MACRO PULSE 2026: INFLATION, RATES, AND A MULTIPOLAR INVESTMENT CYCLE

Announcer 00:02

Please welcome the panel on "Macro Pulse 2026: Inflation, Rates, and a Multipolar Investment Cycle," moderated by Dana Khraiche, United Arab Emirates bureau chief, Bloomberg. [music]

Dana Khraiche 00:31

Hello everyone and welcome to this session. I'd like to introduce my panelists: Kurt, executive chairman, Permira, and Molly, global head of financial sponsors coverage, Standard Chartered, and Lawrence Golub, CEO of Golub Capital. So let's get into this. As the conference is conveniently scheduled in December, it's important to look back at the events that shaped the global economy and to look at the risks going into 2026. We've seen trade wars turned into trade deals. We've seen heightened geopolitical shocks, especially in this region. We had our fair share of that. We saw massive investment in AI, but exclusively AI and restrained investments in other sectors. And of course, we'll be also talking about private equity. So let's get to this. Yesterday, the US released long-awaited ADP data, and that is an important gauge for the Federal Reserve to decide on a rate cut. Investors think this is a closed book; that next week, at the final session of the year, the policy will be geared towards another cut. That will be the third consecutive cut for the Fed. And if that happens, then they are trying, of course, to balance job market conditions and inflation. And as we look at the macro level, it's important to look at the world's largest economy here and Molly, I will start the conversation with you. While perhaps investors have locked in another rate cut, it seems things are looking more confusing in the next year or even the first quarter. What are you reading? How did you read the ADP data? But more importantly, how are you looking at interest rates going into next year?

Molly Duffy 02:37

Yeah, thank you, Dana. I think it is an interesting set of data, and also interesting on who would be Powell's replacement and how the market's taking that, which is seemingly not very well at first glance. But I think that we'll see another rate cut in the new year, and then after that, I think things will steady somewhat. And while this has been, from a market's point of view, quite a volatile year, the idea that we would see a steadier Fed really helps in some of the longer term planning for our clients, and also for finance and banks in general. So that can provide a bit more of a runway for what's happening, and also some steadiness in terms of what interest rates will look like and currencies, and be able to make a financial planning based on that. So that's my view on it, that we'll see another cut, but then I think things will steady on.

Dana Khraiche 03:32

Will steady on. Kurt, let me go to you here. Still elevated inflation paired with what might say a weaker job market, others say it is resilient. What is your take on that?

Kurt Björklund 03:46

Yeah, I'll take a different point of view from that, just to make this more fun. I think we usually tend to underestimate how radical these shifts are when they happen, and usually the forecast of rate changes, although it makes perfect sense at the time, it ends up being either by far too optimistic or by far too pessimistic. So I think what we're going to see is including, with the political pressure on the Fed now in the United States, we're going to see an economy which will finally stop this levitational tendency that it's had post reeling back the quantitative easing and all of that stuff. You know, we've talked for two years about the US consumer starting to run out of the liquidity in their bank accounts and the effects of this incredible monetary printing that happened, and we've seen that come through in inflation. I think what's happening now is that the US consumer really is in most of the economy, we'll get back to the AI steroid dose that that's going on, but most of the economy, the US consumer is actually starting to come off. And we see that. We see that evidenced in the weaker jobs data. And I think that when it starts happening, it'll happen a little bit more quickly than we think today. And then the Fed, including the political pressure, there will be a person in the White House saying, I told you so, and I told you so, and the rates will be on a downwards trend, a trend and the macro might by this time next year look a lot weaker than what we might think here today that it will be. So rates lower than the forecasts say, macro weaker than the forecasts say, is my prediction for December ‘don26.

Dana Khraiche 05:36

Interesting. Lawrence, I know you don't like to comment on such short term bursts of Fed rate job data. But let me get your thoughts on long-term looking into 2026, or even beyond that, what is the interest rate environment there?

