

GLOBAL OVERVIEW: PROGRESS WITH PURPOSE

Martin Soong 00:33

So, good morning, everybody, ladies and gentlemen, on behalf of Milken, as well as CNBC—an honor and a pleasure to be here with you, and great to see a lot of familiar faces out in the audience as well. So thank you for joining us and being part of our first panel. So, what we're calling it, or what Milken's decided to call it, is "Progress with Purpose," and I'll get into the meaning of that in just a little bit. But let me introduce you to our two excellent speakers, right next to me, Hadi Badri, who runs the Dubai Economic Development Corporation, and next to him, Dilhan Pillay Sandrasegara, who runs Temasek, the mammoth Singapore state investment outfit—I think 300 billion US dollars—is, where they're at in terms of their portfolio. So looking forward to hearing it from them, but back to Progress with Purpose. I want to start with a quick story, if you will indulge me, right? So right after I finished college, like a lot of young people, I was sort of at a loss. Didn't know what to do, who I wanted to be, etc. So my father, wise man that he was, sat me down and noticed how confused I was, and said, "Look, son, I've given you an education. What you need to do now is go out there, get a job, make some money, do some good." So I got the first part right. The second part wasn't so sure. He noticed that confusion too. So he said, "Look, let me make it simple for you. You need to go out there, make your own way in life, be useful and be helpful to other people and live a good life." So I think that's exactly what the theme of this summit, as well as our panel, is about—progress with purpose. In the case of Dilhan, right, obviously, immediate needs, funding the government—but ultimately leaving a legacy of wealth for generations of Singaporeans to come, millions of people, right? In the case of Hadi, it is basically directing his talents, right, towards literally reinventing Dubai for the benefit of Dubai's people. So this is, I think, what we're talking about. This is what the theme is about. So listen, we've got less than 30 minutes now, a lot to talk about, so let's dive right in. And I want to start by asking the both of you, doing what you do in this current environment is—I mean, it's always challenging, right? But it's probably more challenging than ever now. And the list can go on—we've got two major wars going on, and we've got tariffs, we've got geopolitical fracturing and splintering, the rise of nationalism, populism. A lot of people are getting old very fast as well, right? So I'm not going to ask you to say which one is the biggest challenge for you—that's probably impossible, but if you could rank them or prioritize them, how do you start first?

Hadi Badri 03:25

Thank you so much. I would start with the risk of doing nothing, actually—the risk of inertia. Our leaders always teach us that whether you're the hunter or the hunted, you have to move fast. And that is very much in the DNA

of Dubai. And so, yes, there's a lot happening in the world. We're very clear on what we want to achieve in the next 10 years. We split those 10 years into three-year implementation plans. We work as a team on 100-day sprints, but at the end of the day, there's so much going on in the world in real time that we use real time data of our market and also, you know, check the news every day to try and figure out what we need to do to adapt. And so we're clear on the outcomes, but how we get there is something that we need to adapt day in, day out. So I think the biggest risk for us is to be complacent. Dubai has achieved so much over the past, well, whatever period you look at—50 years, 20 years, five years—one could easily be complacent and say, "Look what we've done." That's absolutely not the Dubai way. For us, the opportunity, I would say, is to really seize the opportunities that are rising day in, day out, and position Dubai in the right way for people, for business, for investment.

Martin Soong 04:39

So Hadi, I hear what you're saying, right? You can't just sit still and do nothing, right? You have to just move, right? How much of your job ends up being reactive, though? And I ask because—let's take, for example, what's been happening in the US, right? We don't know what's going to happen in the next—well, in this case, we're looking at what, two and a half hours, the government just shut down, right? But we don't know what's going to happen tomorrow. How do you plan? How could anybody plan? That's been probably the central question since Liberation Day.

Hadi Badri 05:09

Yeah, I think it's continuous planning. It's a cycle of day in, day out, huddling with our team. And when I say our team, I mean the extended government. We're very high-touch. We engage with each other on a regular basis to figure out, how do we steer the vessel of Dubai in the right direction? You know, I would say, while we do continuous planning, while we do real time maneuvering, it is not firefighting. It is more positive in terms of trying to identify what are the opportunities that we need to work on. And we don't start something without finishing something. And so, we'll have multiple balls in the air, but I think the view is always, let us keep trying to position Dubai as the best place for talent, the best place for business. Whatever happens in the world, we operate on the philosophy that Dubai is seven out of 10. Now we might be eight out of 10. We might be 10 out of 10, in the eyes of some people, but we always operate with the philosophy of seven out of 10, meaning there's always a gap for us to improve. And that's what we learned from the best investors, the best operators—saying, we need to keep getting better, day in, day out.

