

INVESTING IN A SHIFTING ECONOMIC CLIMATE: THE ASIA- PACIFIC OUTLOOK

Sarah Williamson 00:00

Thank you all very much for being here. I think you know where you are, but this is called "Investing in a Shifting Economic Climate: The Asia Pacific Outlook". I'm Sarah Williamson, I am the chief executive officer of FCLTGlobal, or Focusing Capital On the Long Term—which is a nonprofit that works on capital markets with our 65 members around the world. And I'm thrilled to be moderating this panel this afternoon. So we've had a lot of discussion already at this conference about what's going on in the world, where are tariffs going next—all of those sorts of things. We really want to talk today about the big picture issue of, how do we make good long term investment decisions with all this short term noise? And in particular, we're really going to focus on three big issues, which is: are these big investors moving money towards the US or away given all the things that are happening? Are these tariffs creating or eliminating opportunities in the Asia-PAC region? And, how do you make good decisions in an environment like this one? So I'm going to start off by asking my panelists each to briefly introduce themselves—and we've got a couple of couple of things to try to make sure you understand how different they are from each other. The first is, I'm going to ask them to talk about the mission of their fund. Is it a development fund, a pension, a sovereign—what is it? How much is internally managed versus outsourced to external managers? How much, more or less, is invested in private versus public? And, how much is in your home country versus some other countries? As well as, of course, their name and their position. So Mohamed, let me start with you and we'll just go down the row.

Mohamed Albadr 01:51

Sure, thank you so much. My name is Mohamed Albadr. I am the Executive Director at Mubadala. I focus and head all of our Asia operations, which mainly, I would say, mandated around China, Japan, Korea and India and Southeast Asia. So that's our main focus areas on the private equity side of things. As an organization, we are a sovereign wealth fund—we're about \$330 billion in size. If I were to talk about the portfolio construction, we're probably about 40% in the private equity space, we're probably about 25% in public equities and about 15% in real estate and infrastructure, and the remaining are in alternative investments. In terms of what we have from a geographic standpoint, within our country, is probably about 30% of our portfolio, about 70 is across the world—

the majority of that is in the US. It's about 40% of our portfolio itself. What makes us somewhat differentiated from other sovereign wealth funds—I would put it around three or four different items. The first one is we've incubated businesses from scratch, internally as an organization, and taken them all the way out to IPOs. We've raised third party capital, so we have something called Mubadala Capital that manages roughly \$30 billion and has institutional investors within there. And I would say we have a pretty stable management team that's also there—that's been there for a number of decades and so this is how Mubadala has crafted, based out of Abu Dhabi, five offices. We have probably about 50 countries that we invest towards, and we can do investments anywhere from a million dollars all the way out to a couple of billion dollars if need be.

David Elia 03:28

Thanks, Sarah. And great to be back at Milken. So David Elia, I'm the Chief Executive Officer of Hostplus. Hostplus is one of Australia's largest pension funds. I don't know what markets have done today, but let's go with \$140 billion AUD. We're an incredibly well diversified superannuation fund, often remind my American colleagues that when you think about Australian-style pension funds, don't compare us to US-based pension funds, so defined contributions, schemes. We're probably more akin to an endowment fund, so there's no asset class that you know we're not interested in exploring, we're largely running 60/40 portfolios so 60% [inaudible] listed. That does include a little bit of cash and 40% unlisted. We are largely outsourced, so there's an interesting, I suppose, experiment happening in Australia, a lot of the large pension funds are moving towards internalizing their asset management function, so to some degree, becoming asset managers in their own rights. Our strategic position at the moment is that we'll remain outsourced.

Sarah Williamson 03:29

Great, David. Thank you.

Kate Galvin 04:00

Hello, Sarah. And of course, it is lovely to be back at Milken and lovely to be back at Milken with David as well. So I'm Kate Galvin. I'm the CEO of the Victorian Funds Management Corporation. So we're what's known as a sub-sovereign. So I invest for the future of the state of Victoria in Australia. We're \$93 billion Australian and we're 60/40, a bit like my colleague or my peer over here, so 42% in private markets and the rest in public markets. We are doing an interesting experiment across lots of the investments in Australia, where trillions of dollars are invested but we actually have 37% of our portfolio invested internally by the team, and we have 45%, we have a home market bias, so we have 45% of our portfolio invested in Australia across different asset classes, 55% of it overseas and, interestingly, 38.5% of it is invested here in the US.

Pandu Sjahrir 05:45

Hi everyone. My name is Pandu Sjahrir. I'm the Chief Investment Officer of Danantara. This is probably the newest sovereign wealth fund from Indonesia, it's about 12 weeks old.

Sarah Williamson 05:55

12 weeks?

Pandu Sjahrir 05:56

12 weeks. So still very new. It is our first trip outside of Indonesia, which is here in Milken so thank you for having us. Essentially, we have two functions. Number one is to corporatize all the state-owned enterprise that is put into Danantara. This includes some of the largest banks in Indonesia, the oil and gas company in Indonesia, the mining companies in Indonesia. All these assets—845 companies, about a trillion in asset, which puts us number five as a sovereign wealth fund. The second function to invest the dividend of these businesses. So these businesses today generate roughly 10 to \$12 billion of dividend. For every 1% that we improve on the business, that generates an excess 10 billion of dividend. So in over five years, it ranges between 50 to 80 billion of dividend that we need to invest, excluding leverage. If we include leverage and projects, this will be over a quarter of a trillion that we need to invest. Obviously won't all be Indonesia, I'm just listening to all of you—I'm trying to learn from all of you. So it sounds good. So most likely we'll do similar. But the main difference, maybe, is that when we work with GPs, when we work with partners, we just want two things outside of return commercial. Number one, can you bring knowledge, transfer of knowledge, to us? And number two, technological knowledge. So I'll stop there, but thank you.