Lawrence Golub 05:52

So let me start by saying, I don't think anybody really knows anything about this. And six months ago, Fed funds were forecast to be close to 4 percent at the end of next year. Now they're forecast to be 3 percent. I think President Trump on domestic policy has been getting his way on virtually everything in ways that surprise people. I mean, he said he wanted his big, beautiful tax bill by July 4, nobody believed it. And you know, it came. President Trump wants lower short term rates. We're gonna have lower short term rates. I think that a month ago—it doesn't matter. I think the Fed is going to cut 25 bps, but I don't think it matters. I think what matters is where, even more importantly, are long-term rates going to be a year from now? Think about the consumer and consumer spending. There's short term in terms of bank accounts, credit cards. There's long term in terms of housing starts, in terms of moving, which are at very low levels because people are locked in. That's going to be driven much more by long-term rates than short-term rates, and that long-term rates are going to be driven more by inflation. If we have a 3 percent Fed funds rate and 2 percent inflation a year from now, that's hunky-dory, and long rates will probably be about where they are. If we have 3 percent short rates and 3 and a half percent inflation, long rates could be meaningfully higher, and that could make much worse, the sort of concerns Kurt has raised.

Dana Khraiche 07:20

And speaking of concerns, let's move to risks, downside risks, going into next year. Do you see this in geopolitical shocks, restrained investments, or what the economists are raising the alarm about—fiscal deficit, rising debt—looking at—going back to you again, private lending, private credit. What are the macro trends that could perhaps impact that landscape?

Lawrence Golub 07:50

So the economy—there's a big difference between the economy GDP growing at 2 percent and a recession. There's not that big a difference as a lender between the economy growing at one half or 2 percent versus three and a half or 4 percent. But there is a big difference in terms of fiscal deficits, in terms of the flexibility of federal government to act. I think that it's time, at least, as it relates to the US, to keep in mind that the clock is ticking on this almost domestic omnipotence I described to President Trump. By the August recess, congressional recess—every Republican candidate for the 2026 election will have been picked, and President Trump risks becoming lame duckish, especially if Republicans lose the house. So I think we're looking at a period of time where there's going to be a flurry of attempts at domestic policy to address some of those issues. I'm not as close to the different political cycles and election cycles in Europe, but there is some of the same question of short term versus long term and productivity growth.

Dana Khraiche 09:02

Molly, if I go to you here, what do you see as risks?

Molly Duffy 09:08

I mean, I think that Lawrence brings up a very good point in terms of—how long does Trump have to kind of be effective and really push things through as he has—quite surprisingly in some ways—and effectively, I would say in the first part of his term. The deficit part that you bring up is huge, and there's really no attempts to resolve that. And that continues to loom large over the landscape in the US. I do think that there, you know, I agree, Kurt—there are signs of weakness in the consumer—but I actually think that the US will continue on at some of the levels that Lawrence was talking about. I don't think that we're going to see a dire situation, but for sure, there's risks coming from both the administration, from the policy point of view, from the large deficit, which hasn't been addressed—geopolitical—I don't think any of these, you know, we can take for granted. They're all out there and not insignificant.

Dana Khraiche 10:08

What I'm hearing is Trump risks. I guess that's a big headline. Kurt, let me ask you—

Lawrence Golub 10:15

I'm not trying to take a political point of view, but instead of calling it Trump risk, I would say, a likely decline in Trump's power that's coming later this year.

Dana Khraiche 10:27

And that's interesting—off-topic a bit—but you know, he did say he will have a nominee for the Fed early 2026. And if that goes through, then it means he can get his policies through easier if there is one of his nominees at the Fed board, right? Do you think that this might, you know—[cross-talk]—towards this presidency?

