UNITY INVESTMENTS

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Trump's 401(k) Executive Order to Unlock US$9.3 Trillion for Private Markets

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About Unity Investments

Our mission at Unity is simple yet profound: to create better access. Specifically, Unity identifies, catalyzes, and capitalizes on the most compelling alternative investment opportunities and shares them with our investors. In the long run, we aim to level the playing field.

Today, our investments business predominantly focuses on high-yielding private credit opportunities in the U.S. By building our origination network, underwriting team, and fund administration capabilities in-house, we control the entire investment process end-to-end to ensure quality and consistency. Selected for asymmetrical risk-reward and downside protection, our private credit deals are bespoke, privately negotiated, rigorously underwritten, and creatively structured. To learn more, please visit www.unityinvestments.com.

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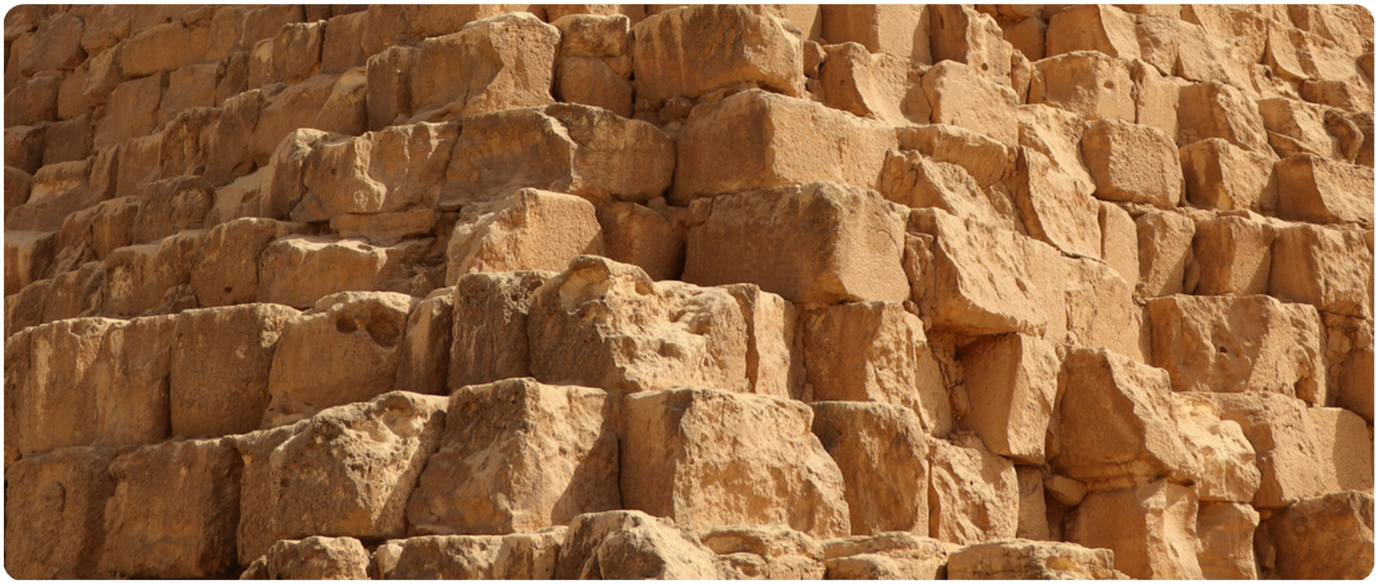
1 Overview

On August 7th, 2025, U.S. President Trump signed Executive Order 14330[1] (EO), which directs the U.S. Department of Labor (DOL) and the Securities and Exchange Commission (SEC) to issue guidance for employers regarding the integration of private market assets into U.S. 401(k) retirement plans.

This initiative aims to unlock access to what is already a US$9.3 trillion market[2], a segment historically dominated by public equities and mutual funds. The EO opens doors for the ~90 million Americans who participate in employer-sponsored contribution plans to invest in alternative assets.