Sarah Williamson 05:56

Great. Vasyl. I know way down there. Hi.

Vasyl Nair 06:23

Thanks, Sarah, you're so far away. I can just see you. My name is Vas. I'm the CEO of Team Super. Our fund is actually 85 years old, and we were established in 1941 to look after the retirement outcomes for coal mine workers in Australia—which makes a significant contribution to the economy. We've expanded and merged over a number of years. So we also look after the retirement savings of transport workers as well, energy workers—so we have a very heavy manual base. We're definitely not as big as Hostplus, we manage 22 billion AUD on behalf of 150,000 members. We have a home bias as well, similar to Kate, we've got 45% invested in Australia and 55% globally. And we have an 80/20 public/private split within the portfolio. We're not too dissimilar from Hostplus from an investments perspective—we do not manage any of our assets in-house. We have a collection of 55 managers, and we have a team of 15 investment professionals who look after the portfolio through the management.

Sarah Williamson 08:22

Great, great. So you can see there's some old funds, there are some young funds—there's all sorts of different approaches. So let's jump into how you, as all these different funds, are allocating capital globally and thinking about how to shift that in what's going on today. So, Kate, let me start with you, I know you have a large amount of money invested in the US. What is your perspective on the changes going on here with the new administration? And is that leading you to be more excited, less excited about the US? How is this affecting flows from outside? Because I think if we've been—some of you have been in some of the presentations with the American officials over the last day or two, there may be slightly different perspective from outside the US. Is that fair?

Kate Galvin 09:13

Thank you, Sarah. So you know, I'm here to see what it's like on the ground, because it is very interesting when you're not actually on the ground to see what plays out in the press, particularly as far away as Australia. So I wouldn't say—I think cautious would be the way that I would sum up how I'm feeling about my exposure to the US at the moment. So at the moment, we're watching the data—so it's really interesting. We're seeing the soft data is looking very cautious and confidence seems to be down but the hard data keeps coming out and it's incredibly strong—the labor market over here is really strong. So our thesis would be, at some time those two data points converge and at the moment, it's quite hard to have a perspective on—well, to call exactly where they will converge. So I think caution is how I would sum it up. We are largely unhedged and we have a large US exposure, so we are starting and the great thing about being of the size that we are, compared to some other people on the panel, is we can be active around the portfolio. So we're taking some active positions around the portfolio. For example, we've got a short US dollar, long Japanese yen starting to think about where do we think there are going to be some safe havens in this kind of uncertainty and volatility. And then I think the other thing that it behooves me to mention is, we are looking at how the US and the current administration are thinking about US institutions and stability. I think all the investors on the panel would agree with me, you know, stability and certainty are things that long term investors like—or a bit of predictability. So I'm just watching how the support of US institutions is being supported on the ground here. So that would be the three things I'd say we're thinking about at the moment.

Sarah Williamson 10:53

Yeah, that makes a lot of sense. David, let me come to you. I know you've got a strong cash inflow position, right? You've got young workers they're putting money in so you've got to put the money somewhere. How are you thinking about putting more money in the US or relative to other places around the world right now?

David Elia 11:13

Yeah. So probably should have added that Hostplus looks after the retirement accounts of just under 1.9 million working people in Australia. So that's approximately 12 to 13% of the Australian workforce—so incredibly important role in that regard. Firstly, it's a great problem to have if you've got cash. I know for some people, it is a

problem but it's a great problem to have. And you know, from my perspective, and certainly the investment teams perspective is that notwithstanding that you need to remain quite disciplined, irrespective of the current investment environment or the economic environment. So it's not that we haven't necessarily experienced various shocks to investment markets, I've been around for quite a long time, I didn't realize we're going to have to deal with the pandemic, but that's now on my resume. So I think the underlying notion of being a genuine long-term investor is something that I certainly keep reminding the team about. Having said that, you have to manage volatility and what volatility generally means is that, more often than not, it can present some really interesting opportunities for you. So linking it back to the whole notion of cash, having that flexibility, having that agility to really deploy and take advantage—I don't want to use the word tactical, but it is to some degree tactical positions is something that we're certainly focused on. Specifically in relation to the US, it's been said through numerous presentations—I will never bet against the United States. You can't bet against a country that has high levels of productivity versus the rest of the world, it is a genuine innovator. If what we hear is right, I know the focus is largely on tariffs but if you believe the story around deregulation in the American, shall we say, economic system—greater incentives to ostensibly further release the economic power, the innovation that is the United States then I think that only bodes well for the longer term. Clearly, there are short-term issues that we've got to deal with but we're not getting overly excited, we're not getting overly concerned. We're continuing to deploy cash. We're continually deploying opportunities or seeing opportunities in the United States. Having said that, there are some sectors of the US economy that are overvalued, so we're probably rotating around to areas such as private credit, which seems to be the broad thematic of this conference. We've been in credit for quite a long time—real assets, we think, is where you want to be, infrastructure, which for most Australian pension fund investors—I mean, we're pioneer infrastructure investors so we're seeing some fantastic opportunities in that space. So we're continuing to deploy, when it comes to China, about 3.5% of our portfolio is actually directly invested in China but for most of us Australians that are here, if you really want to delve in deeper, our exposures are actually quite significantly higher by virtue of the fact that China is our single largest. I suppose, export-orientated country, they buy a lot of our minerals. A lot of our hospitality sector is predicated on Chinese tourism. They're back buying our beef, they're back buying our wines which is wonderful in that regard. So from our perspective, there's still ongoing opportunities within China. So it's not a binary issue. When you think about China versus the US, you need to carve out, you need to try and, I suppose, identify those specific opportunities and take advantage of them.

Sarah Williamson 12:44

Vas, let me come to you. I know you—David, you just mentioned the Chinese buying minerals. That's obviously what workers tend to do. And you also mentioned a few minutes ago that you had a home country bias, but Australia has got this—you know, again, high class problem, that there is so much investable capital there that if you all had a home country bias, it would probably overwhelm it. So how are you thinking about this allocation around the world?

