

NAVIGATING THE CROSSCURRENTS: GLOBAL MACRO AND INVESTMENT OUTLOOK

Voiceover Intro 00:02

Please welcome the panel on Navigating the Crosscurrents: Global Macro and Investment Outlook, moderated by Dan Murphy, anchor and correspondent, CNBC.

Dan Murphy 00:30

Okay, thank you everyone for sticking around for this next conversation. And I think this one is incredibly timely. Fed rates are on the move. Inflation has come down, but hasn't quite gone away. Trump geopolitics are in play worldwide. And then, of course, there's the technology cycle, which we've been talking about a lot today, especially around AI, which is also moving really fast right now. So, we have the perfect group on stage. In fact, I would go as far as to say it's like getting the old band back together from last year as well, to talk about where to allocate in 2026 with a combined 750 billion US dollars under management on stage in front of you. So, let's dive straight in—Anne Walsh from Guggenheim Partners overseeing some \$350 billion in assets. His Excellency Waleed Al Muhairi from Mubadala, \$330 billion in assets under management, and Tony Minella from Eldridge, \$70 billion in assets under management. So, so happy our team is back to talk about what's happening in the year ahead. Your Excellency, with that in mind, I'd like to open it up with you. Perhaps make some opening remarks for us, and in so doing, what is Mubadala's macro base case for 2026, and where are you seeing the most compelling global opportunities right now?

His Excellency Waleed Al Mokarrab Al Muhairi 01:46

Well, first, thank you. Thank you so much for having me back on this year. It's great to see so many familiar faces in the audience, and of course, it's an honor and a privilege to be sitting next to the panelists I always speak with [laughs], which I think is great. I think—I think from our perspective, number one, we can't start other than by welcoming everybody to Abu Dhabi. It's the season where we are able to convene, whether it's through Milken, through the races, or through Abu Dhabi Finance Week. Forget \$750 billion in assets—trillions upon trillions of assets, as Abu Dhabi really kind of turns into the capital of capital. So, as we think about what 2025 looked like, you know, I was telling some members of my investment committee, I said, I sure wished that the year ended about three weeks ago. Not that there's anything wrong with where we are today, but I think that brings me to, I think, my first kind of point—in terms of '25 and very likely '26—and that is volatility is very unlikely to go away. And I—that's not a very hard statement to disagree with. I think at the end of the day, we are entering kind of this period over the next 12, 24—goodness knows how long it's going to be, set of time where I think two things are going to distinguish the winners from the folks that only do okay. I think number one is how you manage volatility through building resilient portfolios. And I'm happy to speak about that if that's interesting. And then second—and here's where we're spending a lot of time—is figuring out where we can discern signal from noise. Okay? So the more signal to noise. And the reason why that's important: Investing has never been straightforward, right? But I think it's getting harder, because you have many discontinuities that I think most members of our audience are very clear about. We're navigating a huge technological shift through artificial intelligence, right? And so a question, you know, is this going to turn into a huge boost in productivity? So, I happen to think so. But, you know, you've got folks all over the spectrum, from an opinion perspective. You've got, you know, folks already talking about, you know, what's going to happen with a potentially overextended private credit set of portfolios? I happen to think they're probably going to be fine, by the way. But again, you have a lot of folks who are saying, hey, look, you know, things, things might get a little shaky, and private equity still hasn't resolved its DPI problem. So you're seeing a lot of different things that are coming together—again, that really just point me in one direction, which is, how do we stick to our guns of being thematic investors, number one, and in so doing, hopefully discern what that right signal is in the increasingly noisy environment that we are seeing, and then ultimately give our shareholder—in this case, the government of Abu Dhabi—the return that they're expecting of us.

Dan Murphy 04:52

Fascinating, and the perfect setup for the conversation, raising a lot of interesting points there. Anne, this is something that you and I also discussed earlier today, tracking the signal, not the noise. What's your macro base case for 2026, and how are you thinking about where we're at in this rate cycle, particularly the conversation around the Fed right now, given the normalization underway, and also the uncertainty over who is ultimately going to be leading that institution in the coming months?

