THE CONTROL REPORT

CASH IN ON
ALADDIN

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Cash In On Aladdin

Dear *Control Report* Reader,

BlackRock is often referred to as the world's largest asset manager, BlackRock has been quietly amassing power and shaping the global financial landscape.

Many experts argue that it has become the unofficial fourth branch of the U.S. government, wielding an influence that extends far beyond Wall Street. It arises from the recognition that the firm has achieved a level of power and control over financial markets that rivals, and in some cases, surpasses that of government institutions.

Here are a few key reasons why BlackRock is often compared to a de facto fourth branch of government:

1. **Immense Assets Under Management (AUM):** BlackRock manages an astonishing amount of assets, well into the trillions of dollars. Its AUM not only dwarfs that of other asset managers but also rivals the holdings of entire countries. This vast wealth gives BlackRock significant leverage in shaping corporate behavior, influencing government policies, and even directing global investment trends.

2. Influence on Corporate Governance: Through its substantial holdings in numerous public companies, BlackRock has a significant say in the governance of these corporations. This influence can extend to environmental, social, and governance (ESG) issues, shaping how companies address critical societal and ethical concerns.

3. Government Partnerships: BlackRock has deep ties to the U.S. government. Many former BlackRock executives have held key government positions, and the firm frequently advises policymakers on economic and financial matters. This symbiotic relationship between government and BlackRock has given rise to the notion that the firm plays an unofficial but pivotal role in shaping economic policies.

4. Aladdin: BlackRock's Control Center One of the primary tools that empowers BlackRock's ascent to the status of a quasi-governmental entity is its Aladdin platform. Aladdin, short for Asset, Liability, Debt, and Derivative Investment Network, is a comprehensive software platform that provides risk management, trading, and investment tools. It serves as a central nervous system for financial institutions and institutional investors, offering real-time insights into their portfolios and risks.

Aladdin's influence extends beyond being a mere software platform. It is the backbone of BlackRock's operations, allowing the firm to manage its vast AUM efficiently. Moreover, many other financial institutions rely on Aladdin to manage their own investments, essentially outsourcing a significant portion of their decision-making process to BlackRock.

As Aladdin's capabilities continue to expand and improve, it is positioned to exert even greater control over global assets. Here's how Aladdin is becoming increasingly influential:

1. **Data-Driven Decision Making:** Aladdin's sophisticated analytics and data-driven insights enable financial institutions to make informed investment decisions. This data-centric approach is becoming increasingly prevalent in the finance industry, with Aladdin leading the way.

2. **Risk Management:** Aladdin's risk management tools are crucial in today's complex financial landscape. It allows institutions to navigate volatile markets and make strategic investment choices with confidence.

3. **ESG Integration:** Aladdin has incorporated ESG factors into its platform, reflecting the growing importance of sustainability in investment decisions. This positions Aladdin as a leader in aligning investments with environmental and social goals.

4. **Expanding Client Base:** Aladdin's client base continues to grow beyond traditional asset managers. Pensions funds, insurance companies, sovereign wealth funds, and more are all relying on Aladdin to manage their investments effectively.

It’s as Rob Goldstein, the COO of BlackRock has said: *“To really understand BlackRock, you need to understand Aladdin.”*

The growing influence of BlackRock and the Aladdin platform raises important questions for you… like is your money being controlled by them? And if so, how is it being managed using this system? And, do you want it to be? Since you’re here, I'm assuming you do not want your money controlled by them, which is why we have what I call, ***"Opt Out of the Machine*"** Report.

Beyond that, you can cash-in on Aladdin by buying shares directly in BlackRock.

Now, a quick note...

I know this seems like doing a deal with the devil...

But, there's a case to be made if it doesn't seem totally reprehensible to you (in which case, choose the strategy within our ***27 "Woke" Stocks to Avoid*** list, of which BlackRock is one.)

On the flip side of the "avoid" argument, the stock market is what's called a "secondary market". Meaning, when you "invest" in BlackRock, you're not really providing the company money that it uses to do things with. You're buying the shares of the stock off of someone else. Now, that share is a claim on the company (which, since such a large part of it is Aladdin, you can think of as shares in Aladdin).

Meaning, if BlackRock was to fold up shop, you'd be entitled to a share of the money from the company company liquidating everything it owns, net of all claims/liabilities are paid.Other than that (which is unlikely to happen), you're literally just holding a digital receipt of a stock certificate that will fluctuate in value as people's view of the prospects of BlackRock/Aladdin go up or down.

I personally believe that the trend is towards even more control and use of Aladdin.

Larry Fink, who is in charge of BlackRock, set a goal in 2016 for Aladdin to make up 30% of BlackRock's revenue compared to the 7% it registered in 2022 (again, Aladdin is a big part of BlackRock's influence and control right now, not necessarily it's earnings.)

According to the team at ValuePunks:

> *"This has also fomented a speculation of potential spin-off of Aladdin.* **[CONTROL REPORT NOTE: If there was a spin-off of Aladdin into it's own company, it's typical that owners of shares in the original company, in this case, owners of BlackRock shares prior to any spinoff, would automatically receive shares in the new spin-off, too.**]
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> *Management hasn't confirmed nor denied this, but there are reasons to believe it's a viable option in the future. Management may be pressured by regulators to curb BlackRock's influence. But there are also good business reasons for doing so –separation from BlackRock can possibly allow Aladdin to better grow as a standalone entity, for example by alleviating concerns that its competitors may have that it's owned by BlackRock. Aladdin might also be able to better execute growth strategies such as pursuing asset management software roll-ups independently. Finally, shareholders could benefit if Aladdin gets valued based on standalone growth software multiples. If BlackRock does this it won't be the first time in the industry. In 2018 Brevan Howard, a macro hedge fund, spun off its internally developed trading infrastructure in 2018 and renamed it Coremont.*
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> *BlackRock as a software house isn't yet a growth narrative that's being widely recognized by investors. With a long term horizon, this may be a potential area for alpha generation. At the very least, this is an area which management can fall back on in a situation where the asset management*

> *side proves to be tougher to grow due to market environment. If this turns out to be the case, it is fairly conceivable that management would make a bigger push to grow the software side. It's an optionality for shareholders and a strong value proposition for owning BlackRock over the long run.*

For this reason, it might make sense to hold your nose and own BlackRock. For all of the ways the government and private partners try to control us, there are many ways to take back control in light of it. For example, you could have a portfolio that simply focuses on quasi-government-guaranteed but publicly traded companies -- like defense stocks, BlackRock, some Big Tech companies, and some too-big-to-fail banks like Bank of America and Goldman Sachs.

Ask yourself... 10 years from now... will BlackRock likely be bigger or smaller? Will it control more of finance or less?

My bet is it's bigger, and has more control over the global financial system than ever before.

We'll let you make up your own mind!