Vasyl Nair 15:43

From our perspective, we have considered at an investment committee level, the changes in the US policy framework over the last four months and probably echoing David's comments, we remain invested. I would suggest that we will not be aggressively investing away from the US, we don't necessarily see Europe, emerging markets or the UK as more attractive, so we still remain invested over the long term. From a home buyers

perspective—obviously our membership are quite exposed to China — just based on the sectors that they work within. That being said, though, like a number of other pension funds in Australia, the level of concentration risk that we have at home is quite high. So whether or not we would look to take on additional concentration risk as a result of what's happening globally is unlikely at this particular point in time. We are obviously keeping an eye on the outcome of protectionist trade policy—how that plays out of the short to medium term. But at this stage, it's not necessarily a wait and see but we are not stopping investment, we continue to reweight the portfolio. And if anything, the US story for us was probably having less exposure to the Mag 7 because our fund was quite exposed and our members were quite exposed to that growth, so it drove significant returns for them over a number of years but again, not to syndicate David's comments, we feel that that particular part of the market is overvalued, so in our pension book, we re-weighted down by about three and a half percent, and we actually moved back into emerging markets.

Sarah Williamson 17:35

Interesting. Great. Mohamed, let me come to you. You invest in private markets mostly, and obviously one of the issues there has been the lack of exits, lack of distributions and so you've got an interesting situation where I'm sure you're investing more money, but the money's not coming out. So talk a little bit about how you're thinking about the—you know, money in and out, and where that's going?

Mohamed Albadr 17:56

Sure. So, you know, just to close the loop on the trade part of things and I think that's probably the most topical thing that's on everybody's forefront of their mind as institutions—I think philosophically speaking, everybody's re-running their numbers and looking at their assets that are within their books, redoing their base cases, understanding what's taking place and all the data points that are there and also trying to look at the opportunity sets that are out there. And so you're kind of operating in three prisms, all at the same time, and taking all those variables in a very fluid situation and coming up with decisions. And so this is what every single one of us portfolio managers are doing today on a constant basis and it's one where you're always running towards your phone and trying to understand what's taking place, what's coming out of the US, what's coming out of China, what's coming out of Japan, Korea, and all these different locations and how is that playing into what we're doing. Now for us, as investors, we're long term investors and so we invest through the cycles. And so when we look at a place like Asia Pacific, we're thinking about it from a totally different perspective. We think that there's going to be outsized returns for many years to come due to a number of different things and that's demographics playing a part in the role in that. And so this is the really interesting thing, is that you have so many people getting out of the middle class. You have the enablement of technology. And then you have also governments that are becoming much more stable in terms of their long-term policies. This creates a unique opportunity there where I think you can find compelling stories and attractive businesses that you can deploy towards. Now, taking all that into consideration today, us as an organization, we have probably about 13% of our portfolio in Asia. We're looking to ratchet that up to probably about 25% in the next five to 10 years. And so what are the key drivers and which markets are they going to be [inaudible]? They're playing in places like India, right, where there's a significant amount of growth—you look at the compounding growth that's there from a GDP perspective, it's probably around 6-7% on an annual basis. You'll get a place like China, that's going to keep growing for another 4-5% for the years that are coming up, once a deal happens, if a deal happens, in the next few quarters. And then you have places like Japan and Korea,

which is slightly more nuanced and so you have to be very specific on where you're deploying your capital there. Southeast Asia, I think is also playing a great role and I think there is going to be a shift and a paradigm shift within there. But the depths of the private equity markets are a lot less and so if you want to do something like late stage and buyout, it's going to be a lot more challenging to do it in a place like that. And so this is kind of the framework that we're operating in within this kind of climate today and I think it's one where if you can navigate and be very precise about what are the type of opportunities that you're looking for and get really nuanced in the idiosyncrasies of each one of these markets, you can have a field day. And in this market, I think there are only a number of people that are playing so it's a very exclusive crowd, especially in the private equity side of things and so partnerships and teaming up with those partners—extremely important. We operate a very interesting model when it comes to LP commitments. We don't just deploy the capital and walk away. We kind of administer a new way of operating. We call it an unlimited partnership. And so what does that mean? We don't interact as LP-GP. I want to see co-investments, I want to do direct investments alongside you, I want to co-underwrite these investments, be a part of the board, do the diligence, top-up DD and everything that's around it and the governance, and build those term sheets and deploy capital. And so this gives us a kind of unique opportunity in a place like China or in a place like India, where there aren't that many people that have been very successful and I think teaming up with the right people is an extremely important one to navigate.

Sarah Williamson 21:52

That's really helpful. So Pandu, your assets, I believe, are mostly in Indonesia. Is that right?

Pandu Sjahrir 21:59

All Indonesia.

Sarah Williamson 21:59

All in Indonesia. So how—so as you're putting this thing together with the understanding it's 12 weeks old—so it's still very new, do you expect your assets to be in Indonesia for the long-term? Are you going to diversify? How do you think about your global exposure? And also, of course, the businesses that you own have exposure as well — so how do you put that together in this global context?