Anne Walsh 05:18

Certainly. Again, thank you so much for having me today, and I am in violent agreement with Waleed—so many points!—but, let me add a few about what's going on. It's interesting with all this backdrop, all this really big picture, long trend change that's happening—whether it's technology infrastructure, globalization, or in this case, maybe more de-globalization and multi-polar world that we are in—what seems to have

emerged, at least as regards the rate cycle in the US in particular—is a trading range. Weirdly enough, what we've seen is the 10-year in the US has really traded between three and a half and five, and once the Fed last year started cutting rates, it really kind of took the top off that range. So you're talking about mid-threes to mid-fours, and we're entering the third, fourth year now of—you know, we're through the third year and into the fourth year—of this trading range, so that at least within the world of volatility—and, you know, significant change—is kind of an anchoring point, but it's interesting as we watch the rate cycle evolve and the Fed, you know, regardless of who gets that nod, ultimately, as Fed share coming in, we're looking at a relatively dovish Fed. No matter what they like to say in the narrative that they're using, they're really pretty dovish. Let's look at where we are. They've ended quantitative tightening, and in fact, are probably going to start buying back onto the balance sheet. That's a stimulative action, and they're certainly going to continue to cut rates. We happen to believe that neutral in the US on Fed funds is 3 percent, so that means they have room to cut a few more times, and we do believe that they'll cut here this month as well, and probably at least two times, based on the employment story in the US. Why is all this happening? Well, actually, what we're seeing is the sort of an equilibrium state in the US in terms of growth. So, trend growth in the US over the long term is about 2 percent real GDP. Our prediction for this year and next is sort of right around 2 percent; maybe it's a little lower, but it's not a recession. And if that's our base case, then that seems like it's a pretty easy opportunity for the Fed to move towards a neutral stance—not a stimulative stance, but a neutral stance—in response to what is emerging as a, more of an equilibrium US economy, and that is in the backdrop of a fairly equilibrium global economy. So it's sort of a steady state, at least until about mid-2026 in our view; albeit, I agree, with some real volatility, because headlines are going to continue, and we have to continue to navigate in uncertain waters.

Dan Murphy 08:14

Tony, weigh in here as well. What's your macro base case for 2026, and what is the thing that investors are perhaps not talking about in this rate cycle?

Tony Minella 08:24

Well, first, fantastic to be here; an honor to be up on stage with Anne and Waleed and you, Dan. So thanks for having me back. You know, I think, certainly, as Anne mentioned, rates are going lower. I think the question is, as the Fed lowers interest rates, what do, you know, corporations do? Historically, you've looked to hire. It's been a stimulative for employment. You know, given what Waleed is talking about with artificial intelligence and how we're using it as an organization, I don't think you're going to see a knee-jerk reaction of companies to actually just in mass, go out and hire. I would rather spend an incremental dollar of capital available to, you know, to Eldridge on compute, on technology. We have one person that's just dedicated to focusing on artificial intelligence. And how do we use it? And the only way to use it is really to throw yourself into it. And if you throw yourself into it, then you can, you know, identify opportunities where you can save time, you can get to an answer quicker. Anne and I were joking, you know, backstage that, you know, we—gone are the days that junior analysts are going to have to, you know, read through 10-Ks and 10-Qs in order to, you know, analyze a company, or even, you know, probably build spreadsheets in the very near future, and so you got to take a step back, and you got to really analyze and use information and become a better investor, really by leveraging that technology.

Dan Murphy 09:52

And just given the backdrop, you're comfortable taking risk in credit and equities in this environment, at least through the first half of next year, Tony?

Tony Minella 10:02

I mean, what are you going to do? Right? You can't—you can't, not. I mean, I think you're always—we're looking to deploy capital. We have a cost of funds. We got to, you know, thoughtfully, be able to deploy it. I think right now, the way we look at the world, at Eldridge, you've got a risk free rate of about a little north of 5 percent, so it's unacceptable to earn anything less than, you know, call it five and a quarter right now, and you can get that through AAA CLO liabilities which have never, never defaulted, which are about 128, 130 basis points spread to SOFR. You know, on the other end of the risk spectrum, you have equity opportunities that we're looking at that are into the 20s. It takes underwriting; now, what's the risk to go from, you know, five, five and a quarter percent to, you know, 20 percent? That's our job, to be able to, you know, analyze that, and, you know, be able to put ourselves in a position that it's more likely than not that we're able to, you know, achieve the yield that we're underwriting to.

Dan Murphy 11:05

And reasonable to expect public equity market correction, particularly at the top end on this innovation trade in the coming weeks and months, though?