Martin Soong 06:25

Right, so I mean, B is good, but as usual, shoot for A, if you can, is what you're saying. Dilhan, let's bring you in on this. Prioritize the risks and the challenges that you are dealing with day to day.

Dilhan Pillay Sandrasegara 06:38

So I think, from an investor's perspective, I don't think we've seen a world like this in the last 30 years or more, right? If you think about 30 years since the fall of the Berlin Wall, we've had a rather benign environment right through to 2020 when COVID hit us. I think COVID was the first real global event that caused us to take a step back, and we had to deal with things beyond what we were used to, especially when you had to think about lives and livelihoods in those days. And governments had to weigh in, companies had to weigh in, NGOs, and even citizenry had to weigh in. So today, I think as we think about this world as a—as a world, for us as investors—we can't ignore the politics, nor can we ignore the social aspects of things as an investor. So first thing is, we have to recognize that geopolitics and an investment world have collided, and therefore they're hand in glove. And you have to think about that as clear minded as you can. And that means you have to take the view that while we're an interconnected world, globalization, as we have known it, is gone. The question is, what is a new form of globalization that we have to deal with? That model has not yet come about, and the reason for it is that in the last few months, many of us have been reacting to the issue of tariffs, and it's a very reactive step that we've all been taking, whether you're a government dealing with the United States in negotiating your terms, or whether it's us, as investors, trying to figure out, what does it mean to invest in a globalized company, for example. And I think the issue for us is also that in the societal aspects, it's rising nationalism, populism, and that leads to fragmentation. So as we think about fragmentation, how do we, as investor, think about that? As a responsible investor, wherever we operate. It's probably more relevant for companies that we control, because they are actually creating jobs, and they have, you know, two—300,000 employees around the world. That's something that's very real. So if you think about the world of AI, how they're going to make sure that the workforce remains skilled, upskilled, and able to transition with their own business models. And then as an investor, you've got to figure out how you're going to get the long-term returns that you were underwriting before. And before, we had a very predictable model, you know, to underwrite returns, right? Look at global GDP, and you say, okay, you know what, how do you create alpha over the global GDP if you're a sovereign wealth fund? And I think that that is becoming more challenging because the way we would have done it is that you invest in companies that has a global opportunity set. But today, with tariffs, what does that mean for you? How do you think about supply chains, tariffs, etc, as we think of investing?

Martin Soong 09:04

Dilhan, let me stop you there. I want to ask a question that everybody has been asking, right, with regards to tariffs, whether or not this is just a one-off thing you—that you can build into your costs, eat it on your margin, or try and pass it on to your customers—or whether it's more than that. What are your thoughts? Is it?

Dilhan Pillay Sandrasegara 09:21

So, you know, it's an interesting conundrum, right? If I talk to some of the people I know in the US, they'll say, it's an inflationary world. So ask them, is it gonna be a one-off, as Scott Bessent and others may say, or is it gonna be something that gonna continue? I think we have to go back to think about what has actually occurred since WTO? The creation of China as the number one global manufacturing hub in the world, and the creation of supply chains around that, and the interdependency, has actually resulted in what was largely a disinflationary world. Costs did not go up as significantly as we would have otherwise seen with a normal pace of inflation, right? And of course, we had a low interest rate environment to boot. And so, if you think about reconfiguration of supply chains to resilience over efficiency—there's a cost to resilience. It's like insurance policy. So that cost doesn't abate over

time, unless you have a substitution for what you're trying to defend yourself against—the vulnerability of being reliant on one major supply chain in the world. And so when that happens, and every country looks to see how it can actually be part of that global value chain, the idea of nationalism comes about as well, because the question that arises is whether multilateralism is going to give way to transactionalism. Now, when you do that, and you're thinking of how to protect your national interests, how you protect the industries you have, the ecosystems and so on—and for good, legitimate political and social reasons—there's a cost to that, you know, ultimately. So I think that there's a higher chance than not that inflationary will not just be one-off. Inflation will not just be one-off thing, you know. But the world seems—the market seems to be more resilient than I would have thought.