Pandu Sjahrir 22:21

So number one in the business side, what do what we want to do is to continue to grow. They're already the most dominant player in our country. And I think now, given what's happening geopolitically, you know, I think the focus now is how to become bigger regionally. And we are looking now in terms of partnership, right, in terms of working with other sovereign funds. So for example, our 10th week in existence, us and Qatar Investment announced a co-GP where we put in 2 billion, they'll put in 2 billion to invest together, specifically for Indonesia. But how do we work in the industry of healthcare, energy transition? How can we invest and bring best technology and companies

into this part of the world? So that's one, right? And I think the way we're looking at some of our businesses as they grow, they have to acquire. One of the things that we're looking here in the US, being very open with all of you, is looking how can we increase in digital infrastructure, energy, upstream energy, right in terms of oil and gas, right? Those sectors, refinery, how can we invest? And thankfully, I think we can invest and put that as part of that tariff discussion, right? And I think that's one of the conversation we're having, is how to put capital at work you know, creating jobs but at the same time having political ties. Like it or not, I think all of us have to be upfront about this that geopolitics is probably top of mind, right? You can play all the numbers, etc, but what happened with the tariff and that's why it's called tariff war, right? It's a tariff discussion—it does change the way you see countries, the way you look at investment, the way you look at really long term risk. If we talk about all the positive about the US, for example, one of the things that worry me the most is actually what's happening in brain drain, potential brain drain—what's happening between the leading universities. How will that affect—because I think what's been the best about the US the past two, three decades has been the migration of really smart people coming here and creating innovation. Will what has happened recently, the past two, three weeks, will that reverse that? And what will happen the rest of the world and what will happen to America? So if you think long-term, one of my big worry is about brain gain or brain drain. So we see it as an opportunity, obviously you know, so for us, love to have people come to Indonesia and see, right? And how can we invest together in Indonesia? And this is part of it—part of us coming here is to see, how can we collaborate with US partners.

Sarah Williamson 24:50

One of the speakers yesterday in one of the other rooms said that 40% of the PhDs awarded in this country last year went to non-Americans. So, exactly to your point, it's—

Pandu Sjahrir 25:01

It's a worrying trend.

Sarah Williamson 25:05

The whole scientific side of things is—really critical.

Pandu Sjahrir 25:08

We haven't talked about STEM. The development of STEM the past decade has actually declined—STEM score in the US and will that accelerate, or how will that trend play out?

Sarah Williamson 25:20

All sorts of things going on. All right, Kate, you just had elections in Australia, I believe, over the weekend. Obviously Canada had some elections, you know, a couple weeks ago. How—tell us, especially for the non-Australians in the room, what did that election say? Did it validate—was it similar to what happened in Canada? And what does that mean for opportunities in Australia, but also around the region? And before I let you answer, we have a QR code so people who have questions, please take a picture of that, and then it'll come to my iPad, and I will ask your questions too but I have plenty. But if you've got some, please send them in.

Kate Galvin 26:03

So of course Sarah is a senior public servant. I will not be politically commentating. But for those who are not familiar with the Australian Federal and State election cycles, we actually have a really short election cycle federally. So we have an election every three years. So it's actually the incumbent government was returned with a greater majority, which wouldn't have been expected, of course, six months ago. So very much a similar effect to what has happened in Canada. I think for Australia, that is kind of good so if you have a short election cycle—as long term investors, stability, certainty of outcome, I think is a good thing. And as someone who has a lot of exposure to Australia at least, I understand what this government—what their aims will be. And you know, the other great thing about Australia, which other people might not realize, is we have compulsory voting. So we tend to have a very centrist government, whatever flavor it tends to be, because we all are required to vote. I had to do an absentee vote before I got on the plane—otherwise, I would get fined—which is an interesting quirk, but it leads to very different political outcomes from other countries—not actually that different in Australia but my fellow panelists might think differently. So how are we thinking about investing in the region more generally, Sarah, I think is interesting. So we've actually decreased our exposure to emerging market debt and equity over the last couple of years. We took a view that we've been quite heavily invested in the last 10 years, but actually the return for the risk wasn't really there. So that doesn't mean that we—and you know, a lot of the economies in the Asia Pacific region are emerging, but we agree with you, Mohamed we need to be tactical and really drill down into the specific areas that we're going to have exposure to. So in the last couple of years, and I spoke about this last year, we've started to invest in private credit in India, for example. And when I talk to my investment team, my CEO instructs them that actually, if you get heading offshore, be good if you could go via India because to increase our understanding of that market where we think there is lots of good opportunity, makes sense for us. We also think that it is about what you know so getting out more generally in the region, understanding what's at play. So, David, you've already touched on the fact that Australia, as an economy, is very exposed to China. The China Plus One is starting to really play out in our region. So we're starting to look at that you know, I've talked already about we're looking at Japan, places like Vietnam and being really specific about what our exposure is going to be in the Asia Pacific region. That's what we're really thinking about. And you've touched on this as well, Sarah, the other thing that—the interesting thing we have in Australia is we're just not that big a country with that big an economy, but we have trillions of dollars of pension and sovereign money investing. So, we are starting to hear anecdotally, as investors start to look for safety, they're starting to look at Australia. But you're completely right so if we all start to bring even more home, that's going to be very interesting to see what it does for valuation. So we're quite cautious about that as well.

Sarah Williamson 29:11

So Vas, let me come to you. Where—what are you thinking about in terms of interesting opportunities around the Asia-PAC region? You've said before, your members are very exposed to China. Does that mean you want to stay away from there? Are there other places that you're thinking about in more detail? Or other asset classes? What looks exciting to you?

Vasyl Nair 29:32

So as mentioned previously, we are increasing our emerging markets exposure but particularly in the Asia Pacific region, we do have a very strong home bias. So equities, fixed income, infrastructure—we tend to look closer to home. You'll find that most funds, or pension funds, in Australia already have quite a significant level of China exposure and to its growth through the mining sector in iron ore. [microphone malfunction] Oh, that's not sorry. Okay, sorry about that — don't know what's going on there. But we do recognize the importance of that particular relationship for many of our industries to work and there is probably a—I think a broader issue around repatriating capital back home, is that there is a confluence of concentration risk and the nature of our equity market because it is quite narrow. So our equity market, effectively, is just dominant exposures to materials and banks and we are significantly underweight technology and growth, so that creates additional risks. So to answer your broader question, through our domestic markets, we have actually significant exposure to Asia Pacific anyway, in particular China. We, as a fund, are continuing to invest more in emerging markets and we do, like a number of the other funds on the panel, have a significant home bias as well.