Dan Murphy 11:14

Okay, just—let's go back to AI just for a second as well, speaking of managing risk. So I mentioned on stage earlier with His Excellency, the AI Minister, about how Ray Dalio is now talking about how parts of this are looking very much like a bubble. He said that calling it a bubble now looks like calling the internet a bubble in 1995, which I thought was really interesting, but what would you say are the areas that look most challenged right now as we move into the deeper part of this cycle? And are you concerned about the sustainability of the financing behind some of these large-scale AI build-outs? Your Excellency, I'll start with you, because, of course, the UAE is building Stargate here. Of course, backed with US technology partners as well, following the US Nvidia chip approval. I think this is a big deal, right? This is five gigawatts right here in the UAE. Can you finance it? If so, how and what's most worrying about the level of spend that we're seeing right now in this space?

Tony Minella 11:16

I don't—you know, I don't see a major—I mean, I think there's, certainly, there's been stocks that have run up. I mean, Google's doubled over the course of, you know, the past six months or so—for good reason, right? And I think there's going to be winners and losers in the whole, you know, race for CapEx and spend. We've been big investors in some of the data center, you know, financings and the GPU financings. I think, unlike previous cycles on fiber optic, you know, build-out and the Internet build-out, you have some of the biggest market cap companies in the world that are behind this data spend. And so I think you can—rest assured that the financing, absent, you know, a bet on GPU recoveries and what the residual values are there—I think the financing structures that have been put in place, and investment grade financings are good, solid ways to earn high, single-digit rates of return.

Dan Murphy 12:17

Anne, I'll get you to react to that as well. What's the public equity market correction risk right now?

Anne Walsh 12:23

Well, so, I'm in agreement. I like to think of where we are, the valuations appear stretched at the macro level, and—but I would say it's bubbly, but not a bubble. I contrast very significantly where we are today to where the dot-com-era bubble was, for the reasons that Tony has already cited, and—but, I agree also, when you're looking at these markets, they're very unequal. There's—in the US, there's the Mag 7, and then there's the 493 other members of the S&P 500. And the performance of these various parts of the equity market have diverged quite considerably, which tells us that not all parts of the equity market are actually contributing to or benefiting from the use of technology, and I would say yet. So we have a long way to go. And I also think that when you look at the Mag 7, and/or the very largest tech companies, they're conglomerates today, of technology. And so, you know, when you think about back to the dot-com era, we were looking at those companies, you know—they weren't, they didn't even have real earnings. And we saw very, very significant multiples on basically air. And I don't think that's the story right now. We actually have fundamentals that work for these kinds of investments at this particular time. But I'm going to underline something, Tony, that you said, and that is, when you're underwriting to data centers—and I think there's a lot of concern at the headline level that we're overinvesting, particularly at a debt level, leverage level, within data centers—the residual value is really important. And think about how you get repaid as a credit investor over that period of investable time, and that you get return of principal, and you don't leave yourself a large amount of residual value against which you're lending, because I think that is, obsolescence risk is real in this particular storyline.

Dan Murphy 14:25

Before we move on from that as well, I do want to ask about what's happening in AI, but Your Excellency, maybe weigh in on this as well. What's your take on the innovation trade right now? And you mentioned earlier, perhaps some concerns, some fractures in private credit? What concerns you the most at the moment?