Executive Order Highlights

The EO aims to relieve the regulatory burden and litigation risks that currently impede retirement accounts' access to alternative investments. Under the EO's directive, the Secretary of Labor will, within 180 days (by February 3rd, 2026), reexamine all guidance under the Employee Retirement Income Security Act of 1974 (ERISA). This has already taken effect in the form of the DOL's rescission of the 2021 Supplemental Private Equity Statement, which previously discouraged fiduciaries from implementing alternative assets in 401(k) plans.[3]

To democratize access, the EO broadly defines what falls under the broader category of alternative assets. This includes both direct and indirect interests/investments in private market instruments, real estate, digital assets, commodities, infrastructure, and annuities.

2 The Current Pension and 401(k) Market Landscape

To assess how the new 401(k) policy could reshape private-market access, it is essential to understand the broader U.S. pension system first. Employer-sponsored U.S. retirement plans generally fall into two categories: 1) Defined Benefit (DB) plans, which promise workers a fixed income in retirement, and 2) Defined Contribution (DC) plans, such as 401(k)s, which depend on individual savings and their investment performance. The two systems differ fundamentally in how investment risk, liquidity needs, and return objectives are managed. These differences explain why private assets have flourished in DB but remained largely absent in DC. Below, we list some key differences between DB and DC.

	Defined Benefit (DB)	Defined Contribution (DC)
Example	*"You work for us for 30 years, and when you retire, we will pay you 60% of your final salary every year for life."*	*"We, the employer, will contribute 5% of your salary every year into your personal retirement account. You choose how to invest it - stocks, bonds, or mutual funds - and whatever your account is worth when you retire, that is what you get."*
Who makes investment decisions?	Professional investment managers hired by the plan sponsor (employer or pension fund)	Employees who select from a menu of options (mutual funds, target-date funds, etc.)
Who bears investment risk?	Employer - must fund any shortfall if investment returns are insufficient to meet promised benefits	Employee - account value depends entirely on their own decision-making and market performance
Investment Horizon	Long-term, multi-decade horizon aligned with retiree lifetimes and predictable benefit payments	Varies by individual. Employees can buy or sell funds, change allocation, or redeem at any time they want. That means all the funds inside a 401(k) must be able to price and trade daily.
Liquidity needs	Low; assets can be invested in long-term, illiquid strategies	High; requires daily liquidity
Market Size	US$12.3 trillion[2]	US$13.0 trillion, including US$9.3 trillion in 401(k)s[2]
Typical allocation to private markets	~16%[4]	~2%[5]

How are the Assets of 401(k) Plans Distributed?

Historically, the allocation in 401(k)s has been heavily weighted toward equities, which naturally carry higher market volatility. By the end of 2022, the dollar-weighted average equity allocation was 71.0%, decreasing with age from 89.5% for participants in their 20s to 57.0% for those in their 60s.[6] The EO provides a mechanism to diversify beyond public equities, offering alternatives such as private credit, which can be more resilient during economic downturns and diversify away from idiosyncratic risk.

Age Group	Equity Funds	Target Date Funds	Non-Target Date Funds	Bond Funds	Money Funds	Stable Value Funds	Company Stock	Other	Unknown	Equities
20s	26.3%	65.6%	1.7%	2.4%	0.2%	2.0%	1.2%	0.4%	0.1%	89.5%
30s	32.8%	55.6%	1.9%	3.6%	0.3%	2.8%	2.3%	0.6%	0.1%	87.4%
40s	39.3%	42.9%	2.3%	5.4%	0.4%	4.7%	3.9%	0.9%	0.2%	80.6%
50s	40.8%	34.3%	2.6%	7.6%	0.7%	8.2%	4.3%	1.2%	0.2%	68.9%
60s	36.3%	32.0%	3.5%	10.1%	1.0%	12.2%	3.3%	1.3%	0.3%	57.0%
All	37.9%	38.0%	3.0%	7.4%	0.7%	8.0%	3.6%	1.1%	0.2%	71.0%

TABLE 1. Average asset allocation of 401(k) plan accounts by participant age (2022). Percentages are dollar-weighted averages. Equities include equity funds, company stock and the equity portion of target date/non-target date funds. Data retrieved from EBRI[6].