Sarah Williamson 31:06

And when you say emerging markets, what do you mean? Do you mean emerging Asia? Do you mean Latin America? Do you mean Africa, Eastern Europe, lots of other places. Yeah.

Vasyl Nair 31:14

Asia, Europe.

Sarah Williamson 31:15

Asia. Yeah, okay, great. All right, David, let me come to you. I know you, at Host Plus, have invested in emerging markets for a long time. Are you continuing that? Are you moving into more frontier China? Tell us a little bit how you think about particularly this sort of emerging market side of the world.

David Elia 31:33

Thanks. So firstly, unlike Kate, I can actually comment about—

Sarah Williamson 31:36

Okay, will you come back to that? All right, let's go back to that.

David Elia 31:41

Incredibly positive to have the Labor Party re-elected. Selfishly, when I say selfishly, certainly on behalf of the Hostplus membership of 1.9 odd million people to effectively have a government that is determined to maintain the preservation rules around superannuation and that is, you can only access it when two things happen. You either reach retirement age or you die—take option one, not option two. That's an incredibly positive thing because it gives us the certainty that we need to continue to deploy for the longer term. And without that then I would argue a lot of the pension funds, Australian pension funds, would have had certainly been challenged by virtue of the current asset allocation strategies that they deploy. We'd have high levels of liquidity, more short termism to manage obviously drawdown requests, so I think it's good in that regard. But I think even more broadly, the Labor Party do have a genuine plan. I think we can hopefully now get some clarity around the energy transition—superannuation funds in Australia are ready to play an active role — already doing so, but I think we can continue to play a more meaningful role. We have a housing crisis, that is a shortage of housing, like I think many other countries across the world so they've got a clear plan, genuine incentives to, again, try and encourage the private sector, of which we are one, to effectively invest on the supply side so I think that's incredibly positive. And then I think the announcements around and this is important, I think, for the broader world but, a clear plan around unleashing Australia's critical minerals, critical resources you know, probably don't expect too much about that, but that's been a very important issue in the geopolitical sense and I think Australia clearly stands to play an incredibly critical role in terms of delivering the flow of those critical minerals and resources that obviously have huge implications for the way our economies are driven. So that's my take on the politics. We have been in emerging markets for quite a long time. It's probably hurt us in terms of a total portfolio return, but we certainly remain committed to it—more so today than probably in the past. To Vas' point, at the end of the day, Australia only represents 2% of the world's GDP, so you know, today, Hostplus has 40% of its total allocations to Australia, 60% is global, of which 30% is in the United States, and dare I say, growing and 3.5% is actually China. So it's quite a meaningful allocation for an Australian pension fund in that context so we remain very positive about emerging markets. Clearly, it will be interesting to see the interplay between China, India, Indonesia, Philippines, Vietnam so there are a lot of countries that really certainly do stand to benefit as a consequence of the of the current tariff wars that have been being played out. So I think being well diversified if I can come back to the notion of diversification as my CIO keeps reminding me, it's the only free lunch that we have, so remaining fully diversified, having exposures to emerging markets and we are just about to dip our toe in the water in relation to frontier markets. So places like Bangladesh, places like Kazakhstan, a lot of countries that are really doing interesting things and given the way we generally invest which is we're largely—so we employ active managers, high conviction managers so their job is to go and find the best companies in any country. So it gives them that flexibility and there may only be one company in Kazakhstan that we can actually get some exposure to and that's ultimately how we're actually building our portfolio. So we remain quite positive about emerging markets and frontier markets, and we'll continue to allocate but we're cautiously allocating money to those regions.

Sarah Williamson 36:11

And Mohamed, you mentioned briefly demographics and the role that demographics play in how you're thinking about investing. Can you just go a little bit more into depth? And then as you think about the different countries around the Asia-PAC region or Bangladesh or frontier markets or wherever you want to go, how do you think about how important are demographics in your thought process and leading you to interesting opportunities?

Mohamed Albadr 36:39

Demographics is destiny. It's that simple. Where things are moving and growth of that is going to create trends. And so you have to be very thoughtful as an investor and nuanced about how you particularly look at that. And that's just one variable, there's plenty of other variables that we could look through in terms of how we assess but if you have an aging population in Japan and Korea, then why wouldn't you want to be doing nursing homes or healthcare and so these are things that we think about a little bit more as we go through these specific countries and start positioning ourselves. We have probably about six sectors that we are thematically globally focused on industrials and business services, healthcare, financial services, technology, energy and sustainability and consumer. And so we as the Asia team and we have a number of different underwriters, probably about 30 of them as an investment professional team, that are located in Abu Dhabi, in Beijing and Hong Kong and what we do is we typically leverage a lot of our global knowledge from a sectorial standpoint, and then bring over the country specific and almost like a Matrix Model. And so the country team typically has a good sense directionally in the trajectory of what the population and what that's looking like from a demographics perspective. Now, if we start talking about the China miracle, about how four or 500 million people moved from bottom class to middle class over the last 20 to 30 years, it's a massive amount. So what does that mean? So once you move from that lower class to the middle class, you move into a city, right? How does that change? So your GDP per capita and your disposable income starts increasing. So they move past that 12, 13, 14, \$15,000 GDP per capita and so now they have disposable income. They move from buying, let's call it goods that are Chinese manufactured that are more, you know, locally-based to buying a pair of Nike shoes and going to McDonald's to eat. And so we track these habits within the countries and start following where could be the good investment opportunities that have legs, right? And so this is kind of thought process as you're on the ground and we consistently stay on the ground, so that we do know that and we do have people from each one of these countries to also be able to take away the delta of culture and I would say any misfortunes in terms from a language barrier perspective and we have that done, so that's gone, that layer is done. Me myself, I don't speak many of the languages across there, but I have teams that do. And so that interaction that takes place and that flow of information becomes very well integrated and we can then be able to build those cases in a very strong way and do the diligence in the right manner and so this is what's fascinating about demographics is, it's one that's long term, but there's ways of playing it whether the population is going down or whether the population is increasing, whether people are moving from the bottom class to middle class or to upper class and premiumizations and so we have to kind of figure that out as we're going through the markets and utilizing the different lenses, from a sectorial standpoint, to really decipher what makes sense and what is attractive as an investment opportunity