His Excellency Waleed Al Mokarrab Al Muhairi 14:41

So starting with AI: So, personal opinion, I think we're at the very beginning of another kind of technology supercycle. Okay? It doesn't mean that it's always going to be up and to the right. So, there could be some volatility, there could be some pullbacks, as we've seen, and the winners of today may not be the winners of tomorrow. But I do feel that we're kind of at an inexorable time, at the moment, where a mix of corporations, governments, and ordinary men and women are just using something that is making their lives so productive. Okay. So, forget P multiples, forget the public markets for a moment. Maybe just kind of a human type of story, that tells you something. So, for those of you that either live here or have spent any amount of time here, and you pull out your smartphone, we have an app here called TAMM. Okay? TAMM is our government services app, okay? And I see that there's some folks in the audience that have interacted with it. And what's incredible about this app is it has more than 1,500 government services on it already. You can talk to it in a dozen languages—and I'm not advocating that this is necessarily the best thing in the world to do—but you do not have to interact with another human, okay, when you want to put an addition to your house, which obviously used to be a very painful process, right? Uploading documents, doing all that stuff, getting your driver's license, having an addition to your family, change in status, paying fines. You're at a point now where, you know, all the way from young kids to senior citizens, you know, 75-, 80-, 90-year-old folks are sitting here talking on their phone to this government app, and they're saying, Well, you know, what's my pension calculation? Or how come I didn't get this payment in? Or I want to, you know, build a little addition to my house, or whatever it might be. And so when you see that being pervasive in a society, you know something's changing, right? And you can't help but think, even though it may not be fully clear to you, that there are going to be productivity increases that are going to come as a result of that. And if that's true, then we are in a time of great change and hopefully growth that will come as a result of it. As Mubadala, our AI journey is just beginning, but we've already seen, kind of, three waves in that journey. The first is the easy stuff, the low-hanging fruit that I think everybody has been looking at. How do you use AI to help with things like, you know, hiring people, recruiting, interviewing, you know, legal document preparation, kind of the back office, corporate side of stuff. And that's been great. The second phase is, we developed something where we actually have an investment committee member that sits alongside us that opines on all the different things that we do. And, you know, if I was going to characterize it right now, I would say that it's about the same level as kind of an early stage associate, which is great. It's only going to get better as we feed it more data, and as we interact with it, and so on and so on and so forth. And then, ultimately, I don't think we have the tools yet to do this, but the ultimate goal for us as an institution is, how will it enable us to be better investors? And remember, we're generally private market investors, and that's a harder nut to crack. So if you are in the public markets, there's so much data, it's easier to apply artificial intelligence to it, and then, you know, either pick or look at momentum or trends or whatever it might be. In the private markets, it's a little more difficult, but we're working with our partners to figuring out how we can do something that will be impactful. And so that's at an institutional level. And then once you build out, and start looking at, well, you know, how do you enable AI build-outs around the world? As you know, we've created something called MGX in partnership with many like-minded investors. And here, it's about infrastructure, and how do we enable through the provision of energy and all the different parts of, you know, AI build-outs, how do we enable that capability around the world? Right here at home, in the United States, and in other parts of the world? So from my side, when I think about AI, I'm very optimistic. Again, it doesn't mean I know what direction it's going to take. It doesn't mean we necessarily are able to translate who the winners and the losers are.

But we do know that, you know, like the internet, this is, this is something that's really going to revolutionize the way that we live, and therefore it's going to have a pretty big impact on the world.

Dan Murphy 19:16

MGX also an investor in OpenAI. Is that still a good bet?

His Excellency Waleed Al Mokarrab Al Muhairi 19:22

So you're gonna have to ask them. They made—[Dan laughs] they made the deployment. But I tell you, I use ChatGPT all the time, if that's any indicator of anything. [His Excellency laughs]

Dan Murphy 19:32

And just to pick up again, also, to follow up on private credit, anything that concerns you right now?

His Excellency Waleed Al Mokarrab Al Muhairi 19:38

Look, I mean, again, private credit, like many other asset classes, you know, goes through a cycle, right? And so, unclear where we are, kind of, in the cycle as it is right now. We're not seeing massive upticks, from a default perspective, in our portfolio yet. But again, as a through the cycle investor, you know, we've had four fantastic years in private credit. And so we know that, you know, that's likely to perform cyclically. So I don't think that it's going to implode in any shape, way, or form. I don't see anything structurally, as long as—again—you diversify well, you build the right type of resilient portfolio. It's—again—it's about construction, right now, and managing risk, as opposed to saying, Well, this asset class is either going to perform well or not perform well.

His Excellency Waleed Al Mokarrab Al Muhairi 20:47

Look, it's undeniable that there's going to be winners and losers, right? There's no question about it. So how do you ensure that you are in the former category and not in the latter? For us, it's about partnership, and it's about managing risk, okay? And so again, as long as you are very deliberate about who you work with—and again, manage risk—and not everybody is able to take the same type of risk, right? So, ultimately, what works in an equation like this is, once you are crystal clear about your risk appetite, you structure around it, and you take the type of risk that you need. I would, I would venture to say that, you know, we are very bullish on artificial intelligence. We think that we have picked kind of the right segment within that and with the partners that we have and our approach—our thoughtful, sort of methodical approach to investing in that space. I think we're going to do just fine.

Dan Murphy 20:47

What does this Nvidia chip still unlock for Mubadala?

His Excellency Waleed Al Mokarrab Al Muhairi 20:47

For Mubadala? Nothing. So Mubadala is not a party to that. I think what's great for the country is having cutting-edge compute, is great for the country, given—listen to what I just said earlier about all the different applications that we are using, from an AI perspective in this country. So having that kind of compute is only going to be better and better.