Martin Soong 11:03

Well, fingers crossed it can stay that way. And I have to note here that, you know, not just are we counting down to the deadline—whether or not the US government ends up shutting down partially or not—that happens 12 noon today, our time, Hong Kong, Singapore time—but today is also the day when the latest tariffs on, what—upholstered furniture and kitchen cabinets and bathroom vanities—they kick in—[HB: Pharmaceuticals.] and heavy trucks, yeah. Hadi, the changes that we've been talking about, globally, right? Do you see these as generational changes? Are they that significant?

Hadi Badri 11:38

Look, there's a lot going on. So some may turn out to be generation—some generational, some may be short term. For us in Dubai, we're going through a generational change. Actually, if you look at the pace of change that we've had in Dubai over the past 20 years, it's nothing short of remarkable. I always tell people, Dubai has achieved the impossible. You know, we were just a desert place with access to the sea. And if you look at us today, we are the fastest growing population of any global business hub. In 2024, we were the fastest growing city in the Global Financial Centres Index. We've seen an astonishing movement of high net-worth individuals moving to Dubai and the UAE; our market is the largest beneficiary of that global migration of high-net-worth individuals. The jobs that have been created in Dubai over the past three years are predominantly high-skilled jobs. And so we've really been shifting from being a transient market 20 years ago to be what is, today, arguably a global super connector, where people are choosing Dubai as their home—whether their talent, whether their businesses, whether it's investors who are looking for a predictable place where they can generate alpha and invest in a market where they actually trust the government.

Martin Soong 13:08

Yeah, I want to go off on slight tangent here, because just struck me there are parallels, right, in terms of attracting either wealth or talent or both, right? In some ways, Singapore and Dubai, they actually compete. Or is it more—are we talking Dubai is new money and Singapore is more established money?

Dilhan Pillay Sandrasegara 13:26

All right, including the best minds in AI, which is a good way to transition to how, where, and what, in terms of investment. Now, let's bring Dilhan back into this—how are you thinking about AI, first of all. What we're looking at, is it a bubble or not? Is this going to end up being the .com bust all over again or not?

Hadi Badri 13:28

I would say we take a lot of inspiration from markets like Singapore. In fact, many of the prior generation in Dubai used to look at Singapore as a key learning of how we can adapt certain models and instill them in Dubai. We do look at the competitive peer group, as Dubai, as being the rest of the world. So it's not just who do we keep compete with in the region? And ultimately, yes, we want the best brains, we want the boldest businesses to come and set up in Dubai, and use Dubai as a platform to grow.

Dilhan Pillay Sandrasegara 14:22

Well, I think the first thing is, I think AI is going to be the most pervasive thing across the political, social, economic spectrum than anything else we've seen the last 40-50 years, right? So I think we have to accept that. So if you look at AI, the first thing you have to think about is that, how does AI change for institutional hours, the way you operate? So that goes to the workflows we have, which has an effect on head count in the future. It goes into investment sourcing, investment analysis, investment monitoring, investment management. But then the other part about AI is, how does it affect your current portfolio? Okay, so that means you have to think about how to future-proof your portfolio in an AI world. And that means you have to think about what I call DDAC—digitization, data, AI, and then link it with cyber. So you've got to put all that together. So you've got to use AI as an enabler for your business, but you've got to think about how AI also has risks associated with the workforce. And therefore addressing the needs of the workforce is quite important as you plan for that shift in your business model. You think about where you want to invest in AI. That's where the bubble issue comes in. So you've got a few different levels to do. So you can invest in large language models or small language models and figure out where the monetization comes up from that. You know, it's not clear, you know, but you can see that where OpenAI is going and where Anthropic is going, but you have to think of where the others are going as well. And, you know, there's an interesting article in The Economist—I think, two or three weeks ago, who said that there's a hypothesis that you will get more monetization from SLMs than from LLMs. I can understand that, because if you have an SLM that's very focused on a particular sector, then you will see that running because of AI adoption, and that should increase the monetary—the revenue model there.