Kurt Björklund 10:59

Yeah let me—kind of—just broaden that quite a lot. Because you're asking a very specific question, and—like you—I also think that the questions around what the '26 macro are going to be or not be—that sort of noise, right? So as investors, we take a view on 5, 10 years out, and by the time we've bought most of the companies we're going to buy— and especially start thinking about selling them—Trump will be long gone from the White House, and something else will prevail—and by the way, the global balance will look and feel very different. So we just—looking through noise is one of the most important things that investors need to do. But what are the things that I worry about? I worry about, if I take the very long-term, I worry about the loss of trust in institutions globally and that's institutions, including an independent central bank in the United States or in other countries, where we've forgotten what it felt like in the '70s—'70s and into '80s—when inflation came through, and we saw stagflation in many countries. And I think we're going to face a period again, where weaker central banks under stronger political influence will allow the circumstances—especially with the US federal deficit continuing to balloon totally out of control, right? If I look at one big failure of the Trump regime, it's getting that under control. So it just—continuing to carry enough to, you know, Italian levels. And just 5, 10 years ago, Italian levels were danger zone, and now that's where the US is. So that's a big thing, and the only solution space for that, probably, is allowing inflation to run quite high in a weaker economic environment for longer—debasing everything from the value of the currency or currencies to consumer trust in that. So that's like one big area. Otherwise, loss of trust in institutions, or destabilizing of institutions. You look at what's happening with the US-European compound, including NATO at the moment, that's being kind of disassembled and will be reassembled somewhere, but we don't know quite where it will be reassembled. So that's a risk. It's okay. And things change, and they should change. And then I think—there's this whole question of what's going to happen to the monetary system and how we're going to relate to that, and what's going to happen to banks when we move towards a rapidly kind of virtualizing stable coin—world, where many savers say, "I don't want to listen to this top-down anymore, I'm choosing as a consumer bottom-up to put my money here or there." There's a lot of things happening of that nature. Now, the only place I think that you can really trust is owning unique assets that more and more people want to own—ideally, that grow. That's what you want to own. And that can be dominant companies with a number one market share that are growing and compounding. It can be amazing real estate. It can be, by the way, gold and things like this. It's like, what are the real assets where you put your capital, where you know that over the next 5 or 10 years, you will see, as a relative matter, a growth in the value of what you do.

Dana Khraiche 14:25

Interesting. So that's how you would navigate this more of a confusing picture coming into 2026. And Lawrence, I want to go to you here to—how do you navigate, where would you put capital going forward?

Lawrence Golub 14:44

So I think Kurt makes a very interesting point in terms of trophy assets. And one of the areas that we've identified as very interesting is continuation vehicles by top-tier private equity firms of some of their trophy-owned companies that maybe haven't achieved the value creation they hoped for during their initial holding period—but these are very long-term assets, and going with great managers with great assets, and not setting your sights on 20 percent returns, but setting your sights on a long-term hold. Those sorts of things are very valuable and very interesting opportunities. I think that having some flexibility to shift gears in your portfolio and trying to avoid long-term interest rate risk. So this is the second time I'm coming back to long-term rates. I don't know what long-term rates are going to do, but they can go up a lot more than they can come down. And long-term rates, or being long-term with fixed rates, frightens me. So I think having pricing power, having investments that are tied to growth, having investments that are tied to floating rates, create a lot of flexibility and avoid a lot of risk.

Dana Khraiche 16:03

Molly, where are you seeing growth? Let's talk maybe geographically and also sector-wise. If you can be specific, we have to tie our investments to growth. So where are you seeing that?

Molly Duffy 16:14

So I'd be remiss not to mention exactly where we are here in the Middle East. I mean, this has been a huge area, not just for capital raising, but really for pure investments. And I think that's going to continue where we, at Standard Chartered, where we really play a unique role is in connecting our clients to the globe. And where we see a lot of interest in particular right now is out of the Middle East. There's a few reasons for that. One of them is due to some of the sectors that are in play here. One of those, of course—logistics, AI, health care—all of these are areas of extreme growth, really, and very large deal sizes that we're seeing also coming through in the region. So it's not really one place in particular. I think there's been a lot of—the world's different right now. There's been a lot of fragmentation. There's not sort of one center, but it's really how you want to participate globally and have a diversified portfolio. But the Middle East really sits kind of in the middle of that, and also is key in some of these sectors, including real estate, that are very important and that are high-priority for for our clients.

Dana Khraiche 17:24

I mean, looking at risks too. I do want to touch on dollar dominance, right, and the role of the dollar in capital markets, you know, as—especially after the US debt was downgraded. So is there an alternative? Is there a suitable challenger as of yet, or—that the US dollar will still dominate? I guess I can start with you, Kurt.