Dan Murphy 20:47

Okay, let's expand the conversation a little further here. Tony, over to you on this as well, because you have a really interesting vantage point. Eldridge, touching everything from private credit to media to sports to tech. When you think about AI, what is it going to mean for the entertainment space and the instability of that sector?

Tony Minella 20:47

Yeah, I think—so, we own A24, which is the leading independent film and TV distribution and production company in the world. They're heavily investing in artificial intelligence and technology. They've hired a gentleman, Scott Belsky, who was chief product officer from Adobe. He's come in and is really embracing all new technologies. And they, like us, are experimenting. They're trying to bring tools to filmmakers and the creators and the actors and actresses that make movies, you know, faster, better, cheaper, in a more efficient way, you know. And I think it's going to be, you know, revolutionary. And there's films that you know that they were looking at—call it, 36 months ago—that might have cost \$100 million to be able to produce that they think they might be able to—leveraging those technologies—produce at 10 cents on the dollar relative to what it would have cost 36 months ago.

Dan Murphy 20:47

And do you want to pick up on anything you've heard in the last few minutes before we switch topics?

Speaker 1 20:47

I would just say from a data center financing perspective, I mean, there's on-balance sheet financing, and then there's off-balance sheet financing. I think, you know, there was a—Blue Owl did a deal for Meta and a big data center financing that had a fully amortizing eight and—eight point, you know—sorry, 6.85 percent coupon on it over 15 years with a full triple net lease from Meta. You know, that was 165 basis points wide of where Meta debt was trading at the time. You know, it's the first time I've ever seen an investment grade bond break. You know, up 10 points, you know? So it's—certainly, it's Meta financing, but it's Meta financing plus that's coming at a spread, you know, premium to where their corporates are. And so, the financing for the data center and the AI build is there. Is there going to be, you know, CapEx that's misappropriated? Are there going to be mistakes that are made? Of course. But is society and are we going to be able to make a lot of progress over the course of the next five years? And then, just from a credit perspective, every single investment that we're looking at right now, we're asking ourselves the questions at the maturity of that loan, whether it's five years, seven years, eight years, the world's going to look a lot different, and technology is going to have rippling effects through every single industry. And there's big companies that are going to cease to exist, and there's SaaS software companies that are in a trade off of multiples of annualized recurring revenue that are going to be significantly disrupted by AI agents, and so we're all going to get a lot more efficient in our jobs. And just got to make sure that you're leveraging technology. And historically, I would do that by buying a new iPod at the time, which was a revolutionary product. When you went from an MP3 player that had 13 songs on it to 1,000 songs. That was mind blowing. I should have just bought the Apple stock at that point in time. I bought a Tesla early on. I should have bought the Tesla stock at that point in time, too. And so sometimes you just got to look at products, look at companies, look at their vision, and throw analysis necessarily out the window, and really know that the vision and the product roadmap for that company is compelling and it's going to make an impact on the world.

Dan Murphy 26:42

Anne, did you want to weigh in as well?

Anne Walsh 26:44

Sure. And I think I'm going to use the term of art again, a supercycle. And I think that where we are in the supercycle is we're really early stages. I am also an optimist about where technology is going to take us, but it will not get there in an even path, directly up into the right either. And one area that we don't tend to think about is what prevents us from making use of the technology, and why it is that 493 other companies in the S&P 500 haven't yet really developed their use cases in the same way to take advantage of it and I can't wait for our government in the US to get the app that well he's talking about, because, oh my gosh, anybody who has to deal with a DMV in the US knows that it is very—it is stuck in an old world as it is so many of the governmental functions, but the opportunity set for broad-based use is definitely there and, and I tend to concur, we have to rethink valuation in that environment relative to the way we used to think of valuations as purely a PE model, and we have to rethink what is the transformation that's happening, and it's across all sorts of sectors. If we think about what happened in the early 80s, for 30 years, was a sort of a desktop revolution, if you will. And it touched but didn't impact as much all sorts of other industries, like agriculture and medicine, in the same way. Artificial intelligence is going to be

transformative even in those industries, and maybe even more so. So this is a broad-based technology supercycle that we're going to see, and I think that as I, as I said, I'm very much an optimist for the future.