Martin Soong 16:09

So let me jump in very quickly, right, without giving too much away, right? In terms of, I guess, verticals or stacks, right—AI verticals and stacks—a lot of people take a look at the hyperscalers in the US and how much they've invested—north of, I think, 300 billion at last count, with not much return to show it for yet, except for names like maybe Microsoft or Meta, right? And, in that vertical, that space, it's being targeted at—ultimately, in its noblest form, right—changing our fundamental understanding of, I don't know, physics or biology, right? So this may take longer to monetize, if that's the case. If you take a look at the China AI stack or vertical, these guys seem to be taking a much more pragmatic approach. It's like, look, we don't have the chips anyway, right, and can't get supply,

or having trouble getting supply—with what we do have, though, why don't we apply it where it can more easily be used? And it could be something like their manufacturing base, right? Largest installed base of robotics on the planet, right now—just add an AI layer on that. Boom, you're good to go, and you're probably going to see returns a lot faster. Is that the way you're thinking about it and investing as well?

Dilhan Pillay Sandrasegara 17:27

Look, you know, I think we do invest in the application layer, because that's where you see the revenue coming about and we do that based on a broad application, but also industry application. Not clear yet, you know, when you're going to monetize that part of it. We also look at AI adoption by companies, sectors, financial services, health care and so on, and see whether you can see the bottom line improving because of that, or even top line, depending on how you can apply it. And then you have to look at the enablers, infrastructure, compute power, data centers—it's just two of them. The power that goes to data centers is a third part. Now, when you come back to this, if you look at a US, Western model versus a China model, there are things which the US has advantage of—in—and there's things which China has advantage in.

Dilhan Pillay Sandrasegara 18:12

Energy, China has an advantage in, by far. It generates more renewable, new renewable power every year than the rest of world put together. Okay, so if you think about the future, when you look at PUE—which is power usage efficiency—China may get that down to a fundamentally low level because of AI, together with energy efficiency. They have a much more, I would say, unitary system government, you know, and companies and so therefore they can implement things faster, perhaps? They may not have the permitting issues that you have in US and Europe. You know the problems of communities saying, "not in my backyard," kind of stuff? The US has a real constraint in terms of the grid and how much energy you can put on it for the data centers that have to be powered based on commitments that are being made. And the issue of permitting is a big one. It's been recognized from the Biden administration to the Trump administration now, and you have to create—have creative ways to get around that. People look at nuclear energy as a way of filling the gap. Well, you know, cranking up GenTwo reactors is a bit not so easy to do. You can, but they're not the most efficient reactors. You can do GenThree reactors, which is fine, but if you're going to build a new reactor, it's going to take a long time, and people talk about SMR as well, and SMRs have not yet come in in terms of being mainstreamed. And if you look at efficiency of how much power is generated, as against the cost of the SMR, actually it's more expensive than having a mainframe reactor, but the main reactors are always behind time and over budget. So that's a big thing. It takes a long time to get it done. So, as you think about energy usage, that may be one of the biggest issues that you have to consider as you plot how much of data center capacity will come about.

Martin Soong 18:12

Energy?

Martin Soong 19:58

And this is interesting because I know for a fact that you are hedging on the technology as well. You're invested in fusion as well as fission. Yeah, interesting. So that's the hardware side, going back to source, and that as a power. But in Dubai's case, and in your case, Hadi, you're thinking about AI more in terms of people-ware, yes?

Hadi Badri 20:21

Absolutely right, yeah. I mean, you know what Dubai has gone through over the past few years, we always say, Dubai always had the hardware. We've really experienced from a talent perspective, almost like the iOS upgrade, right? So the software has really gone to the next level, and we adopt the same approach from an AI perspective. So, for us, it's really about two topics: talent attraction and adoption of AI. So on, talent attraction, if you look at the UAE today, in terms of AI talent density, we're a top 10 market globally. We're on par with the UK, as an example, ahead of a number of European markets. When you look at adoption, this is where really the government is leading from the front. In 2017, we installed our first—or the world's first, AI minister. And, you know, if you speak to him today, he says we were still behind the curve, despite being the first in 2017.

Martin Soong 21:20

So, this is interesting, you have a Ministry of AI.

Hadi Badri 21:22

We do.