3 Why Private Assets have Previously Eluded 401(k)s

Before the EO, DC plans faced significant challenges in accessing alternative assets because the regulatory framework made doing so legally risky and operationally difficult. As DC accounts, 401(k) plans involve frequent participant activity involving reallocations, withdrawals, and ongoing contributions that come with every paycheck. This leads to a constant flow of small transactions that require liquidity and up-to-date valuations. Private funds are naturally illiquid with a defined lifecycle, making small, frequent contributions and distributions difficult, if not impossible. Moreover, should a participant choose to transfer their stake in a private fund before its target date, determining the value of that stake becomes problematic. These structural mismatches make it fundamentally difficult to integrate private assets into participant-directed retirement plans.

Following a 2020 Informational Letter, which affirmed fiduciaries could offer private equity components in 401(k) plans under ERISA's framework, the DOL compounded caution through their supplemental statement issued on December 21st, 2021.[7] The statement introduced a cautious tone which emphasised the complexity and illiquidity of private assets, and ultimately led to heightened scrutiny regarding its inclusion. The Anderson v. Intel Corp. class-action lawsuit[8] further highlighted fiduciary concerns, which we further discussed in the Appendix.

Why Open Private Assets to 401(k)s Now?

The timing of recent policy shifts suggests a coordinated effort to broaden retirement investors' access to private markets. In the U.S. today, more than 80% of companies with over US$100 million in revenue are privately held[9], meaning a growing share of economic value is created outside the traditional access of 401(k) plans.

A central driver as to why the EO was issued now is the strong performance of private equity within institutional pension funds. For example, in an AIC study[4] analyzing 200 U.S. public pension funds, over the last ten years, private equity returns showed a median annualised return of 13.5%. This outclassed public equity returns at 9.7% and fixed income at 1.9%.

At the same time, in the lead-up to the 2026 midterm elections, the EO introduces initiatives aimed at expanding investment opportunities for 401(k) participants and retirees in general. This move responds to public concerns about retirement security and broader economic priorities, and signals the administration's attentiveness to voters' pro-market interests.

Complementing the EO, on August 15th, 2025, the SEC removed the informal 15% limit on private investments[10] within public closed-end funds. This change does not yet apply to funds regulated under the '40 Act, though there is growing momentum for further adjustments. Although this does not directly affect 401(k) plans, it is a positive signal of policy shifts in favor of access to private markets.

4 What does This Mean for Private Credit?

Private credit is projected to reach ~US$3 trillion by 2028[11], which reflects the rising investor interest in higher-yield alternatives to public bonds. This EO bodes well for providing access to private credit through 401(k) accounts. A previously unavailable asset class is now investable, providing much-needed diversification in 401(k) portfolios that are concentrated in equities.

That being said, there are a couple of challenges and risks to take into account. Illiquidity of private credit is a huge factor, as 401(k) investors typically expect daily liquidity and valuation transparency. This means realistically, only large funds will have the ability to absorb illiquidity.
In conclusion, we believe that the democratization of private credit is a matter of time. We have unwavering conviction in the strength and long-term potential of the asset class. While the EO is a positive move in the right direction, the immediate impact on private equity and credit will be relatively limited.

If you would like to learn more about the implications of the EO for private credit and related topics, please feel free to reach out to us at IR@unityinvestments.com.

This is Life, Compounded. $A = P\left(1 + \frac{r}{n}\right)^{nt}$

Appendix

The Anderson v. Intel Corp. class-action lawsuit further highlighted fiduciary concerns. Plaintiffs alleged that Intel's DC plan's inclusion of private funds breached fiduciary duty under ERISA. On May 22nd, 2025, the Ninth Circuit Court of Appeals (Ninth Circuit) affirmed that ERISA's duty of prudence evaluates a fiduciary's prospective decision-making rather than hindsight performance. Consequently, the court found that private funds are not off limits and that private assets may be part of a diversified participant-directed investment portfolio. That being said, the prolonged 7-year lawsuit and the possibility that other circuits could apply a more plaintiff-friendly standard left fiduciaries hesitant to include private market investments.

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