Dan Murphy 28:42

Let's talk about what's happening outside of the United States and elsewhere around the world. Because everyone says the world is becoming more multipolar. US exceptionalism, I think, clearly evident on this stage, still very much in play. But of course, we're also watching what's happening in China, India's rise, the surge that we're seeing in the Gulf. Everyone says it's a multipolar world, but when you look at these actual portfolios, most of the money is still invested in the United States. So the question is, are investors walking the walk when it comes to this question of being multipolar, or is multipolarity really just a buzzword here? So to boil it down, where's the best bet outside of the United States right now? Waleed, did you want to start?

His Excellency Waleed Al Mokarrab Al Muhairi 29:24

Sure. So, no, I think it's about how you look at risk at the end of the day. For us, we see growth in so many different places. So yes, back to your first point, the US is 42 percent of Mubadala's portfolio. Okay, fine—great risk reward. It's, we think it's still going to keep going, and the truth of the matter is, it's probably not going to change very much materially over the next few years. But that being said, you look at, look at Asia, okay? Look at what's happening in China. So China has had some difficulty over the last few years, but you're starting to see green shoots there. And so, you know, China is our second largest trading partner. How do we not participate in their growth from an investment perspective? And so we've been consistently investing in China over the last 11 or 12 years, and we are looking at really interesting opportunities there that cut across both asset class and segment. Okay? Same thing with India, Korea, Japan—and so you're all seeing kind of interesting opportunities. Each market's a little bit different, but there's no question that that's very interesting from where we sit, and then moving to non-US Americas, I'll highlight Brazil. We've been in Brazil for almost 15 years now, and we've been able to create a franchise there where, again, you know, you're able to source opportunities that are so interesting, where you are able to make an above market return given the risk that you're taking. And so I would say there is no shortage of opportunity. It just happens to be that sometimes you have to work a little harder to go find it when you're not talking about the United States, even though that's also happening in the United States, as we speak, too. But it's—it doesn't mean that from a diversification perspective and from a growth perspective, that you shouldn't be in these markets. Now, we're not perfectly diversified, okay? And so if I had to predict, I would say Asia is going to grow, but I think the point is that, again, for us, it's just really important to participate in growth where we see it, as long as a risk reward makes sense.

Dan Murphy 31:46

And right now, that's the US?

His Excellency Waleed Al Mokarrab Al Muhairi 31:48

And right now, it's the US. But it's Asia, too. You can't ignore Asia. Asia is growing, especially different parts of it.

Dan Murphy 31:55

Anne, weigh in on this as well. Where would you say the best bet is outside of the United States right now? And when you zoom out and think about not the next quarter, but the next decade, what are some of the key themes that you'll be tapping into?

Anne Walsh 32:08

Well, so it's interesting. Last year in Davos, the theme of the year was American exceptionalism. By Liberation Day, that was over, and everybody was running to Europe. But Europe still has structural issues from a regulatory perspective, and so flexibility is going to be important. Diversification is—really remains important. And we find value, particularly in Asia, in equities. I think Japan is continuing to demonstrate that. Where do we go over the next decade—taking the really long view?—is going to be parts of the world which are going to be able to harness the supercycle themes, and that's going to be those that can master and harness artificial intelligence, have power and availability; communications, education, demographics—those are parts of the of the large macro backdrop that are relevant as well. And if we look at developed economies, who don't—they have a definitely a demographic headwind relative to emerging countries and their economies, that's also going to have a very significant impact. Education is also a key element. So when you're looking at these macro backdrop elements, key in on those that will be able to take advantage of and master the opportunity set that is coming.

Dan Murphy 33:35

Tony, your view?

Tony Minella 33:37

You know, I mean, I think broadly, the US and our leadership and technology and innovation is going to drive returns globally over the course of the next 10 years. I think, as you look, you know, outside of the United States, the thing that comes to my mind, and the first country that comes to my mind is Japan, you know. And I think it's really, you know, structural reforms within that society that are going to be able to, you know, continue to drive equity performance there. You've had 401(k) type equivalence. You've had an entire population that's missed out on equity performance and after the crash in the 1980s, you know, you've got their indices now at record highs. And you've got a backdrop there where, you know, the government is incurring—is encouraging structural reforms amongst the conglomerates to be able to

unlock, you know, shareholder value. That sets up for a dynamic and, you know, that I think, you know, they're going to continue to take advantage of, and that's going to drive, you know, outperformance into Japan, you know. Structural reforms in Argentina, I think, have been able to propel, you know, progress there. And so it's, you know, I think it's idiosyncratic to the country, and how the country is going to, you know, embrace, you know, change and position itself, you know, for growth.