Sarah Williamson 40:13

Pandu, talk—tell us, teach us about the demographics in Indonesia, which I believe you're probably the youngest country here, right? I would think by far. So you've got a nice, wide sort of pyramid, if you will, of demographics. How much is that driving the way you're thinking about investing—but also the way you're positioning these various businesses that are that are sort of coming into the organization?

Pandu Sjahrir 40:38

Thank you for asking. Not many people know, but Indonesia, it's one of these large countries and you know, this is a good opportunity to share. We're about 300 million people, I think this makes us top four or five in the world, right? Economy is growing well, 5% inflation is less than 2%. More interestingly, our President Prabowo enjoys an 85% popularity rating, similar to President Jokowi before. So it's one of the very few transfer of power that is very smooth. In terms of Parliament, it's about 90 something plus percent within his power—what's interesting about Danantara too, it was the first law that was passed in 2025 in less than four weeks that it was passed—so you know, it's one of the great untold stories is what's happening here in Indonesia. If you look at ASEAN as a region or Southeast Asia, we make up close to half of the Southeast Asia population. We're probably one of the fastest growing and we're one of the very few places in the world where both the Chinese and Americans make lots of money. One of the few interesting parts, right? For example, in Freeport—we own Freeport we are the largest shareholder of Freeport through MIND ID. Freeport is also the largest gold mine in the world, right? If you ask Instagram, Instagram is number two the biggest users is Indonesia. If you ask Tiktok, number two biggest users is also in Indonesia. So you know what's interesting that's one story where both Americans and Chinese operate really well in one country and the economy is growing very fast in terms of if you look at a city like Jakarta this is a good story for you to hear, I know Australia is 26 million people. Jakarta as a city is 25 million people. It's 25,000 GDP per capita, growing almost double that GDP—It's about 8-10%. So if you haven't been to Jakarta, please come and see, you know it's essentially a world class infrastructure that's being built there and again, one of the very few mega cities that probably not most people in Milken have been to, right? So one of the things that we want to do is obviously grow the businesses that we have, we want to make them world class and for them to be world class, they may have to come here to Milken to be able to tell their story and their narrative. Maybe some of you don't know, in mining, for example, our MIND ID is the sixth largest mining entity in the world, right? That's how big and the scale and all their assets happen to be in Indonesia. I've asked them to look at abroad, look at lithium, look at some of these critical minerals, go abroad and be able to consolidate, because they also have the means to do it. Lastly, Indonesia relatively is very unlevered. If you look at debt to GDP, is only 40%, budget deficit is only 2%. Most of the companies too, relatively is unlevered—max maybe one and a half, two times debt to EBITDA. We don't take a lot of debt because of the '98 great financial crisis, because from 1998 until now, most of our companies, relatively, are unlevered, so it's one of the very few fastest growing economy with not a lot of leverage for that growth and also politically very stable. So that's something maybe just to share you know, I'm here to also market our country. Because this is a story that most of us and most of the people here at Milken maybe haven't heard of. One thing that we are trying to do from Danantara is to engage with the world, with all of you and how can we invest together, also here in the US, I'm actually learning, I'm like taking a mental note. And lastly, I only have one LP which is the country itself, we don't have to sell. We can own the businesses for a very long time. And the only way we sell, if it's a position, is through our state-owned enterprise or into the public market. So that's really the way to engage with us and how to think of us.

Sarah Williamson 44:36

Great. That's great. All right, I'm getting some questions coming in here, and again, please send some more. But one here is about the issue of the US dollar and so the US administration has sort of been talking down the dollar, the dollar has been declining. Many of you, I would assume, account for your funds in your home currency not in US dollars. So how do you think about the issues with the dollar and the weakening of the dollar and then maybe even this question of will it be the reserve currency forever? So who wants to start with this? Mohamed, why don't I start with you? Are you dollar based? You're not a dollar-based investor, either, right? Or are you?

Mohamed Albadr 45:24

I am a dollar-based. We're pegged to the dollar. The UAE Dirham is pegged to the dollar.

Sarah Williamson 45:25

You're always pegged to the dollar. So you're the least affected by the dollar.

Mohamed Albadr 45:30

I am the least, but I am affected on when I'm deploying within those specific markets, right—whether it's in yen or the won or RMB. So yeah, we do take that into consideration and the weakening of it and the way that plays out. But of course, there's a flip side to that—you can hedge and we typically hedge our principal position when it comes to deploying. And so when it's the RMB and the way that the trajectory is going, and it's mapping out towards, you know, 7.4 times RMB to dollar so we'll take those kind of positions very early. We have a treasury team that's very well in-depth and extremely knowledgeable—we know a lot of bankers across the world. And so we can fixate something with a specific duration, looking at specific curves over a certain amount of time and be able to invest in that and protect our capital in most cases and so that's the way that we play a little bit of offense and defense at the same time when it comes to deploying in countries where there is some volatility from a currency perspective versus the dollar. I'll leave some time for some of my- All right, who else wants to jump it down the dollar question? David? Well, I'm always reminded that currency is a mug's game. So anyone here trying to predict the currency certainly the direction of the US dollar, good luck. So certainly, from Hostplus' perspective, we do run a currency overlay program so about 25%—I've got my acting CIO here but about 24-25% of our international exposures are effectively hedged and it's not just to the US dollar across the board. But beyond that, I think you know, from our perspective, there are good reasons as to why the US would want to devalue its currency I think it's certainly understood by many in this room but when it's certainly a predictor of which direction that might go.