Kurt Björklund 17:53

So I think that there are two equal and opposing forces. In fact, like in any clearing markets, there's always two equal and opposing forces. And I think those two are—at the moment—on the one hand—there's a very large share of the world population that does not want dollar dominance. I actually look at the whole of China and India, and you can add a whole pile of other countries in that, that say, okay, that's kind of fine, but it's clear now that the US asserts geopolitical control and dominance through the currency, and we don't want that—Russia, I should have thrown that into that pile. And you can keep going with the long list. North Korea, if you want to get really wild and as a consequence—that cohort of people. By the way, Mike Milken said something amazing in the opening. He said that the concept of countries is not really important. What really matters—it's a collection of people. I love that, just as a thought model. So those people that two-thirds, or whatever, of the world population, don't want dollar dominance. That's one force going in this direction. The force going in the other direction is the euro is just a bit complicated and hasn't worked out as an alternative. It's fine. Gold isn't really something that's a currency. Bitcoin has a Sharpe ratio of exactly zero at the moment, so you get no return for the risk that you take. And crucially, dollar is gathering momentum, including things like, basically all of the stable coins worth their salt are dollar-denominated. And that means that people from Azerbaijan or from Bangladesh that want to put their capital into something that's a stable coin—they put it in $1 stable coin. So that will increase demand for dollar and probably keep driving up the dominance. So these are kind of the two opposing forces. If I made a bet, like a 20-year-out bet, of course there will be a strong alternative to the dollar somewhere. But I actually have no idea whether it's gold or a Bitcoin or a wombat.

Dana Khraiche 20:06

What about you, Molly?

Molly Duffy 20:07

I think Kurt raises really interesting points on why it's complicated to not have the dollar be the lead currency. But you know, what we do see is that there's clients in regions or people, as you would say, that are demanding things like RMB invoicing instead of dollar invoicing. And if you've got the the financial might behind that—and if one wants to get a deal done—they'll find ways to probably make that work. So it really, I think, depends on both participating, really, both ends of it participating. I think gold is problematic. I don't know exactly how that would work. Could there be a way? Could it be a stablecoin? How would then it be backed? You know, I think that raises up a lot of these other questions that make it difficult to decouple from the dollar completely.

Dana Khraiche 21:00

But why do the clients want to diversify?

Molly Duffy 21:04

Why do they?

Dana Khraiche 21:05

Yeah.

Molly Duffy 21:06

I think for an anti-US or anti-dollar sentiment, or that, you know, could be certain countries that want their own currency, to be more prominent, I think those are the primary reasons.

Kurt Björklund 21:20

And maybe—and I get a lot of this from global capital allocators who—non-US global capital allocators—once bitten, twice shy, right? So the fact that the dollar has declined so much in relative value over the last year, that just takes away a little bit of that kind of absolute trust. [Kraiche: "Aura."] And yeah, it takes away that aura. So once you've lost—in whatever your reference currency is—10, 15, or whatever percent, just because of the dollar decline, you go like—okay, well maybe now we know that that's all temporary and reversible. Things will ebb and flow. Like the sentiment at the moment is that this is not unassailable.

Molly Duffy 22:01

Currencies always fluctuate. So I mean, you're not gonna, yeah, you're not gonna get away from that.

Lawrence Golub 22:06

Right. And I'd unpack this really, into three pieces: the dollar as a medium of exchange, for settling transactions; the dollar as the basis or as the control currency for certain international piping, like the SWIFT network; and the dollar as a store of value. I think that the dollar as a medium of exchange, other than for geopolitical reasons, is pretty locked in. It's easy, it's liquid. You can hedge whatever period you want to hedge. But if you go on to point number two, the geopolitical—the reason with the sanctions put on Russia and SWIFT issues—you know, there are a lot of motivations for countries outside the United States to not be overly dependent on US-controlled "plumbing"—whether that's dollar or not. And it's useful, I think, to separate—well was it dollar denominated versus US control that comes into play. And in terms of as a store of value, there's no real alternative. There's volatility. There always will be volatility, but until there's a gigantic sovereign debtor with trillions or tens of trillions of debt outstanding all across the duration curve, you know, there is—the dollar is diminishing as a store of value. Look at foreign banks—foreign central banks—mix of reserves, but there is no alternative to it on the horizon. Someday, there will be, but no idea even what it looks like. It requires having a country be an enormous debtor, though, because otherwise the treasury bonds, or whatever you're going to look at aren't there.

