

Arbitraging before the ink has dried

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We try to distill our thinking (**in bold type**) of the reasons for Larry Fink, CEO of BlackRock, to call out the “biggest capital markets arbitrage” of his lifetime, seemingly without a blink. When a USD10trn asset manager calls out a great arbitrage, something is likely to be going on and it’s a not-so-subtle wink.

Creating a timeline of headlines/quotes about the firm this year is helpful to find any link.

1. **Covid did not even generate a kink in the curve in the demand for private assets, and they have higher fee potential.**

“BlackRock Inc (BLK.N), the world's largest asset manager, is pushing more aggressively into private market investments, the firm detailed at an investor presentation on Thursday.” – [BlackRock outlines investment push into private markets](#), Reuters, 10 June 2021.

2. **Infrastructure – a core component of the ‘private’ asset class - plays a part to not shrink oil production opportunities in Saudi Arabia.**

“BlackRock Inc. has been hired by Saudi Arabia to advise a new investment fund established to help finance a drive to upgrade infrastructure across the world’s biggest oil exporter.” – [BlackRock Get New Saudi Mandate for Infrastructure Fund](#), Bloomberg, 25 Oct 2021.

3. **Private assets are incredibly cheap on a relative basis, even arbitrageable, as they are not scrutinized on climate/ESG grounds the same way as public assets.**

“BlackRock chief Larry Fink has warned that pressure on public companies to pursue net zero targets — while leaving private ones out of the spotlight — is creating opportunity for “the biggest capital markets arbitrage in my lifetime”. “ - [BlackRock’s Fink says climate pressure on public companies is ‘biggest arbitrage in my lifetime’](#), Financial Times, 3 Nov 2021.

We strongly support BlackRock’s stated support for higher transparency in private markets mimimizing the probability that the assets end up a stink. Indeed, we support more transparency across the whole industry, as climate is at the brink.

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