Sarah Williamson 47:21

Kate, how do you feel about that?

Kate Galvin 47:23

I'm the CEO, not the CIO. So why behold me to predict currency?

Sarah Williamson 47:29

No predicting currency, ok.

Kate Galvin 47:31

I'm looking at hedging more than we have in the past, that would be the summary of it. We've been unhedged for quite [inaudible] to the US dollar for a long time. So starting to think about how we—

Sarah Williamson 47:41

Pandu, do you have much exposure to the dollar? You probably have a lot of secondary exposure, but most of your—

Pandu Sjahrir 47:45

Right now, mostly for our oil and gas business and our mining business but those are dollar takers and also dollar selling. So in a way, natural hedge—in a way, with the dollar weakening too, for us today, not too much impact for now. I'm also more just worried long term—what does it mean for the US? Because it goes back to that productivity question that's kind of my big worry about productivity because that's always been our constant team—where we're long [inaudible] is because of productivity. So this brain issue, I think is more serious, I don't think people talk too much about it, but it's something that we should be worried about.

Sarah Williamson 48:29

Vas, do you have any views on dealing with the dollar and decline thereof.

Vasyl Nair 48:33

I think there's a broader US Treasuries picture here and you know, we have seen globally, loss of confidence at the margins from a US Treasuries perspective and this was for the heightened post-Liberation Day and as a result, we are more positive about Australian duration from our perspective. However, from our funds perspective, we're not ready to call this a fundamental realignment from the primacy of US debt issuances and the role of the dollar, given

it is still the mainstay and the reserve currency—alternatives are clearly not at the level that would allow them to fulfill that role although you will see some rotation out of US debt, particularly for China, given the more confrontational posture of the US, kind of in that respect.

Sarah Williamson 49:27

Okay I'm getting lots of questions now, so I'm just going to pick and choose. So Pandu, I think this is for you, which is: can Americans buy real estate in Indonesia? Is it a land lease? And how long? Okay, where you're selling—you're not a buyer. Good marketing right here.

Pandu Sjahrir 49:42

I think essentially a long-term lease, as you can buy apartments anytime and anything above half a million. And in fact, what we're trying to do now is to create special economic zones in Bali—has anyone been to Bali? One of the places where people have gone to Indonesia is Bali—so Bali is actually a perfect place to create special economic zones. We're doing one now in terms of health care, we're building a world class hospital, although in front of it, there's a Zuma opening. And all of it is a special economic zone, right? And the special economic zone is for people to live and for doing tourism, healthcare tourism, so we see Bali as a way to attract international talent to come in and, you know, we had a new law passing in the healthcare sector, for example, where you can essentially bring international doctors, nurses ability to buy properties, right, for example. So the hot place is now Bali, Lombok and those areas, because it's just so beautiful.

Sarah Williamson 50:39

Look at that, you're selling real estate right now, right now, the prices are going up as we speak. Okay, Vas, I'm going to ask this one to you, which is, what role can Asia-PAC play in critical minerals and bridging the demand? And I know Pandu, you mentioned this a little bit too, but the US has a push towards critical minerals independence—you know, the Chinese are obviously doing a lot of deep-sea mining and everything else. Vas, you've got a lot of members in that space—minerals, critical minerals, all sorts. I'm gonna ask you first.

Vasyl Nair 51:09

Yeah, our membership is quite broad and diverse—transport, aviation, logistics, waste, energy and mining. We can't have a conversation about critical minerals without just acknowledging how they are dug out of the ground so there are some quite significant ESG-sensitive matters associated with that. Look, we do—picking up on David's point, we think Australia has a role to play from an investment perspective again, we have 55 managers interposed between us. We are always very cautious about investing significantly, or being overweight, in the industries in which our members work in as well. So I would say I'm probably not the best person to answer the critical minerals question.

Sarah Williamson 52:04

Right, well, I'll pick on others with my other ones that I'm getting here. So maybe I'll ask this to each of the other three of you. What is the most underestimated geopolitical risk today that markets aren't pricing in? David, you want to start with that. What's the most underestimated geopolitical risk today that maybe markets aren't focusing on?

David Elia 52:27

I think there's always a risk that—I mean most wars eventuate by someone just making a silly mistake. So I just hope that red phone between the various defense ministers, the major superpowers—that's active and that's working but that's always a real risk that there's a mistake, a misunderstanding that obviously leads to significant consequences. So I think it comes back to human behavior, bravado, you know Xi's muscling up to Donald, President Trump, Mr. Trump, is doing likewise. Just hope that they can just get all the egos checked, and the sensible people in the rooms are obviously across these issues.

Sarah Williamson 53:11

Big egos. Mohamed, do you have another one? India, Pakistan, something else?

Mohamed Albadr 53:20

Yeah that one's kind of on the fray, and that could, you know, go out of hand but typically, they have their skirmishes probably every 12 to 18 months and so that's one that you see consistently and kind of dies out after a certain amount of time. But I'll go to the elephant in the room, and I'll go the opposite of this question and say the big risk, right? So you have two, and this is kind of the continuation of what David was saying—you have two of the largest economies that make up probably 40% of the world's GDP and roughly 30 to 40% of the world's growth. Just for the audience to know, that is a symbiotic relationship. In order for the world to succeed and grow, it necessitates the success of America and China simultaneously. And so when you have a tussle between both of them, then everybody's impacted globally. And so I think this is where, to go back to your earlier point, I think there's going to be more positive than negative, I think that's going to come sooner rather than later, especially if there is dialogue and there is connectivity between the two to unlock a situation and create that agreement between both sides because it's in the interest of everybody. This is the largest supplier—China makes 1/3 of the world's manufacturing and the US is the largest consumer and it makes up 68% of the US GDP. And so they need each other to exist and co-exist and I think this is the kind of thought process that's necessary in order for something diplomatic to kind of open the doors because all of us investors sitting here in this room today are just waiting and watching that very carefully because that is the one that, if it tips over in the wrong direction, or it's delayed by a quarter, two or three then we're all in big trouble, right? And so I think that's where we are all together, pushing for a good resolution.