Dan Murphy 34:59

Okay, so let's bring it all together with a final question for my panel, and this one's for everyone in the room. What would you say is one thing that investors aren't paying enough attention to right now that they probably should be? And can each of you name one risk that you think could possibly blindside investors in the next 12 months? Tony, I'm going to start with you.

Anne Walsh 35:23

So this is an interesting question. I talk a lot about gray swans, not black swans, because I think in terms of—there's lots of risk, and tail risk continues to increase. Again, we don't happen to currently have that kind of a negative view, i.e., recession in the US and/or around the globe in the same way. But that is something that we have to be thoughtful about, is that—two words that I tend to use that lend themselves to systemic risk; that is, too much leverage and not enough liquidity. And right now, globally, we seem to have a pretty good situation with regard to liquidity availability and not too much leverage, notwithstanding the narrative around data centers and the increasing amount of leverage, but still way far away from it, from the level of systemic, but you often don't know where those come together and converge. And we've seen that in crises in the past, and right now, those might happen in small places—you know, on the fringes?—but not necessarily one that creates the sort of global economic meltdown like we saw in the financial crisis. So those are the tend—you know, at the micro level, what I look for as signs. So canaries and coal mines, if you will.

Dan Murphy 36:50

Tony.

Tony Minella 36:54

It's a hard question, and if I knew the answer, I would be up here. You know, I think, you know, we're in a position, you know, right now that change is inevitable, right? And it's about, you know, how do you adopt and really, you know, adapt to change? You know, is our government, you know, going to be in a position to continue to foster an environment for innovation? Is that going to go, you know, overseas, in terms of, you know, one risk that we might be, you know, overlooked right now? I think, you know, certainly there's big companies that you know, you see, you know, wild swings in the Nvidia stock price after, you know,

Google comes out with their TPU-based chip, and makes people rethink the value proposition of an Nvidia. And what's, you know, I had lost, you know, what, seven, 800 you know, billion dollars of market cap when you're a four and a half billion dollar—trillion dollar market cap company, you know, I guess you can afford that, and you've had the run that they've had. But I think technology changes really quickly. And if I was to bet on companies, I would certainly bet on Elon Musk's ecosystem over ChatGPT. So I would bet on Microsoft, I'd bet on Apple, I'd bet on Google. They're so embedded inside of the ecosystem, and have so much technology advantage right now, and are really doing a great job of integrating AI into their existing ecosystem.

Dan Murphy 38:38

Okay, very interesting. Your Excellency, I'm going to give you the final say. The question was, one thing investors aren't paying enough attention to right now, and one risk you think that could blindside investors in the next 12 months?

His Excellency Waleed Al Mokarrab Al Muhairi 38:50

So I'm going to start with the positive, which is something really interesting that I just read and have been tracking a little bit. And so, if you look at—one of the areas that we invest in is obviously health care, drug discovery, pharmaceuticals, that type of thing. And we started seeing that large Western pharmaceuticals are starting to buy up early-stage drugs from a really interesting place, and you're seeing increased activity of them doing that from China. That never used to happen before. And so that's very interesting, first, because it's never happened before. And second, it means that the quality of the science that's happening in China is really growing in leaps and bounds. And so, prediction: you're going to see over the next two or three years, increased pharmaceutical M&A coming out of China, where Western companies are buying compounds and drugs from. And these are cutting-edge things that are coming out of China. So not to be ignored, I think that's number one. And then a risk that I worry about—not a short-term risk, but certainly a medium-term risk—is you worry about—and I think what's interesting is that everybody mentioned it without using these words—so when you say something like, I worry about the risk of, kind of, technology adoption going at different speeds, at the end of the day—at the heart of that—you're really talking about income inequality, and you're talking about kind of the increase in the haves and the have-nots. And so, even though that's not an immediate thing that, you know, I'm super worried about, I do, I do worry about it over the medium-term. Because you are seeing that different economies and different governments are moving at different speeds. And if we don't keep an eye on that, you're going to get maybe a gray swan or a black swan that has the potential to really upend a lot of different things.

Dan Murphy 40:45

I really enjoyed our conversation. I hope you did as well. Thank you so much for sticking around to listen in, and ladies and gentlemen, please thank this exceptional panel. Thank you, again.

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