Dana Khraiche 23:45

Interesting.

Lawrence Golub 23:47

So if we ever solved our deficit problem, that would hurt the dollars' use as a store of value.

Dana Khraiche 23:53

Exactly. And I think central bankers started looking at gold, and that's why we saw a lot of gold buying after, of course, the sanctions on Russia and the Russian invasion of Ukraine, where they—you know—said that we needed another store of value. And we can't talk about investment landscape without talking about AI, and we can't talk about AI without talking about the AI bubble. There are concerns about that, but let me start with you, Kurt, here. Do you think that—is it an AI bubble? Is that a real concern? And maybe you can draw some similarities or differences with the dot com bubble? Do you think the concern is—I don't know—the potential of AI in the hands of the few, or like we were speaking about earlier productivity gains that many say haven't yet been documented?

Kurt Björklund 24:55

Yes. So I grew up as a kind of investor puppy in the late—second half of the '90s in the dot-com and telecom boom and bust, and then—have lived through a few of this cycle, as have both of you. And what I'm seeing—so I dissect this into three different layers. There's the foundation model layer. And I really can't price that. For me, what that looks like is an industry that is rapidly going towards a pretty commoditized oligopoly amongst a few. But the positions are shifting so quickly, and there's a lot of trial and error—I just can't price that. And we don't invest in the foundation model layer, because we feel that the unit economics are not priceable, and it probably will be a pretty commoditized corner of the market. Then there's the enabling infrastructure layer, where—this is a bit to me, like in the data com—like the late-'90s buildout of the internet, it will be hugely valuable for the economy as a whole. And I think that a lot of people will lose quite a lot of capital by pouring in too much capital into an industry that will at some point in time, have a bit of an oversupply. And once your Nvidia chips get old, you kind of have to throw them out, then put something else instead, and so forth. So that, I think is investable, but more in sort of the "picks and shovels" enabling layer, or as an infrastructure layer, with very long takeoff contracts with the right people. Eighty percent of our focus is on the application layer, and there, I think we are just like massive beneficiaries of these hundreds of billions of capital that pour into the first two layers, because you—it's a race to the bottom, in terms of the cost, the price that you have to pay for an AI token, and the quality of it keeps going back, keeps going up. And the US is a massive net exporter of AI tokens to the rest of the world, and we can buy it cheaply. So thank you and we're very grateful for that. Now what do we do with this? And by the way, our business is 50 percent US, 50 percent Europe, give or take, 45 percent US, 45 percent Europe. So I'm being little bit facetious. That's not the right pronunciation. You know what I mean about it. And we focus on rapid deployment in our enterprise software, our consumer internet, our B2B services, our health-care portfolio, of these incredible benefits that you get on the productivity side and on the revenue side, because your customers will get a better experience, a better product. They'll be happier, they'll be stickier, and they'll pay more. What's not to like about that? And to deliver that, we pay a lower and lower price because our buddies at OpenAI and and Stargate make it cheaper and faster to access. That's like the collective of how I, as an investor, look at it. And the numbers are real, like really real. The incremental revenues that we see coming through in our portfolio is in the hundreds of millions of incremental revenues, growing—growth per year. And the productivity increase is a business that might have had a, you know, 40 percent EBITDA margin before is heading towards a 50 percent EBITDA margin because you can just do things better and cheaper.

Dana Khraiche 28:17

Lawrence, I'd like to get your thoughts on computing, AI, and investments, but—yes, go ahead. I wanted to say something more, but I'll just let you go on this.

Lawrence Golub 28:32

As an investor, I prefer floating rate, senior secured debt to profitable companies. I think that the productivity growth from AI is inexorable. I think it's slower than a lot of folks hope. I think it will be bigger. I think we're looking at something and I like the analogy to say, fiber buildouts, because I think that's accurate for the compute piece. But I think when you think about AI overall, the better analogy might be railroads and how they've changed every developed economy and built industries related to railroads, enabled by railroads, and yet most of the investors in railroads for the first 20 or 30 years lost money, so we don't do AI-related investing. Everyone's involved with AI. Our companies we lend to are involved with AI. I think in the intermediate term, it'll be a really good boost to productivity. And if you think about—if you think about, say, in the US, the trillions of dollars of investment in green energy, a lot of which was inefficient—leave aside again, the public policy issues of climate change—but providing enormous government subsidies to put solar panels on people's roofs in cold, rainy Maine is not a productivity enhancer for the US, or any economy. I think we'll see as an economy, as a world economy, much better returns from AI over time than you know we did from that sort of thing.