Sarah Williamson 55:23

Kate?

Kate Galvin 55:23

Oh, that was so eloquent—I couldn't say it better.

Mohamed Albadr 55:27

Thank you.

Kate Galvin 55:27

But it's so true, the longer the uncertainty drags on, the worse it is for all of us who are sitting on the sidelines waiting to see it be sorted out.

Sarah Williamson 55:36

You started with cautious I've heard the word "pause" so much over the last few weeks—everything's paused. Okay, yep. All right, we only have five minutes left, so I'm gonna run down the line actually, Vas, I'll start with you. So you all are long-term investors. You are trying to meet liabilities way in the future, but there's a lot of noise right now. So can you give us—each of you, give all the investors in the room one tip for how you stay focused on the long-term—make those good long-term decisions with everything bouncing around in the world the way it is today.

Vasyl Nair 56:19

Thanks for letting me go first. [laughter] We all know that seeking to time investments around these types of market events is difficult and almost impossible to do, so that's probably the first thing. And you know, long-term investors, are multi decade investors and they generally look through political turmoil, as historically, we have seen that market resilience rewards patient investment. So that's probably the biggest tip I would have, which is continue to think multi decade, these things have happened before. Be patient and you will be rewarded. And these things are also very difficult to time.

Sarah Williamson 56:59

That's really helpful. Pandu, how do you think about this?

Pandu Sjahrir 57:02

For us, number one in the business side, we're going to move very fast in consolidating the different businesses that we have. But number two, on the investing, most likely will be quite slow, will be quite boring, what we do and it'll be gradual. I think that's one of the three things we probably do in the next 12 months. There is themes, but I have to think very long-term because one thing that we tend to do as human beings, and we have to do and we have to force ourselves to do it in our investment practices is always to think what I like to call the [the following exchange was in a different language. An accurate transcription is unfortunately not available] the worst case, that should be my basis, [the following exchange was in a different language. An accurate transcription is unfortunately not available], not the [the following exchange was in a different language. An accurate transcription is unfortunately not available] , which is the best case, right? So thinking worst case that can happen in the next decade or two is so important and that's what I tell our analyst and associates—think worst case, that is your basis. And because we're born optimists, I like to be an optimist—we tend to underprice risk. You know, that's something that I always tell the analysts don't do group think on your own. What will happen 10 years from now, 15? Will there be another tariff war? Will there be real war happening? It is not zero. You know, Taiwan is a risk. We haven't mentioned about Taiwan here, but if it's maybe last year, we'd probably be talking about it a lot. War will happen—this is a scary part. The question is when and what will it form? So again, that's probably the only thing is be gradual, be slow, right? Even though we have a lot of capital coming in, we stay liquid, one of the things that we'll do we'll just stay liquid. And when the opportunity comes, invest, right? So that's for us all right.

Sarah Williamson 58:48

All right. Kate, a tip.

Kate Galvin 58:50

My peer has already said diversification is, of course, always your friend and we are all very long term investors. I suppose that my main tip is to be calm. You know, I've been in markets for 30 years—crises, geopolitical disasters—there's inevitability about them. I had a really interesting conversation with my head of fixed income—we've got a massive fixed income book—we invest it all directly and I said, "How are you going?" because it is partly just holding your team to be calm, to remember it's not short term reaction not long term and he looked at me and he smiled, and he said, "You know, it's times like this that actually remind you why you work in markets. Because, you know, volatility, uncertainty is also opportunity." So it's about being calm, being nimble in the short-term, but very focused on the fact that you are there for the long term. So I would be keep calm and carry on.

Sarah Williamson 59:43

Keep calm and carry on. That's always a good one. All right, David.

David Elia 59:46

I think it's often been said that long-term patience is a virtue. From my perspective, it's actually a competitive advantage. I'm certainly aware of quite a number of funds in Australia who who went through a little bit of pain and then pivoted at the wrong time and that's had some significant consequences. So I think it's really important that you're able to carry all your stakeholders, certainly in my case, it starts with the board so having a board that is absolutely clear and management are absolutely transparent and provide the clarity that your boards need, key stakeholders need in order to maintain that long-term positioning, I think that's absolutely critical. It's always good to re-examine your investment beliefs, but ultimately you need to stick by them. So you know what got you there in the first instance is likely to carry you through. And I think, as I said earlier on, you know, we all deal with volatility—I mean, without it, it'll be bloody boring job. So, I like volatility, it really does separate out the really good investors from the very poor investors. So we should embrace volatility, not get too worried about it, and manage it as best we can. Embrace and manage volatility. All right, Mohamed, you got the last word.

Mohamed Albadr 1:00:31

Yes, with the shot clock down—I feel like Michael Jordan.

Sarah Williamson 1:01:19

There you go. You can win a championship right here.

Mohamed Albadr 1:01:22

Very simple. I think, be thematic investors, so look for the right trajectory in terms of themes. Two, I would say buy cash flows and buy at the right price and at cheap prices. It doesn't matter what happens in a volatile situation if you have a good business that's creating cash flow and so the markets can go up and down constantly, and that company is still growing on a consistent basis in compounding.

Sarah Williamson 1:01:50

John Maynard Keynes said, the markets can stay irrational longer than you could stay liquid it's a good thing to remember. All right, well, thank you all so much for joining me. Please join me in thanking the panel and thank you for being here.

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