Martin Soong 21:23

Oh—it's pretty cool. Okay.

Hadi Badri 21:25

And we installed last year, actually, 22 chief AI officers in different departments around the government. And their mandate is basically to make sure that we can administer thousands of hours of training to thousands of government officials and public servants, so that we can be that much more productive. That we can actually engage with customers in a meaningful way, improve their convenience.

Martin Soong 21:55

Yeah, it just struck me—are you expecting to benefit from this whole H-1B visa issue? Dubai is an alternative for that kind of talent.

Hadi Badri 22:04

I mean, we—again, we're a market that takes inspiration from success stories around the world. The H-1B visa was an incredible success story for the US, and so we administered progressive visa policies from, you know, 5, 6, 7 years ago. The real ticket on that is the golden visa. That's a 10-year visa where we celebrate people for what they've achieved in life and what we expect them to achieve going forward, welcoming them as a long-term resident in Dubai. And you know, on the back of those progressive visa policies, that's where we've really seen the momentum and the movement of talent to reside in Dubai, to have their families there, and to really add to the productivity of the city.

Martin Soong 22:53

Yeah. Okay. Let's move on to another theme or focus. And I know that Dilhan, you think a lot about this, and that's related to demographics, profiles, aging, certainly in the Western world, certainly in North Asia as well, there are significant opportunities there.

Dilhan Pillay Sandrasegara 23:11

Yeah, I mean, there is. I mean, one of the trends that we've been investing in are longer lifespans. That goes to things related to health care, you know, retirement products, so therefore asset management, life insurance and other things. So that, you know, if you are looking at that concept of demographic change, there are two ways of looking at it. One is the Western world, and how does that change the future of consumption and things like that, and what products will become more relevant—more experiential products for older people, for example, and things like that. And then you've got to look at the developing world, and what does it mean to have growing populations and economic activity there? And can you underwrite consumer growth like, for example, India, where, I would say, economic growth there actually has its value capture, perhaps in the consumer in India. And, if you look at that, those sort of demographic issues, you can invest in different ways, depending on where you are. I would say that for the Western countries and for countries like ours, where you have a low total fertility rate, robotics, automation, AI, becomes more important because, as you think about people living longer in your society, and the issues of immigration—and immigration has to come with assimilation and integration, so it's not so straightforward—then I think the use of technology to advance your economic planning or economic development becomes more important, if you think about it from that perspective. And so, you know, when you look at these big trends, you will see that investing in sectors may not be the right thing, because a lot of it is actually intersections between one traditional sector and another. And so you've got to be more broad-minded in how you put your money to work.

Martin Soong 24:53

Okay, I want to get to another intersection as well, and this is related, since we're talking about technology. Much, if not most of cutting-edge technology, the most advanced technology, is, as we all know, is dual use, right? It can be used for good or for not-so-good, right? Which leads me to investment in defense—sensitive, controversial, not pleasant to talk about, but that's exactly what governments around the world are starting to do. We are seeing significant ramps in defense spending. And let's not go into why or what wars could erupt tomorrow. But Hadi, without getting into the politics—I mean, obviously there happens to be a major war going on in your general neighborhood, right? Is defense something that Dubai is spending a lot of time thinking about attracting capital towards, and directing capital towards or, do you look at it another way?

Hadi Badri 25:48

We look at defense, very much from the perspective of diversification. So, you know, we think about trade, we think about FDI, we think about tourists, and at the end of the day, we just want to make sure that we are a city that, as I mentioned earlier, is a global super connector. And so we have, throughout history, gone through global ebbs and flows, and we've seen certain source markets for tourists actually shut down in terms of coming to Dubai, but they're typically taken up—the gap is taken up by other markets, and that's when we proactively go out and we open up channels into those other markets. And so for us, it's all about diversification. We think about FDI. Our FDI in the first half of this year is 60 percent up relative to last year. Dubai today is about 8 percent of global FDI, despite being only 0.1 percent of global GDP. And so the numbers are great, but our focus is very much on diversification. We already have half of the world investing in Dubai. We're focused on, how do we get the other half of the world investing? Very much the same on trade. You know, trade tariffs, all these supply chain shocks that are happening around the world for different reasons—we don't want to just be concentrated on a few markets. And so we do two things. Firstly, today, we're already connected to 400 cities globally, from a trade perspective—we're saying, what are the next 400 cities? And some of those might be cities that are coming up tomorrow. They don't even exist today. And then the other thing we're looking at is, how do we expand from a supply chain that is Dubai-oriented, and work with our champions like DP World and Emirates SkyCargo, and say, "Where do we create the next hubs?" meaning DP World should be carrying trade from Dubai to another market that they own. They have the assets, they have the capabilities in that market. And so DP World has been acquiring a number of businesses to be able to facilitate that. So defense for us is really diversification.

