Liu:
Larry, I would be remiss if I didn't ask you, since you're an icon in our industry and all of our viewers want to know how you've built this incredible company. Tell us about that journey.

Larry Fink:
I had another career before we started BlackRock.
I was at an investment banking firm. I was very, very successful in that role until I wasn't.
I learned from the failure of risk management, that's what the failure was then.
And the whole proposition when we started BlackRock was that risk and risk management is going to be essential for any firm to invest third-party money in a fiduciary proper way.
I think more than ever we have to be aggressive in terms of making sure our culture is a culture of the willingness to change, the willingness to evolve, not to be a static firm.
Making sure that we are honouring each and every client with the precision that each and every client demands from us, and making sure that we are that relevant firm, that when they have an issue or they have a question, they come to us first.

Ida Liu:
We have a saying at HSBC that great leaders build better leaders.
And that's obviously a huge example with you setting the tone at the very top here.
And we want to thank you so much for the fabulous insights that you've shared with our clients around the world today. Thank you, Larry.

Larry Fink:
Thank you, HSBC.