Dana Khraiche 30:11

Molly, do you think we're just stuck into this—how in—some investors, or a lot of these traders and investors, they think so short term, right? They're stuck in this picture. Is it an AI bubble? I'm going to put in more. I'm going to buy more Nvidia. Let's say Microsoft had done something, and then I'll pull out. Should we be so focused on trading on these companies? Or longer term?

Molly Duffy 30:38

Yeah, I don't think—I think longer term. I think there's a couple of things on the AI piece that are really interesting. I don't think that we can necessarily look at it as a bubble due to the amount of investment it could well be. But I think we're really in the early innings here for us to kind of make that overall statement. One of the things we were talking about before coming on was just the size of the deals that we're seeing now, right? And I think that's probably going to continue. And then, of course, with AI, there's also the energy piece of it, which is sort of inextricably linked. So I actually think it's a difficult one to call, but I think we're in the very early stages. I think the trading mentality is very different than what the long-term investing mentality is here. And that there's this very interesting—really generation changing that's happening with AI that we're lucky to be a part of and witness. Who are going to be the winners and losers in that? I think there's going to be winners and there's going to be losers, and some of those could be quite extreme, and the railroad idea, analogy, is very interesting, and that did have some significant losers in it as well.

Kurt Björklund 31:43

There's one, one additional element to this buildout, which I just picked up an article last week on—so the city of Memphis in the US—say again?

Molly Duffy 31:54

FedEx hub.

Kurt Björklund 31:55

Well, yes, yes, that too, but it's also where Grok is. Elon Musk is putting the Colossus, this massive Grok supercomputer. The electricity consumption in the city of Memphis is growing by 40 percent. So it's 1.4x-ing for one city, because that computer is going there. And we're just seeing the beginning of this. So this point of energy efficiency, but also the social impact of suddenly taking out all that energy from the grid—and consumers that are already feeling squeezed in the United States, in Europe, and elsewhere—taking that energy out of the grid for driving AI and out of the consumers, and therefore driving up the price and the production to the marginal point of the curve. That's a really, really big deal that I don't think people have yet started fully factoring in. So the only answer to that will have to be very significant renewable energy investments, probably off-grid, maybe on-grid, by the people that build out these data centers in economies where otherwise you're pretty energy constrained. That not being the case, for example, in the UAE. So you'll have significant advantages—at least not to the same extent—you'll have very significant advantages in places where energy is cheap.

Lawrence Golub 33:13

I agree with you, directionally, tremendous amount of incremental electricity generation is needed. But you said renewable, and I'm not sure I agree with that, because, you know, AI in particular is 24/7 and renewables don't have that reliability of 24/7. One of the odd coincidences I see along the lines of the issues you raise, is we in the United States just ended electronic vehicle subsidies a few weeks ago. So you know, there it is kind of ironic to think about how much money the United States has spent on tax credits for EVs to use electricity that now has a higher and better use in data centers so that we can subsidize European consumption of AI token.

Kurt Björklund 34:03

Thank you. Yeah, so. So, by the way, there was the clean energy Nordic person in me speaking when I said renewal—there was probably a desire, as opposed to an economically informed perspective. But clearly, whether it's nuclear energy or some other nuclear base load, some other base load, new energy production coming in, or it's renewable, feeding the other part of the demand curve. So the consumers—essentially, that is being taken away from— that's a different set of supply, demand, and investment return decisions. But the point being that if you take the example of Memphis, which is extreme, but you start percolating that across the United States and across Europe, for example, you will have to have just a massive wave of new investment coming in, including into renewables. But also nuclear and other areas.