Martin Soong 27:58

All right, makes sense to me. Listen, just a couple of minutes left—I want to get to this whole...it's not a divide, right, but there are two different universes: public markets and also private markets. As far as Temasek is concerned, you're pretty much almost all an equity investor, right? Only about 2 percent of your portfolios is actually debt, right? But within that equity split, about half, roughly, is public companies. About another half is private companies. And what I want to ask you is this, Dilhan—now that interest rates are starting to come down around the world—and the Fed's back at it again as well—it sounds like it might be an easier time for private markets, whether it's VC or PE, they've gone through some pretty lean years recently. Does that include for yourself?

Dilhan Pillay Sandrasegara 28:45

So I think, you know, there's a broad generalization, and then you have to look at specific geographies and markets, right? So, broadly speaking, much more capital has flowed into private markets, in the public markets, in the last decade or so, and a lot of it has to be due to the wealth creation, but also because, you know, with a low interest rate environment, you know, effectively, private markets give you the opportunity to try to get a better rate of return over long term. The risk—the real issue is that, in the private markets has more opacity than in the public markets. You got better [inaudible] in mind—there's more liquidity, and therefore your ability to actually generate liquidity, to pivot, becomes more reduced or circumscribed. And so I think if you have to have the balance. So, for us, there must be the balance between public and private. We put more money into public in the last 18 months than we've done before. We even have an active alpha strategy, which is a relative return, which is a bit of a aberration for us, because we're generally absolute return. But we did that in order to build up the muscle that we need to have to be able to get the best out of our public market investing, and that includes conversion of private into public. Now, private companies are staying private for longer. There are two other things, by the way, that cause you to think about investing in private markets. One is private credit. I know there's a lot of noise about private credit, but there's still a role for private credit. And second is core-plus infrastructure. The world needs a lot of infrastructure. There's gonna be a lot of money going in there, even more so than what we've seen the last few years.

Martin Soong 30:08

All right, Hadi, last word to you, and this is gonna be important as well as significant, as your sourcing capital, right? Do you get the sense—and this question has to do with cycles, right—especially with regards to the private market. Given everything we've talked about, the challenges and risks, right? Do you get a sense that cycles are going to get stretched out longer? That investors are going to have to wait—they're coming to you or looking at you with the mindset to, look, it's going to be probably more than 10 years, right? Or—and we talked about this, Dilhan, offline before we came on— because of the risk of being disrupted by technology, cycles could theoretically even be shorter now.

Hadi Badri 30:11

Tough to say, if I had a crystal ball, I'd work with Temasek. What I would say is..

Hadi Badri 31:00

I don't know if yours is working. I would say a couple of things. Look, it really depends on the topic and the theme. For us—you know, we take the view that we have plans for 10 years. We implement over three years. We have these 100-day sprints. But, you know, our 10-year plan culminates in 2033—we call it D-33. But the 33 is important, not because it's a 10 year moment from from the time that we set the plan, but more importantly, it celebrates 200 years of the Al Maktoum family leading Dubai. And so at the end of the day, for us, the cycle is really around leadership driving a certain set of values that creates value in the economy. Now, will technology accelerate certain themes, certain cycles? Undoubtedly. By how quickly? To what end? I mean, those are questions that are, you know—we could spend a lot of time debating.

Dilhan Pillay Sandrasegara 31:19

We have no crystal ball.

Martin Soong 32:05

Yeah, maybe for the next conversation. Right folks, listen, they're just about to bring out the striped cane to hook me off. So we'll have to leave it there, we're just done. But please give a round of applause to our two excellent guests: Hadi Badri and Dilhan Pillay. And thank you all for being part of this panel.

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