Dana Khraiche 35:02

Yeah, I think it's interesting also to see how an energy-rich nation like the UAE will power the Stargate data center, which I think is going to be the biggest outside of the US. Is it going to be through old-fashioned fuel or solar or even nuclear, since they have the Al Barakah nuclear power plant, which actually powers most of the UAE. So there is a lot of potential here. And I think it is very interesting to see how the UAE will power this massive data center. So very interesting conversation there. I do want to move to private equity here. The market today seems different than when we started the year. That's perhaps because of momentum from the public market that's moving towards private equity. But we did see the largest announced leveraged buyout, which is through EA that actually was led out of the region here from the public investment fund, the Saudi Arabia sovereign wealth fund. And many are saying there are fewer deals this year that we saw, but high-ticket transactions. Lawrence, how do you characterize the market today? And do you agree with the whole thing about fewer but larger deals is that, is that a good metric?

Lawrence Golub 36:28

I think that it's one metric. And I think that the volume of private equity new platforms has been gradually increasing and increasing at a rate much slower than folks have expected, going back to the consensus being wrong, 2024 was going to be a big pickup, and it wasn't. 2025 was going to be a big pickup, and it wasn't. If you think about the period of time between the '24 election and about February. Deregulation was going to drive tremendous amounts of new PE until Mr. Market focused on tariffs and all of the uncertainty there. I think in we are still a ways away from PE picking up in those industries that have a lot of tariff uncertainty. And when you think about enterprise software, EA is more of a B2C software, those work better or don't get affected by tariffs. I think that there's an undercurrent though, that there are a tremendous number of add-on acquisitions that have been going on in PE-controlled businesses. So I think it is the case that the very large deals have dominated from a data and a headline point of view, the new platforms, but the aggregate amount of dollars invested probably is more in add-on acquisitions to PE-backed companies, even than in the large transaction.

Dana Khraiche 38:00

Go on.

Kurt Björklund 38:01

Yeah, and—stock and flow, right? So what the headlines tend to focus on is the flow of the new deals or the exits. And that's like, just quantitative, that's 20 percent of our business. Eighty percent of our business is what we earn and what happens in those companies. So that's, you know, how much in aggregate are the profit pools under ownership? Under control ownership? How much are they growing per year? What's the organic growth in your portfolio? What are you doing with the companies? How're you developing the businesses? And therefore, over time, how much value are you accruing? And then some years, we'll be buying a lot. Like we bought a lot in '22 and '23. And then in '24 and '25, we've been selling a lot. Because we feel that this is a great environment to sell into. You know, if you can't sell into this environment, you have the wrong businesses. Whereas in '22 and '23, after this big interest rate reset and through this inflation spike, a lot of people were on the defense and were dealing with everything from capital structures to liquidity problems. So we went all in then and stocked up. But again, it's important to think of our business as you take a posture in the market. Are you more buying in this environment? Are you more selling in this environment? And that's a fairly long cycle thing. You'll never get it right. You can't decide that, you know, today is the peak of the market and you sell everything, and tomorrow is the bottom, and you buy everything. So it's a posture thing.

Dana Khraiche 39:36

But you felt this year was a more selling environment?

Kurt Björklund 39:39

Oh, for sure. Yeah. No, absolutely. So we have, we have sold last year, and then this year will be—don't want to be promotional. But it's been a record year under any metric, for exits, for us. And '22 and '23 conversely, were, were very deep deployment years.

Dana Khraiche 39:57

Molly, how do you see the private equity landscape?

Molly Duffy 39:59

So I agree, I think that there's been a lot in the add-on side of things. So it's not—and in some of the continuation vehicles as well, which you also referenced. But I do think that the larger deals with the larger players are going to continue. So there will be fewer, but larger, and then continuation and add-on. That's great, Kurt, that you had such a strong year selling. I didn't see that as much from our side, but I'm sure that that'll come soon. It's much more on the continuation side and holding off.

Kurt Björklund 40:33

Maybe adding one more thought, which is that public markets, generally, today, increasingly, today, are only takers of assets worth 20, $30 billion and upwards, right? So that number used to be like a billion, the unicorn would go public, and then it'll be the three to $5 billion company.

Kurt Björklund 40:55

And now it's like, then it was 10, and now it's like 20, 30 billion, because, because, if you're a big public if you're a big allocator into public assets, you need to write at least 200 to 500 million tickets, basically, to pay the talent in the world to do the analytics. And you can't earn more than a couple of percent of the company. Therefore, ergo, mathematically, the market cap needs to be minimum—let's call it $20 billion. So this creates this massive space for companies between, I don't know, half a billion and 20 billion, that isn't really ownable anymore through the public markets, that are ownable for our investors through the private markets. So that market expansion has been exponential and phenomenal. I mean, like, I would never have guessed that. So it's a great thing that—I mean, the deal size is being big, that's great. And if you're a banker, you like the fact that that's fees, and it's a lot to lend to and so forth. But the way I think about it is, how is the addressable market of private equity growing over time? And I think it's pretty phenomenal, and it ain't going away soon. Yes, you always have these big liquidity cycles that sweep through the industry, but that's just transient.

Molly Duffy 40:55

I agree, that's a super good point.

Dana Khraiche 42:09

Staying on private equity and in Abu Dhabi—Lawrence, Golub Capital opened its offices earlier this year. That is bringing you closer to the likes of Lunate or, you know, the Mubadalas. And Kurt as well, opened offices here in Abu Dhabi. We have a more established firm in the region. So let's start with you, Lawrence, opening an office in Abu Dhabi. What can you—how do you leverage that?

Lawrence Golub 42:40

Well, first of all, it's just fun. I really think the you know, the economies in the Emirates, the region in the Gulf, are exciting, growing. There's still some connectivity to energy, commodity prices. But you know, as a hub for this part of Asia, and as a hub for all of Asia, it really is incredible. I mean, I wasn't alive in the 1950s and a little kid in the '60s in the United States, but there's some of the excitement and growth orientation here that I imagine, you know, the United States had at that time. So really, truly, it's fun. It's a connectivity. We have a few local people who are on board having offices convenient for that. We've also engaged in local philanthropy, again, partly to give back, partly for connectivity, partly for satisfaction. So we're sponsoring a program at Abu Dhabi Stern, which has its first MBA class this year, and doing a variety of programs there, and extending some of the philanthropic work we've done in the United States with business schools to this region so far are on the business side. The connectivity has mostly been with investors. You know, I certainly expect that when you interview me up here, five years from now, we'll be talking about a much more significant activity of investing in the region, not just raising money in the region.

Dana Khraiche 44:08

Yeah. Kurt, how about you tapping into the Abu Dhabi resources?

Kurt Björklund 44:12

Yeah? Well, I'll say three things. One is that the society here is just phenomenal, right? So the alignment of governance with capital, with talent is you just can't find that anywhere else in the world. So stuff gets done with significant deep capital by the best people in the world. And that's like that. That's a recipe that's pretty unique, that's taking shape, performing, delivering here in the region. So love that first point. Second point. We have partnered up with capital from the region, including from Abu Dhabi, for 20 years. In fact, more than 20 years. So it's not new. We have some of our longest standing, most trusting and best investor partnerships based here and—long may that continue—and having an office here in the UAE is an element of being closer to our partners. As well as three, we just bought significant stake and property finder here. We are very thematic investors. The founder has built—is building a great business, and we partnered up with him in developing that going forward, and we will invest more in the region over years to come, when the right opportunities show up.

Dana Khraiche 45:36

Molly, I want to wrap up with you here. You mentioned earlier, when we were chatting that the Middle East was one of the fastest growing markets that you're seeing. Tell us more about that.

Molly Duffy 45:46

No, it is. I mean, first of all, I think Standard Chartered plays a very interesting role, because while we're not new, I think we've been in the region for, you know, almost 100 years, we kind of have this interesting role of both being kind of local, but also an international bank, and so we're really connecting our clients around the globe into the Middle East. For us, it's a huge growth region. I think—I'm based in New York, but I've been here—this is probably my sixth trip this year. Will be the last one for this year. But I mean, this is a place where I spend a lot of my time, and where a lot of our clients from the US and Europe and

Asia are very interested in coming and also Africa too, which is where we have a very strong business. So it's incredibly exciting.

Dana Khraiche 46:27

Thank you. Thank you everyone, and thank you for joining us. That's it for us, folks. So I hope you guys enjoyed our conversation. Thank you guys.

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